ADU MIFIDPRU 8 Disclosure

1st January to 31st December 2023

April 2024

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Table of Contents

1 Public Disclosure Policy

1.1 Introduction

The Investment Firms Prudential Regime ('IFPR'), implemented in January 2022, requires all MiFID investment firms to make certain public disclosures according to Financial Conduct Authority (FCA) rules, increasing transparency and giving an insight into how the business is run.

Under the IFPR, APEX Depositary UK limited (ADU) is categorised as a non-small and non-interconnected ('Non-SNI') MIFIDPRU investment firm.

1.2 Overview and Governance

The directors of ADU have approved this disclosure document to comply with relevant regulatory requirements and standards.

1.3 Regulatory Background

The public disclosure requirements applicable to ADU as an entity authorised to undertake MIFID regulated activities, are contained in MIFIDPRU 8 of the FCA Handbook, which came into force from 1 January 2022. The disclosure containing both qualitative and quantitative data are made annually, on a solo entity basis or more frequently in the event of a material change.

Based on the Firm's IFPR prudential classification as being a Non-SNI firm, the public disclosure document will be prepared to contain information in relation to remuneration policy and practices, own funds, own funds requirements, governance, risk management objectives and policies.

2 Public Disclosure

2.1 Introduction

The Investment Firm Prudential Regime ('IFPR') is the FCA's prudential regime for MiFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. The IFPR came into effect on 1 January 2022 and its provisions apply to APEX Depositary UK Limited ("the Firm" or "ADU") as an FCA authorised and regulated firm.

2.2 Objectives

This document sets out the public disclosure under MIFIDPRU 8 for the Firm as of December 2022, which is the Firm's accounting reference date.

As a MIFIDPRU investment firm, we must establish and implement disclosure requirements to provide investors, stakeholders, and wider market participants an insight into how the Firm is run.

2.3 Disclosure Timing Requirements

The Firm is required to publicly disclose the information specified in this Policy on an annual basis on the date it publishes its annual financial statements.

The information under MIFIDPRU 8.1 is required to be disclosed by the Firm, will be published on the Firm's website www.apexgroup.com.

The Firm will consider making more frequent public disclosure where particular circumstances demand it, for example, in the event of a major change to its business model or where a merger has taken place.

2.4 Policy and Disclosure Validation

ADU is committed to having robust internal controls to ensure the completeness, accuracy, and compliance with the relevant public disclosure regulatory requirements.

This document has been subject to internal governance and verification process, and approval by the Board in line with the Public Disclosure Policy that the Firm has adopted to ensure compliance with the regulatory requirements contained in MIFIDPRU 8.

As a Non-SNI firm, the public disclosure document will be prepared to contain the following key areas:

- Governance arrangements
- Risk management objectives and policies
- Own funds
- Own funds requirements
- Remuneration policy and practices

3. Remuneration disclosure

MIFIDPRU 8.6.8(7) requires a Non-SNI firm to aggregate and disclose the information in MIFIDPRU 8.6.8(4)(5a)(5b)(6) for senior management and other MRTs, where splitting the information between those two categories would lead to the disclosure of information about one or two people. Where aggregation would still lead to the disclosure of information about one or two people, a firm is not required to comply with the obligation in MIFIDPRU 8.6.8(4)(5a)(5b)(6).

The Firm has concluded that it is not required to disclose this information as it would result in the identification of one or two people.

As a MIFIDPRU investment firm, we must establish, implement, and maintain gender neutral remuneration policies and practices that are appropriate and proportionate to the nature, scale, and complexity of the risks inherent in the business model and the activities of the Firm.

The Firm has adopted a Remuneration Policy that complies with the requirements of Chapter 19G of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook.

3.1 ADU's Approach to Remuneration

The Board of ADU does not consider it appropriate to have a separate remuneration committee due to the size and the nature of the Firm's business activities. The ADU Board therefore reviews the packages and remuneration for compliance with the Remuneration Code. The Firm's remuneration arrangements represent a combination of fixed remuneration and variable remuneration? It is designed to ensure the long-term sustainability of the Firm and to align the interest of the Firm and its employees with those of its clients.

As per the guidance set by the FCA those employees subject to the Remuneration Code are those categories of staff including senior management, staff engaged in certified functions and any employee, whose professional activities have a material impact on the firm's risk profile.

