



# ADG Market Making LLP

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## 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 Market Making LLP (“ADGMM or the firm”) as an FCA authorised and regulated firm. ADGMM is a wholly-owned subsidiary of ADG Corporate Limited. Under IFPR, ADGMM is required to disclose on an individual entity basis and the information in this document relates solely to ADGMM unless otherwise specified.

Prior to the implementation of IFPR, ADGMM was authorised as a local firm and was exempt from Pillar 3 disclosure requirements.

ADGMM is authorised and regulated by the Financial Conduct Authority (FRN: 448009) as a non-small and non-interconnected (“non-SNI”) MIFIDPRU Investment firm to deal in investments as principal.

Each year ADGMM will make disclosures on its website following the end of its financial year. For the financial year ending 31 March 2022, ADGMM is making disclosures in line with the FCA’s transitional provisions as set out in MIFIDPRU TP12. This means that disclosures are limited to those relating to governance, own funds and own funds requirements.

### 2. GOVERNANCE

#### 2.1. Overview of Governance Arrangements:

ADGMM 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

Given the size of the firm and its limited number of employees the Management Committee is the only governance forum within the firm. Additional oversight is provided by ADG Corporate Ltd.

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
- Rhys Rogers – LLP designated member

The Management Committee is responsible for the risk management of the firm. All individuals involved with ADGMM 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 and Board of Directors 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 Board of Directors and senior management. The Firm's Management Committee and Board of Directors 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.

<b>Name</b>	<b>Internal Directorship within ADG Group</b>	<b>External Directorship</b>
Andrew Guy	1	2
Dominic Guy	1	1
Julian Royle Woods	1	1
William Rhys Rogers	1	0

## 3. OWN FUNDS

### 3.1 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
<b>OWN FUNDS</b>	<b>1,000</b>	
<b>Tier 1 Capital</b>	<b>1,000</b>	
<b>Common Equity Tier 1 Capital</b>	<b>1,000</b>	
Fully paid-up capital instruments	1,000	
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		
<b>Additional Tier 1 Capital</b>		
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
Additional Tier 1: Other capital elements, deductions, and adjustments		
<b>Tier 2 Capital</b>		
Fully paid up, directly issued capital instruments		
Share premium		

(-) TOTAL DEDUCTIONS FROM TIER 2		
Tier 2: Other capital elements, deductions, and adjustments		

### 3.2 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.

<b>OF2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements</b>				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		As at 31 March 2022	As at 31 March 2022	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>				
1	Fixed Assets - Investments	698	698	N/a
2	Debtors	6,518	6,518	N/a
3	Current Assets - Investments	5,372	5,372	N/a
4	Cash at bank and in hand	1,214	1,214	N/a
	<b>Total Assets</b>	<b>13,802</b>	<b>13,802</b>	N/a
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>				
1	Creditors: Amounts falling due within one year	11,101	11,101	N/a
	<b>Total Liabilities</b>	<b>11,101</b>	<b>11,101</b>	N/a
<b>Shareholders' Equity</b>				
1	Loans and other debts due to members	1,701	1,701	N/a
2	Members' capital classified as equity	1,000	1,000	Fully paid-up capital instruments
	<b>Total Shareholders' equity</b>	<b>2,701</b>	<b>2,701</b>	

### 3.3 Main features of the firm's own funds instruments

The table below provides information on the CET 1 instruments issued by the Firm.

<b>Own funds: main features of own instruments issued by the firm</b>
<b><i>Members Capital Classified as Equity</i></b>
<ul style="list-style-type: none"><li>• £1,000,000 of paid up, permanent, members capital</li></ul>

## 4. OWN FUNDS REQUIREMENT

### 4.1 Own Funds Requirements

ADGMM'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;
- Fixed Overhead Requirement ("FOR") - The FOR is calculated as one quarter of a firm's annual fixed expenditure, less allowable deductions;
- K-Factor Requirement ("KFR") - The KFR has been introduced to calibrate the own funds needed to meet the risks of an investment firm. K-factors are quantitative indicators or factors which represent the risks that an investment firm can pose to customers, market, and the firm itself. The total KFR is calculated as the sum of the Risk to Client, Risk to Market, and Risk to Firm K-factors.

However, under MIFIDPRU TP2 these requirements have been replaced by the transitional provisions available to local firms until 1 January 2027. The alternative requirement for ADGMM is £250k in 2022 – increasing by £100k each year until the end of the transitional period.

In addition to the basic own funds requirement, ADGMM 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 ADGMM'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.