MIFIDPRU Public Disclosure 2022

AMT Futures Limited

28th July 2023

AMT Futures Limited - MIFIDPRU Public Disclosure

For the year ended 31 December 2022

Contents

1. Executive Summary

This document presents AMT Futures Limited's ("AMTF", "the Firm" or "the Company") risk management arrangements, capital requirements and remuneration disclosures.

As at 31 December 2022 the Firm's total capital resources were £1.18 million (2021: £1.24 million). This exceeds the Firm's minimum Own Funds Requirement of £0.52 million by 226%.

This document should be read in conjunction with AMTF's Financial Statements for the year ended 31 December 2022. Amongst other things these set out detail about the Firm's business, the markets in which it operates and its strategy.

2. Background

AMT Futures Limited is authorized and regulated as an investment firm by the Financial Conduct Authority ("FCA") in the UK. As an investment firm, the Company is subject to the FCA's Investment Firm Prudential Regime which makes up the MIFIDPRU prudential sourcebook of the FCA Handbook.

AMTF is part of the Amalgamated Metal Corporation PLC (AMC) Group.

The Firm has been classified as a non-SNI investment firm under MIFIDPRU, as it does not meet all the criteria for being an SNI firm set out in MIFIDPRU 1.2. The Firm is subject to the full scope of MIFIDPRU requirements, including these public disclosure obligations.

The Firm has produced this Public Disclosure Document in line with the rules and requirements of MIFIDPRU 8, as applicable to non-SNI firms. This document has been prepared based on the audited financial statements as at 31 December 2022, covering the financial period 1 January 2022 to 31 December 2022.

The Company complies with the public disclosure requirements on an individual basis, as the Directors have determined, and taken independent legal advice, that the Company is not part of an investment firm group under the rules of MIFIDPRU.

The purpose of this Public Disclosure Document is to provide information to the public on the Firm's risk management objectives and policies, its own funds and own funds requirements and its remuneration policies and practices. The level of detail provided is proportionate to the Firm's size, internal organisation, and the nature, scope, and complexity of its activities.

The Firm will update this Public Disclosure Document at least annually when it publishes its statutory accounts. The Firm will also update this Public Disclosure Document more frequently if there are any material changes in its risk profile or financial situation.

The Firm will publish this Public Disclosure Document on its website www.amtfutures.co.uk and retain it for at least five years after publication.

3. GOVERNANCE STRUCTURE AND RISK MANAGEMENT

AMTF aims to be caring, fair and progressive. These core values underpin AMTF’s governance structure and risk management to ensure it acts in the best interests of its clients and gives due consideration to the integrity of the market and the interests of other stakeholders.

3.1 Risk Management Objectives and Culture

Risk is an inherent part of AMTF’s business. The Board recognises the need to understand the risks the Firm faces in its businesses and the industry in which it operates and how to manage them effectively. The role of management is to balance these risks and make the best use of AMTF’s resources, both human and capital, so that the Firm can deliver on its strategy. AMTF needs to do this to deliver increased earnings, business performance and shareholder value, at the same time as maintaining its excellent reputation for customer service and operating in line with its values and culture, as well as laws and regulations. At the forefront of this is safeguarding AMTF's clients’ interests, reducing the potential for harm and ensuring they have good outcomes.

Since the introduction of the FCA’s Investment Firm Prudential Regime on 1 January 2022, the firm now follows the Internal Capital Adequacy and Risk Assessment (ICARA) process as stipulated within the MIFIDPRU prudential sourcebook. The Company has a risk management framework which has the following objectives:

- align the business strategy and risk appetite;
- take advantage of business opportunities i.e., with a good risk/reward balance;
- pursue business objectives through transparent identification and management of acceptable risk;
- focus the control activity on the areas of the greatest risk to achieving the Firm’s strategic goals;
- act promptly to fix any weakness and failure in the Firm’s processes and systems;
- be satisfied that the capital and liquidity held by AMTF is sufficient to deal with risks that the business is exposed to; and
- above all, adopt a truly client-centric approach to the way the Firm runs its business and manages risks, as required under the FCA’s new Consumer Duty which takes effect from 31 July 2023.

The risk governance framework supports these outcomes, as it provides structure to ensure that the Firm takes informed risks and makes decisions in the light of its overall strategic objectives.

AMTF has developed and implemented its risk management framework to help bring together all the elements required to manage and ensure a consistent and effective approach to risk management across the Firm. The key components of the framework are outlined below. AMTF will continue to strengthen the framework and embed it in the fabric of the organisation over the coming year.

Risk appetite

Once we have identified risks, we set an appetite for each material risk. AMTF’s risk appetite articulates the type and quantum of risk that the Firm is able and willing to accept in pursuit of its strategy and business objectives. Risk appetite is based on qualitative statements which articulate the risk-taking intent of the Firm. It is supported by quantitative limits and controls.

The Risk Appetite Statement is reviewed and approved at least annually by the Board following review by the Finance & Risk Committee which recommends the risk appetite and monitors adherence to it.