3.2 Performance period

The Firm's performance period is from 1st January 2023 to 31st December 2023.

Approach to remuneration for employees.

The Firm's remuneration approach is designed to support individual and corporate performance, encourage the sustainable long-term financial health of the business, and promote sound risk management for the success of the Firm and to the benefit of its customers, counterparties and the wider market. Our remuneration approach promotes long-term value creation through transparent alignment with the corporate strategy.

The Board believes the Firm's remuneration structure is appropriate for the business and the industry it operates in and is efficient and cost-effective in delivering its long-term strategy.

Our remuneration structure includes provisions that in specific circumstances, allow the Firm to:

- forfeit or withhold all or part of a bonus or long-term incentive award before it has vested and awarded ('performance adjustment' or 'malus'); and/or
- recover sums already paid ('clawback').

Undeserved and excessive remuneration sends a negative message to all stakeholders, including the Firm's workforce, and causes long term damage to the Firm and its reputation.

Financial Incentives objectives

The objectives of the Firm's remuneration practices are as follows:

- The Firm undertakes to reward all employees fairly, regardless of job function, race, religion, colour, national origin, sex, sexual orientation, marital status, pregnancy, disability or age.
- it is the policy of the Firm to operate competitive remuneration policies to attract, retain and motivate an appropriate workforce for the Firm.
- The Firm is also committed to ensuring that its remuneration practices encourage high

standards of personal and professional conduct, support sound risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Firm, and are aligned with the Firm's regulatory requirements.

- Rewards for all staff will be aligned to financial and non-financial performance criteria and risk profile, and in all cases will be in line with the business strategy, objectives, values, culture and long-term interests of the Firm.
- The Firm will not allow any unfair or unjust practices that impact on pay.
- The Firm undertakes that it will not award remuneration using vehicles or methods the aim of which is to attempt to avoid application of the relevant FCA's Remuneration Code.

The Firm uses the following financial incentives:

- Bonuses.
- salary increases.
- professional development opportunities.

Our financial incentives are designed to:

- provide employee satisfaction.
- recognise individual performance.
- attract and retain talent.
- encourage collaborative teamwork.
- motivate staff to achieve Firm-wide objectives.

Material Risk Takes

The Firm has identified MRTs in accordance with SYSC 19G.5 and the qualitative criteria set out in SYSC 19G.5.3R, 19G.5.4RG and SYSC 19G.5.5G.

In addition, as part of this Disclosure Policy, the Firm also draws from the Remuneration Policy which requires us to identify our MRTs on an annual basis. A MRT is defined as a staff member who has overall responsibility and material impact on the risk profile of the Firm.

For the performance year 2023, the Firm identified MRTs, broken down as follows:

MRT Type	Number
The staff member is a member of the management body in its management function	3

The staff member is a member of the management body in respect of the management body in its supervisory function	3
The staff member is a member of the senior management	2
The staff member is a member who has managerial responsibilities for the activities of a control function	2

4 Risk management objectives and policies

4.1 Own funds requirements – MIFIDPRU 4

When assessing the adequacy of the Own Funds Requirement, the Firm has considered the key risks to the Firm's operating model. Due to our prudential classification as a Non-SNI, the Firm's own funds requirement is based on the higher of the Permanent Minimum Requirement ('PMR'), the Fixed Overheads Requirement ('FOR') or the K-Factor Requirement ('KFR'). On this basis, the Firm retained the FOR which at year-end 31 December 2023 is £,'574'

4.2 Liquidity risk - MIFIDPRU 6

The Firm maintains minimum liquidity at all times in compliance with the Basic Liquid Asset Requirement, being at least one third of its FOR. The Firm does not provide any client guarantees and therefore its entire liquidity requirement is driven by its expenses, as captured by the FOR. As part of the Internal Capital Adequacy and Risk Assessment ('ICARA'), the Firm also maintains liquidity to satisfy its net wind-down costs and any additional liquidity requirements which the ICARA identified for supporting the ongoing business activities of the Firm.

4.3 Harms associated with business strategy

The Firm has conducted a comprehensive risk identification exercise of potential harms in line with MIFIDPRU 7 Annex 1 across all business lines to ensure that all significant risks are identified. The Firm has developed a comprehensive Risk Register containing all relevant details for each risk that has been identified. All business areas of the Firm have input into the development of the risk register to ensure all areas of potential harm are identified. All risks recorded in the register are categorised in terms of potential harms to clients, the firm itself or markets. Credit, Market, Operational, Business and Liquidity are categories of risk mapped to potential harms.

