



ADG Capital Management LLP

MIFIDPRU 8 Public Disclosure 2022

1. INTRODUCTION AND CONTEXT

The Investment Firms Prudential Regime (IFPR) is the FCA's new prudential regime for MiFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. IFPR came into effect on 1st January 2022, and its provisions apply to ADG Capital Management LLP ("ADGCM or the "firm") as an FCA authorised and regulated firm. ADGCM is a wholly-owned subsidiary of ADG Corporate Ltd. Under IFPR, ADGCM is required to disclose on an individual entity basis and the information in this document relates solely to ADGCM unless otherwise specified.

The public disclosure requirements of IFPR are set out in MIFIDPRU 8, replacing the previous Pillar 3 requirements under the Capital Requirements Regulation ("CRR").

From 1 January 2022, under the FCA's MIFIDPRU regulation investment firms are categorised as either 'small and non-interconnected' (SNI) or non-SNI, ADGCM is a SNI MIFIDPRU investment firm. Additionally, ADGCM is a CPMI on the basis that ADGCM is an AIFM investment firm with a Part4A permission for managing investments. As a CPMI, ADGCM is also subject to the requirements set out in IPRU(INV)11 which, inter alia, set out the requirements of the Alternative Investment Fund Managers Directive ("AIFMD").

As stated, ADGCM meets the criteria for an SNI-firm, however, on a combined basis with the other MIFIDPRU investment firms in the ADG investment group, it is classified as a non-SNI firm. Therefore, this disclosure is produced on the basis that it is a non-SNI firm.

Each year ADGCM will make disclosures on its website following the end of its financial year. For the financial year ending 31 March 2022 ADGCM is making disclosures in line with the FCA's transitional provisions as set out in MIFIDPRU TP12. This remuneration disclosure has been produced in line with the rules set out under CRR.

2. GOVERNANCE

Overview of Governance Arrangements

ADGCM has two governance forums. The designated members, who are set out below, meet together to discuss matters which by law or under the terms of the members' agreement are reserved for their decision only. The Board has delegated certain matters to a management committee, which meets on a quarterly basis with agreed terms of reference. The Board sets out its expectations for the LLP's governance arrangements including segregation of duties and management of conflicts of interest, attitude to risk and statements about its appetite for taking these risks. The Board sets these expectations with due regard to ensuring effective and prudent

management and promoting market integrity and clients' interests. The management committee receives information regarding risk and compliance matters at each of its quarterly meetings, in addition to financial and other metrics.

The Management Committee

The Management Committee has adopted a risk management governance structure, and is responsible for providing review, challenge and oversight of the firm's risks.

The Management Committee is made up of the following LLP Designated Members:

- Andrew Guy: ADG Corporate Ltd- LLP Designated Member
- Dominic Guy: ADG Corporate Ltd- LLP Designated Member
- Julian Woods: ADG Corporate Ltd- LLP Designated Member
- ADG Holdings LLP – LLP Designated Member
- Hasan Abdat – LLP Designated Member

The Management Committee is responsible for the risk management of the firm. All individuals involved with ADGCM shall report to the Committee, and it is consequently the Committee's responsibility to ensure that everyone is aware of their own duties and responsibilities.

The Committee shall also be responsible for the overall management and setting of the business and strategy of the firm. A Committee meeting is held quarterly for regular updates of the business, and is an opportunity for the Committee to make collective decisions on the most important issues facing the business.

Diversity

The Firm recognises that diversity of the Management Committee improves the quality and objectivity of the decision-making process by bringing new voices to the table. It fosters innovation, creativity and a better understanding of customer insights through a greater variety of problem-solving approaches, perspectives and ideas. The firm approaches diversity in the broadest sense, recognising that successful businesses embrace diversity at all levels, including the Management Committee and senior management. The firm's Management Committee considers diversity aspects including but not limited to:

- Ethnicity
- Gender
- Educational and professional background
- Age
- Geographical provenance

Directorships

In accordance with the FCA Handbook (SYSC):

- (1) Directorships within the firm and its parent undertakings are counted as a single directorship; and
- (2) Directorships in organisations which do not pursue predominantly commercial objectives are not included.