Risk policies

The risk policies define the Firm's approach to monitoring and controlling risk, so as to ensure it is only exposed to risks that are within the risk appetite.

Risk identification and assessment

All staff are responsible for identifying and assessing the risks in their respective areas. There are a number of risk management tools and processes available to aid them in this task, including risk event reporting, risk and control self-assessments and scenario workshops.

Risk monitoring and management

Having set the risk appetite, we can assess the impact and probability of each material risk against the agreed risk appetite. This can include the quantification of capital risk as part of the ICARA process.

We also assess the effectiveness of controls in reducing the probability of a risk occurring or, should it materialise, in mitigating its impact.

Additional actions

Where differences exist between our risk appetite and the current residual risk profile, we take action either: to accept, avoid or transfer part or all of those risks which are outside our risk appetite; or to reconsider the risk appetite.

Reporting

The ongoing reporting of risks to senior management, the Finance and Risk Committee and the Board provides insight to inform decision-making and allocation of resources to achieve business objectives.

3.2 Key Risks

The table below details the main categories of risks and summarises some of the strategies and processes that are used to manage these risks and reduce the potential for harm.

Table 1: Key Risks

Risk	Definition	Strategies and Processes
Business Model & Strategy	The risk that the business model and strategy do not respond in an optimal manner to changing market conditions such that sustainable growth, market share or profitability are adversely impacted.	Stress testing and reverse stress testing are undertaken as part of the ICARA to assess their impacts on the business model and strategy. The Board considers emerging and top risks to the business as part of the Firm's strategic plans.
Liquidity	The risk that the Firm, although solvent, either does not have available sufficient liquid resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.	The Firm ensures it always ensures it has sufficient funds to meet its liabilities as they fall due. Liquidity risk framework and stress testing.

Credit and Counterparty	The risk that clients or counterparties fail to fulfil their contractual obligations.	AMTF does not offer any lines of credit to clients, therefore its exposure to credit risk resides in the failure of its clients and counterparties to fulfil their contractual obligations. Assets will only be placed and maintained with authorised institutions. Counterparties are reviewed at least annually and given defined exposure limits. Breaches of any counterparty limits without approval must be escalated immediately.
Operational & Infrastructure	The risk that a material failure of business processes or IT infrastructure may result in unanticipated financial loss, harm to customers or reputational damage.	Operational resilience framework in place to maintain the continuity of important business services. Proactive identification, mitigation and oversight of non-financial risks. Constructed framework of internal controls to minimise the risk of unanticipated financial loss or potential harm.
IT and Cyber Security	The risk that AMTF's system infrastructure is breached by external counterparties with or without malicious intention. Possible breaches could involve data theft, ransomware or a shutdown of systems.	A set framework to prevent and detect unauthorized access attempts to the Firm's business systems. Confirm our parent company, with whom we have an outsourcing arrangement to provide an IT infrastructure to the Firm, has developed systems which are resilient to current and emerging threats and maintains a rolling programme of activity which is informed by the day-to-day experience, threat intelligence and any emerging vulnerabilities identified. This is effected by regular service reviews.
Legal & Regulatory	Legal and regulatory risk is defined as the risk of exposure to legal or regulatory penalties, financial forfeiture and material loss due to failure to act in accordance with industry laws and regulations.	The risk is monitored and managed by emphasis on compliance with all aspects of relevant regulation, including those of the FCA. AMTF monitors changes in the regulatory and legal agenda and has formal projects for major changes to ensure their successful implementation. The Firm runs programmes to ensure all policies, operating procedures and processes are compliant with any new significant regulatory change requirements.

3.3 Governance Arrangements

AMTF has established a structured approach to governance and risk management, ensuring an effective level of alignment between oversight and management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for the Board and its governance framework including its committees, control committees and functions and the executives. AMTF's governance structure ensures that risks are identified and then only taken within approved risk appetite levels, such that there is a clear delineation between risk taking and oversight responsibilities. Roles and responsibilities are organised across the Company in adherence to the 'three lines of defence' model to ensure appropriate levels of segregation, as detailed in section 3.6 below.

In order to facilitate effective and prudent management of AMTF, the Board (through its governance framework), oversees the running of the business, implements strategic objectives and realises competitive business performance. It does this in line with AMTF's risk management framework, conflicts of interest policies, compliance policies, internal control systems and reporting requirements.

The Board

The Board provides leadership and has oversight responsibilities which are driven by the nature of the business and regulations for which AMTF has FCA permissions. The Board is ultimately accountable for risk management and regularly considers the most significant risks and emerging threats to its strategy and objectives via the ICARA process.

The Board delegates day-to-day responsibility for managing risk across the business to the Managing Director and his senior management team.

The Board meets at least four times a year and on an ad-hoc basis as required to review financial performance and strategy.

The Board composition is a balance between executive and non-executive appointments with Directors challenging ideas, strategies and risk frameworks to ensure that AMTF acts with integrity and in the best interest of its clients.

