

# **AMALGAMATED METAL TRADING LIMITED**

## **Pillar 3 and Remuneration Disclosure**

*(Please note that this document refers to EU regulation. Following Brexit, all such regulation has been transposed and incorporated into UK legislation and regulation. However, for ease of reference to the more familiar provisions, the EU regulatory references are being retained for the time-being.)*

### **Introduction**

Amalgamated Metal Trading Limited (AMT) is authorised and regulated by the Financial Conduct Authority (FCA) to conduct business under the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012.

In accordance with Article 498 of Regulation (EU) No 575/2013 of the European Parliament and of the Council dated 26<sup>th</sup> June, 2013 (the Regulation), and amended by a corrigendum dated 5<sup>th</sup> December 2019, the Company is exempt from the capital requirements of the Regulation until 26<sup>th</sup> June 2021.

Therefore the Company continues to calculate its regulatory financial resources under the terms of Chapter 3 of the FCA's IPRU (INV) sourcebook. AMT is an Exempt IFPRU Commodities firm as defined in the FCA's handbook.

Article 431 of the Regulation requires Exempt IFPRU Commodities firms to make certain public disclosures to market participants. These are known as Pillar 3 disclosures and this document is designed to meet the Company's Pillar 3 requirements.

### **Disclosure Policy**

The AMT Board of Directors' policy is to review and approve the issue of the Company's Pillar 3 disclosures on an annual basis, unless circumstances necessitate additional disclosures. Disclosures are prepared in conjunction with the preparation of the annual statutory accounts. The current chosen location for public disclosure is the Company's website.

Article 432 of the Regulation allows firms to omit one or more of the disclosures listed if the information provided by such disclosure is not regarded as material, subject to some exemptions. The Regulation similarly, subject to some exemptions, allows firms to omit items of information if the information is regarded as proprietary or confidential. The AMT Executive Directors review any such omissions as part of the overall approval process.

### **Disclosure Basis**

AMT has no subsidiaries. AMT is a subsidiary of Amalgamated Metal Corporation PLC (AMC) and thus a member of the AMC Group. However, there is no UK Consolidation Group under IFPRU 8 of the FCA handbook, nor has there ever been under previous regulations. Consequently this disclosure is made on an individual basis under Article 436 of the Regulation.

## **Disclosure Data**

This disclosure is prepared in conjunction with the annual statutory accounts for the financial year ended 31st December 2020.

## **Governance Arrangements**

The Board of Directors of AMT comprises the executive management and non-executive directors. Other directorships held by AMT's Directors comprise either executive or non-executive directorships within the AMC Group or directorships in organisations which do not pursue predominantly commercial objectives.

The appointment of the Directors by AMC takes in to account their collective knowledge, skills and experience to understand AMT's activities, including the main risks.

AMT and the AMC Group are committed to a policy of Equal Opportunities in all aspects of employment, including selection of members of the management body. This policy is intended to assist AMT to put this commitment into practice. This Equal Opportunities policy shall be applied to all aspects of work, including recruitment and selection, pay and benefits, facilities, promotion, opportunities for training, discipline and selection for redundancy.

It is unlawful to discriminate directly or indirectly in recruitment or employment on grounds of age, sex, gender reassignment, pregnancy, colour, race, nationality, ethnic or national origins, sexual orientation, religion or belief, or because someone is married or is a civil partner. It is unlawful to treat someone less favourably on grounds of disability than others without that disability are or would be treated, unless the less favourable treatment can be justified, or to fail to make reasonable adjustments to overcome barriers to employment caused by disability.

The Board of Directors meets quarterly.

Apart from the Credit Committee mentioned below, there are no other risk committees.

## **Risk Management – Objectives, Policies & Disclosures**

The Company's risk management focuses on the major areas of market risk, credit risk, liquidity risk and operational risk.

Authority flows from the Board of Directors to individual directors of the Company and from them to the business managers who are integral to the management of risk.

The Board of the Company determines the level of risks that the Company is prepared to take. The principal risks facing the business relate to the following:

### Market Risk

Market Risk is the risk associated with adverse movements in the prices of commodities in which the Company holds positions.

Trading limits are established for each trading book, which take into account volumetric and market value considerations, and are subject to regular review.