Credit Risk

The Firm's exposure to credit risk is the risk that the Firm will suffer financial loss should any of the Firm's clients or counterparties fail to fulfil their contractual obligations. Apex exposure to this risk arises predominantly because of deposits with banks and receivables from clients and the group. This risk is managed through limiting bank deposits to high quality credit institutions and through conducting regular monitoring of receivables from clients. Our appetite for credit risk is low. Credit risk can be a harm to the firm itself.

Market Risk

Market risk arises where fluctuation in value of assets, interest or exchange rates cause a divergence in the value of the assets and liabilities. Our appetite for market risk is low. Market risk can be a harm to clients and the firm itself. Operational Risk Operational risk is the loss resulting from inadequate or failed processes, people, and systems or from external events.

The Firm has undertaken a robust risk identification and scoring exercise across the Firm. This Risk Appetite statement translates into the acceptance of risks that fall within our calibrated Operational Risk Appetite. Any risk rated above our Operational Risk Appetite is deemed to be unacceptable to the Firm and will be addressed as a priority to ensure that it is, through mitigation, able to fall within our Operational Risk Appetite or that additional Capital is assigned. Operational risk can be a harm to clients and the firm itself.

Operational Risk

Operational risk is the loss resulting from inadequate or failed processes, people, and systems or from external events. The Firm has undertaken a robust risk identification and scoring exercise across the Firm. This Risk Appetite statement translates into the acceptance of risks that fall within our calibrated Operational Risk Appetite. Any risk rated above our Operational Risk Appetite is deemed to be unacceptable to the Firm and will be addressed as a priority to ensure that it is, through mitigation, able to fall within our Operational Risk Appetite or that additional Capital is assigned. Operational risk can be a harm to clients and the firm itself.

Business Risk

Business risk arises from: changes in the Firm's business that could impact earnings due to volatile income; or from factors that could risk a firm's business model, or to carry out its business plan and desired strategy. We have assessed our business risks and set out appropriate actions to manage them. Our appetite for business risk is low. Business risk can be a harm to clients and the firm itself. Group Risk Group risk represents the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risk which may affect the financial position of the whole group. ADU is exposed to group risk because of shared services with other firms in the group and interdependencies with the parent. This risk is managed through service-legal agreements between ADU and all APEX entities that provide services to the entity. Group risk can be a harm to clients and the firm itself.

Liquidity Risk

The Firm seeks to ensure that it has constant access to an appropriate level of cash to enable it to finance its on-going operations and reasonable unexpected events on cost-effective terms. Liquidity risk can be a harm to clients and the firm itself.

4.4 Approach to risk management

The management of risk within ADU is formalised and set out in the Firm's risk management and risk appetite framework, and in associated policies. The risk management framework comprises the following components:

• Risk governance including policies and procedure

• Board-defined overall risk appetite, risk statements

• Risk taxonomy

• Risk and control self-assessment

• Capital and liquidity adequacy

• Stress testing

• Monitoring, reporting and management information

• ICARA process review document

The Firm assigns clear roles and responsibilities for managing its identified risks. The Board of the Firm is responsible for the total process of risk management, as well as forming its own opinion on the effectiveness of the process. The Board sets the Firm's risk strategy policies.

The Board is the Governing Body of the Firm. It meets regularly and is composed of:

- Peter Christmas – Non-executive Chair
- Joe Bannister – Non-executive Director
- Alyson Yule – Executive Director / Managing Director, Financial Solutions
- Maria Saul – Executive Director / Depositary Director

The Board decides the Firm's appetite – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the Board ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

Monitoring of risks, reporting to senior management and the Board, and the overall oversight of risk management to ensure effective operation of the Firm are subject to formalised processes and procedures.

4.5 Statement of risk appetite

The Board regards managing risk as a process of continuous improvement. The Firm continuously undertakes a programme of enhancing its existing Risk Management Framework. The Board has
adopted a conservative approach to the Firm's risk appetite to maintain a strong capital position, liquidity, and balance sheet throughout market cycles. Risk is a fundamental

characteristic of the Firm's business. ADU is committed to ensuring all business activities are conducted with a clear understanding of the risks, to maintaining a robust risk management framework, ensuring transparent disclosure, treating its clients fairly, and to meet the expectations of major stakeholders, including clients, employees, and regulators.