Name	Internal Directorship within ADG Group	External Directorship
Andrew Guy	1	2
Dominic Guy	1	1
Julian Royle Woods	1	1
Hasan Abdat	1	1

3. OWN FUNDS

Composition of Own Funds

OF1 - Composition of regulatory own funds		
Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
OWN FUNDS	850	
Tier 1 Capital	850	
Common Equity Tier 1 Capital	850	
Fully paid-up capital instruments	850	
Share premium		
Retained earnings		
Accumulated other comprehensive income		
Other reserves		
Adjustments to CET1 due to prudential filters		
Other funds		
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
CET1: Other capital elements, deductions, and adjustments		
Additional Tier 1 Capital		
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
Additional Tier 1: Other capital elements, deductions, and adjustments		
Tier 2 Capital		

Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM TIER 2		
Tier 2: Other capital elements, deductions, and adjustments		

Reconciliation to audited financial information

The table below shows a reconciliation with own funds in the balance sheet where assets and liabilities have been broken down by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited financial statements.

OF2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		31 March 2022	31 March 2022	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Debtors	2,120,428	2,120,428	
2	Cash at bank and in hand	1,303,292	1,303,292	
	Total Assets	3,423,720	3,423,720	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	2,571,457	2,571,457	
	Total Liabilities	2,571,457	2,571,457	
Shareholders' Equity				
1	Amounts due to members in respect of profits	2,263	2,263	

2	Members' capital classified as equity	850,000	850,000	Fully paid-up capital instruments
XXX	Total Shareholders' equity	852,263	852,263	

Main features of the firm's own funds instruments

Own funds: main features of own instruments issued by the firm
<i>Members Capital Classified as Equity</i>
<ul style="list-style-type: none"> • £850k of paid up, permanent, members capital

4. OWN FUNDS REQUIREMENT

Own Funds Requirements

ADGCM's basic own funds requirement under the IFPR is calculated as the higher of the:

- Permanent Minimum Requirement ("PMR") - The PMR is the minimum own funds a firm must hold, based on the firm's permissions and services – the firm's PMR is £75k;
- Fixed Overhead Requirement ("FOR") - The FOR is calculated as one quarter of a firm's annual fixed expenditure, less allowable deductions- As at 31 March 2022 the firm's FOR was £508k;

In addition to the basic own funds requirement, ADGCM is also required to calculate its additional ongoing own funds requirement. The ongoing own funds requirement requires firms to address any firm specific, residual harms that are not adequately covered by the basic own funds requirement addressed above. This is to ensure that sufficient own funds are held against all sources of harm that the firm can pose.

Similarly, there is also a wind down requirement which addresses ADGCM's requirement under the IFPR to hold the amount of own funds required to support a wind down of the business in an orderly manner.

The above assessments are made through the firm's Internal Capital Adequacy and Risk Assessment process ('ICARA'). The ICARA is prepared with input by subject matter experts from across the business, with guidance provided by the firm's compliance function.

The firm's senior management and the management body is involved in the process, providing oversight and approving the review of the process. The process is reviewed and formally documented on an at least an annual basis - or more frequently where there is a material change in the firm's activities or risk profile.

Following its analysis and assessment of the risks faced by the firm, its risk to the market and to clients, the Management Committee has concluded that the business is and will remain adequately capitalized across the three year forecast period – including under stressed conditions – post the application of specified recovery actions. Alongside the firm's demonstrated own funds and liquidity adequacy, the conclusion of the ICARA is that the business will remain profitable across the forecast period. The ICARA assessment was reviewed and approved by the LLP designated members.

5. REMUNERATION

The firm will rely on the transitional requirements set out under MIFIDPRU TP 12.8 and therefore will continue use of the Pillar 3 disclosures for the reporting period.

ADGCM must comply with the remuneration rules as set out in the FCA's General Guidance on Proportionality: The MIFIDPRU Remuneration Code (SYSC 19A) and Pillar 3 Disclosures on Remuneration (Article 450 of the Capital Requirements Regulations). The firm has established a remuneration policy in accordance with the FCA's rules on Remuneration Code. ADGCM is a SNI MIFIDPRU investment firm, and is not required to appoint a separate remuneration committee. Instead this function is undertaken by the Management Committee. The pay and benefits

of Members is determined by ADG Corporate Limited, taking into account performance and market conditions. The Members' drawings and profit share will be reviewed annually and when a change of responsibility occurs. This will be kept under review and should the need arise, the firm will consider amending this arrangement to provide greater independent review. The Remuneration Codes can (subject to certain conditions being met) be applied in a proportionate way.

Quantitative Information

The firm considers both individual and firm level performance as factors to determine bonus payments. The firm classifies those staff who are senior personnel, and those whose role impact the risk profile of the firm as Code Staff. This will be kept under review and should the need arise, the firm will consider amending this arrangement to provide greater independent review. ADGCM has identified seven staff who have a material impact on the risk profile of the firm; for the financial year to 31 March 2022, the total remuneration for these staff was £1,435,581.