All exposures are marked to market and monitored against their respective limits on a daily basis.

### Credit Risk

Credit Risk is the risk that a counterparty to a trade will fail to perform an obligation to the firm.

All counterparties are assessed for credit purposes and trading facilities are granted accordingly. Counterparty trading facilities are reviewed at least annually and a credit committee meets regularly to monitor the review process and examine outstanding issues.

All counterparty positions are marked to market at least daily and margin collateral is collected where necessary.

### Liquidity Risk

Liquidity Risk is the risk that the Company will be unable to meet its payment obligations when they fall due. The Company always maintains sufficient liquidity resources, the majority of which are in the form of either cash or funding facilities.

There is a liquidity risk management framework in place and the Company periodically runs a stress test of its liquidity position to affirm that the above statement remains true. A report summarising the results of this test is prepared for senior management.

On a quarterly basis senior management considers if there needs to be any changes to the contingent funding plan.

### Operational Risk

Operational risk, inherent in all businesses, is the potential for financial and reputational loss arising from the failures in internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The regulated environment, in which the Company operates, imposes extensive reporting requirements and continuing self-assessment and appraisal. The Company seeks continually to improve its operating efficiencies and standards.

### **Own Funds**

Own funds comprise the Company's called up share capital and reserves, excluding revaluation reserves. This is augmented, as and when necessary, by the drawdown of part of a subordinated loan facility provided by AMC. There is no set term as to the repayment of the loans drawn down. AMC can withdraw the unutilised portion of the facility by giving 90 days' notice.

At 31<sup>st</sup> December, 2020 the Company's own funds were £26,268,000 comprising:-

Share Capital	£6,000,000
Retained Profit	£20,268,000
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	£26,268,000
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Financial Resources Requirement	£22,465,000
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Excess of Financial Resources	£3,802,000
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**Remuneration Code and Policy**

In addition to the requirement under Article 450 of the Regulation, AMT is subject to the Remuneration Code as set out in SYSC Chapter 19A of the FCA Handbook.

**Remuneration Policy**

AMT's remuneration policy is established and monitored by the Board. It is designed not to encourage risk taking, other than within the parameters approved by the Board, and to operate, in conjunction with AMT's internal control procedures, to promote effective risk management.

AMT falls into proportionality level three, the lowest level, of the FCA's Remuneration Code. The Company adopts the FCA's remuneration principles proportionality rule which takes into account the nature, scope and complexity of its activities. As such, the Company has disapplied certain principles contained within the FCA's code.

**Fixed Remuneration**

Fixed Remuneration is benchmarked to market rates and is proposed according to the level of responsibility, seniority and experience by the Managing Director. It is reviewed at least annually by the Chairman of the Board and adjustments are made to take account of market trends, performance and conduct. Retention factors are also considered.

**Variable Remuneration**

Variable remuneration is in the form of an annual discretionary bonus and is dependent on the profitability of the Company, not on revenues. There is only one bonus pool in which all employees of the Company participate and is allocated according to the appraisal of individual staff members. Both monetary and non-monetary factors are taken into consideration in the appraisal and include individual performance, attitude, conduct, teamwork, fair treatment of clients, the quality of service provided to clients and contribution to the Company's performance, including adherence to its compliance and risk management policies. Retention factors are also considered.

Staff appraisals are conducted annually which, together with further consultation with line managers, inform the decisions for both fixed and variable remuneration.

No bonuses are paid unless the Company makes a net profit before tax, after adjusting for the cost of capital.

## **Remuneration Disclosures**

Article 432 of the Regulation requires the following disclosures:-

- **Aggregate quantitative information on remuneration, broken down by business area**

AMT has only one business area. The Company's aggregate remuneration for the year ended 31<sup>st</sup> December 2020 was £5,657,000.

- **Aggregate quantitative information on Remuneration Code Staff, broken down by senior management and members of staff who have a material impact on the risk profile of the firm**

AMT is a proportionality level three firm as defined by the FCA's Remuneration Code. As such, it is concerned that public disclosure of this information will result in individual information being easily identifiable with no public benefit.

All necessary information will be made available to the FCA on request.

It is the view of the AMT Board of Directors that disclosure of further information is not necessary on the grounds of materiality, given the nature of the Company's business model, as already outlined.