In line with the Firm's business strategy, risk appetite and risk management framework, the Firm identified and further assesses key risks within the Firm's ICARA process. ADU maintains a Risk Register, which includes risk assessment and rating methodologies in accordance with its risk appetite.

Key risks are reported to the Board at each meeting.

5. Governance arrangements disclosure

5.1 Governance Framework

The Board is the Governing Body of the Firm ('the Board'). It meets regularly and is composed of:

- Peter Christmas – Non-executive Chair
- Joe Bannister – Non-executive Director
- Alyson Yule – Executive Director / Managing Director, Financial Solutions
- Maria Saul – Executive Director / Depositary Director

The role of the Board is to provide oversight and take responsibility for the strategic leadership of the Firm within a framework of good corporate governance and prudent and effective controls which enables risk to be assessed and managed, including appropriate segregation of duties of the Senior Management Functions in accordance with the Senior Management and Certification Regime ('SMCR') and management of conflicts of interest. The Board sets the structure in place for the Firm to meet its objectives and reviews management performance. The Board sets and oversees the Firm's values and standards and ensures that its obligations to its shareholders, its clients and others are understood.

The Firms seeks regulatory approval prior to appointments to the Board under the SMCR. All Board members are registered and listed on the FCA Register. Responsibilities are allocated to Senior Managers under the SMCR regime, and these are reviewed annually to ensure consistency with the business of the Firm including responsibility for client assets.

5.2 Overview of the Board Committees

All members of the Board are directors of ADU. The purpose of the Committees with there respective scopes of duties and responsibilities are formalised in the Committee's Terms of References.

Audit and Risk Committee

The Audit and Risk Committee acts under the authority of the Board and will be responsible for: -

(i) Assisting the Board in carrying out its responsibilities relating to audit and risk policies,

(ii) internal control, and financial reporting functions.

(iii) Report and make recommendations to the Board, identifying any matters within its remit in respect of which it considers that further action/ approval is required.

(iv) Minutes of the Committee meeting will be made available to the Board.

(v) At least annually, review and reassess the adequacy of the Terms of Reference by carrying out an assessment of its own performance and recommend to the Board any changes that are deemed necessary or desirable.

(vi) Assisting on such other matters as may be referred to it by the Board In addition to the foregoing responsibilities, The Audit and Risk Committee will carry out in addition to the foregoing responsibilities any other responsibilities assigned to it by the Board from time to time and will take any actions or carry out any other responsibilities as may be necessary to comply with the FCA's rules and regulations and any applicable law in the country of jurisdiction.

Remunerations and Appointments committee

The Board of ADU may appoint a Remuneration and Appointments Committee ["RAC"] whose purpose is to oversee the implementation of the appointments and remuneration plan of ADU's Board of Directors as agreed with the shareholders – the Apex Group Ltd. The RAC will review all selection procedures, standards, and qualifications of the ADU's senior management and other key staff involved in the operations. The RAC will also make recommendations on the ADU's appointment and remuneration policies and plans as may be necessary.

5.3 Directorships

The following information relates to the appointments of ADU's Directors as at 31st December2023, including any Directorships held at external, commercial organisations:

SMF Function/Role	*Name*	*Number of other external directorships*
SMF3	Maria Saul	0
SMF3	Alyson Yule	1
SMF9	Peter Christmas	3

The Firm values the innovation and creativity that diversity of thought brings to the organisation and understands that diversity, equality and inclusion play a critical role in establishing strong governance and maintaining a healthy culture from the top as part of delivering higher standards of conduct and success of the Firm.

The Firm is committed to building a workforce that reflects all aspects of diversity and intersectionality to bring a range of perspectives, ideas and insights to everything the Firm does.

One of the company's objectives is to ensure that the composition of the Board is always suitable for it to be an effective decision-making body and to provide successful oversight and stewardship. Suitability of members of the Board is reassessed periodically, in line with the requirements of the SM&CR.

The Directors are appointed in accordance with the following suitability criteria:

- Being of good repute.
- Being able to act with honesty, integrity and independence of mind.
- Overseeing, monitoring and challenging management decision-making effectively.
- Disclosing any financial or non-financial interests that could create potential conflicts of interest.
- Possessing sufficient knowledge, skills and experience to perform their duties.
- Being able to commit sufficient time to perform management body functions in a supervisory context.
- Not being restricted from taking up the position by any regulatory requirement.

The assessment of an individual's adequate knowledge, skills and experience will consider:

- The role and duties of the position and the required capabilities.
- The knowledge and skills attained through education, training and practice.

- The practical and professional experience gained in previous positions.
- The knowledge and skills acquired and demonstrated by the professional conduct of the member of the Board.
- The Board's approach to Diversity, Equity & Inclusion and the approach to social responsibility to the community is of high importance.
- At ADU, we strive to create sustainable value and help investors seek more meaningful returns. Corporate social responsibility principles are part of our culture and decision-making process.
- We take a consultative approach focused on building long-term relationships and solving business problems.
- We believe that it's our civic responsibility to help improve the quality of life in the communities where we live and work.
- In the UK office we support our charity
- Fostering a diverse and inclusive workplace is central to our commitment to social impact, and to creating a culture built on innovation and diversity of thought. This is underpinned by our 5 pillars of Governance, Data & Measurement, Cultural Diversity.

6 Own funds disclosure

6.1 Composition of Regulatory Own Funds

The Firm's own funds consist of CET1 capital. As at the Firm's financial year end on 31 December 2023, the Firm complied with all capital requirements

Composition of regulatory own funds			
Item		Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	Own funds	24,903	Equity 2023 FS
2	TIER 1 CAPITAL	24,903	Equity 2023 FS
3	COMMON EQUITY TIER 1 CAPITAL	24,903	Equity 2023 FS
4	Fully paid-up capital instruments	210	Equity 2023 FS
5	Share premium	206	Equity 2023 FS
6	Retained earnings	24,522	Equity 2023 FS
7	Accumulated other comprehensive income		
8	Other reserves		

9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER1	-35	Intangible Asset 2023 FS
19	CET1: Other capital elements, deductions and adjustments	-35	Intangible Asset 2023 FS
20	**ADDITIONAL TIER 1 CAPITAL**	0	
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	**TIER 2 CAPITAL**	0	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	**(-) TOTAL DEDUCTIONS FROM TIER 2**	0	
29	Tier 2: Other capital elements, deductions and adjustments		

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Flexible template - rows to be reported in line with the balance sheet included in the audited Financial statements of the investment firm. Columns should be kept fixed, unless the investment firm has the same accounting and regulatory cope of consolidation, in which case the volumes should be entered in column (a) only. Figures should be given in GBP thousands unless noted otherwise.				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Non-Current Assets	35		
2	Cash	350		
3	Trade & Other Receivable	25,015		
4				
5				
xxx	**Total Assets**	25,400		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade & Other Payables	462		
2				
3				

4				
xxx	**Total Liabilities**	462		
Shareholders' Equity				
1	Share Capital	210		
2	Capital Contribution	205		
3	Retained Earnings	24,522		
xxx	**Total Equity**	24,938		

Own funds: main features of own instruments issued by the firm
Free text. A non-exhaustive list of example features is included below
Company has no own investments.
Examples
Public or private placement
instrument type
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)
Nominal amount of instrument
Issue price
Redemption price
Accounting classification
Original date of issuance
Perpetual or dated
Maturity date
Issuer call subject to prior supervisory approval
Optional call date, contingent call dates and redemption amount
Subsequent call dates, if applicable
Coupons/dividends
Fixed or floating dividend/coupon
Coupon rate and any related index
Existence of a dividend stopper
Convertible or non-convertible

Write-down features	
Link to the terms and conditions of the instrument	

7 Own funds requirements disclosure

7.1 Own funds requirement

The Firm is required to disclose the K-factor requirement ('KFR') and the fixed overheads requirement ('FOR') amounts in relation to its compliance with the own fund's requirements set out in MIFIDPRU 4.3, based on the audited financial statements for the year ended 31 December 2023.

Based on ADU's regulatory permissions, the single K-factor that applies to the Firm relates to the 'Risk to client' type of the K-factor methodology, the K- AUM

	£,' 000
K-AUM	£,' 000
FOR	£,' 574

7.2 Compliance with Overall Financial Adequacy Rule

In line with the provisions relating to the Overall Financial Adequacy Rule ('OFAR') set out in MIFIDPRU 7.4.7R, ADU is also required to disclose its approach to assessing the adequacy of the Firm's own funds.

ICARA process

Within the annual ICARA process, the Firm is required to identify and assess the following:

- any material/key risks that arise from its activities.
- any material harms that may be caused to the clients, the market or the Firm itself as a result of its activities; and
- whether, at all times, the Firm has sufficient own funds and liquid resources to meet the Overall Financial OFAR.

The OFAR requires that the Firm holds own funds and liquid assets which are adequate (both in amount and quality) to ensure that:

- the Firm can remain financially viable throughout the economic cycle and be able to address any material potential harm; and

- the Firm's business can be wound down in an orderly manner with minimal impact on
- consumers and other market participants.

The process of embedding the ICARA process within the Firm has been completed and the adequacy of the ICARA process will be reviewed on an annual basis thereafter, or more frequently, should there be any material change to the business risk profile or business model.

The ICARA process encompasses various aspects of internal governance with a particular focus on:

- identification, monitoring and mitigation of harms.
- business model planning and forecasting.
- recovery and wind-down planning; and
- assessing the adequacy of financial resources; and
- assessing the overall effectiveness of the risk management of the Firm.

As part of the ICARA process, the Firm establishes its own funds threshold requirement and its liquid assets threshold requirement to comply with the OFAR and to ensure the Firm can remain viable, addressing any potential harm from ongoing activities, and can wind-down in an orderly way. For harms not adequately mitigated through existing systems and controls, the Firm assesses whether additional own funds and/or liquid assets are required.

The recovery action planning contains appropriate recovery actions to restore own funds and/or liquid resources to avoid breaching threshold requirements and early-warning-indicators ('EWIs') to assist the Firm when approaching trigger levels and set out credible actions to help reverse or repair any adverse trends.

The wind-down planning includes triggers (own funds and liquid assets) and timelines. The Firm considers different scenarios that could cause a need to wind-down the business. These underlying drivers could result in the need for different resources (financial and non-financial) during the wind-down period. The Firms sets resources aside so that sufficient own funds and liquid assets are available at all times to enable an orderly wind-down.

Risk management

ADU maintains a Risk Register which contains the main risks of the Firm, based on its the activities, but also based on the type of events that are recorded in incident databases. The risk register also contains information about the mitigations and controls, to assess net impacts and probabilities of relevant material risks.

Each risk within the Risk Register is cross-references to possible ICARA harms (client, market, firm) and assessed to determine its materiality to the Firm. It also includes a description of the controls put in place to mitigate the risk.

ADU's risk appetite defines the risk types, the Firm's material risks and the tolerances that the Firm is prepared to accept in pursuit of its strategic objectives and business strategy, taking into account the interests of its clients and shareholders, as well as own funds and other regulatory requirements.

The Firm's overall risk appetite must be such that its own fund and liquidity requirements, as captured in the ICARA process, are maintained within its risk bearing capacity or capital resources. The most material risks identified in the Risk Register are assessed to determine appropriate own funds and liquidity reserves. Regular stress testing and scenario analysis is undertaken to ensure these reserves are sufficient to meet current and future obligations under a variety of stressed conditions.

Own funds adequacy

ADU assesses the adequacy of its own funds on a regular basis against a variety of own funds requirement assessments. In maintaining the Firm's own funds requirements within the risk appetite, Early warning Indicators ("EWIs") have been established. These are agreed as part of the annual own funds planning process and reviewed annually.

Liquid assets adequacy

The Firm has an established liquidity risk management framework based on the Firm's approved liquidity risk appetite in order to ensure that:

- the basic liquid asset requirement ('BLAR') is met; and
- the liquid assets threshold requirement is determined.

The Firm further assesses its compliance with liquid asset threshold requirement which is based on the sum of BLAR and an additional liquid asset requirement determined during the ICARA process, to ensure liquidity adequacy in stressed conditions and during an orderly wind-down as part of its OFAR compliance from a liquidity perspective.

Liquidity risks are identified through ongoing liquidity management and monitoring, which contribute to the development of the Firm's liquidity risk management framework and formulating stress testing scenario design and key assumptions.

The Firm's monitoring and reporting of its liquidity position is undertaken through established reporting against the key liquidity metrics. Any triggers or breaches would be escalated in line with the escalation framework.