As at 31 December 2022, the Board comprised:

D.S Sher	Chair
H.Michie	Non-Executive Director
J.H. Proudlock	Managing Director
P.G. Bromley	Finance Director
A.R. Bibby	Chief Operating Director

Other than executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives, or executive and non-executive directorships held within the AMC Group, none of the above directors hold any other directorship.

3.4 Governance Committees

The Board level governance committees and their oversight responsibilities are summarised below. Below Board level, the senior management team is responsible for the day-to-day management of the business, under the authority of the Managing Director, and is supported by a number of control committees (reporting into the Managing Director). These ensure a segregation of duties and provide for a review of key risks and for the development of risk management and mitigation strategies.

- **Finance and Risk Committee**: responsible for ensuring an effective internal control and risk management environment is maintained in respect of the risks impacting the business and advising the Board on related risk matters. The Finance and Risk Committee meets once a month and on an ad hoc basis as required.
- **Governance and Compliance Committee**: responsible for assisting the Board to fulfil its corporate governance and oversight responsibilities in relation to relevant codes, laws, regulations and policies affecting the Company.
- **Remuneration Committee**: responsible for assisting the Board in ensuring its remuneration policy and practices are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements, and ensuring that executive remuneration is aligned to company purpose and values and linked to the delivery of its long-term strategy. This committee comprises the Chairman of the Board, the Managing Director and the AMC Group HR Manager. No Director plays a part in any discussion about their own specific remuneration. The Remuneration Committee meets formally once a year and on an ad hoc basis as required.

3.5 Diversity Policy

AMTF values diversity and has a culture that encourages inclusion for all staff including senior management and Directors.

AMTF affirms its commitment to equal opportunities and giving full and fair consideration to applications for employment made by disabled persons. This also applies to the Company's Board.

3.6 Three Lines of Defence

All individuals have responsibility for understanding and managing risks under their control and stewardship. Senior management has additional responsibility for maintaining the systems of internal control and reviewing their effectiveness. These responsibilities are clearly apportioned and documented in job descriptions and performance objectives.

AMTF has implemented a 'three lines of defence' model to manage risk and provide assurance to management and the Board with regards to the effectiveness of the Firm's control environment.

1st line of defence	The first line of defence is the business itself; each staff member has primary responsibility for managing risk, identifying control deficiencies and implementing remedial action plans to prevent the occurrence of control failures and the materialisation of risks.
2nd line of defence	The second line of defence comprises the Credit Control function and the Compliance function. The Credit Control function is responsible for monitoring client margin calls and collateral positions and exceptions, and escalating any issues to the Managing Director/Finance Director. The Compliance function is principally responsible for drafting the majority of the Company's policies and ensuring that these reflect all applicable rules and guidance set out by the FCA. In addition, the Compliance function implements and follows a detailed monitoring programme covering the key business and operational areas of the business. This involves monitoring adherence by each area to the Company's policies and procedures, limits and the relevant regulations. The Compliance function will present the results of its monitoring process in an Annual Compliance Report to the Board. In addition, the CASS function also provides second line of defence on all clients' dealings/transactions.
3rd line of defence	The third line of defence is the provision of independent assurance by the AMC Group Finance function. In addition, group oversight and challenge is provided by: (1) The AMC Group Managing Director and Finance Director who are both non-executive directors of AMTF. Monthly meetings are held with senior executive management including quarterly AMTF board meetings; (2) The AMC Group Risk function also provides oversight, particularly in the area of credit risk.

4. Own Funds

The Firm's Own Funds is set out in Table 2 below.

Table 2: Regulatory Own Funds

	Item	Amount (£'000)	Source based on reference numbers/ letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	1,183	
2	**TIER 1 CAPITAL**	1,183	
3	**COMMON EQUITY TIER 1 CAPITAL**	1,183	
4	Fully paid up capital instruments	1,000	Called up share capital
5	Share premium	-	
6	Retained earnings	271	Retained profit
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 TIER 1	(88)	Total regulatory deductions - Intangible assets, deferred tax asset
19	CET1: Other capital elements, deductions and adjustments	(2)	Deferred tax asset

The Firm does not have any Additional Tier 1 capital or Tier 2 capital.

The following table reconciles regulatory own funds to the balance sheet in the financial statements. Figures are given in GBP thousands.

Table 3

		Balance sheet as in published/ audited financial statements	Cross- reference to Table 2
		As at year end	**As at year end**
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*			
1	Intangible assets	88	Item 11
2	Tangible assets	10	
3	Deferred tax asset	2	Item 19
7	Other debtors	599	
8	Cash at bank	1,028	
	Total Assets	1,727	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Trade and other payables	448	
2	Current tax liabilities	2	
	Total Liabilities	450	
Shareholder's Equity			
1	Called up share capital	1,000	Item 4
3	Retained profit	277	Item 6
	Total Shareholders' equity	1,277	

5. OWN FUNDS REQUIREMENTS

The Firm's overall regulatory capital requirements are determined after performing Own Funds capital calculations and assessing any Additional Own Funds Capital Requirements through the ICARA process.

The Firm's Own Funds Requirement is calculated as the higher of the Permanent Minimum Capital Requirement, the Fixed Overhead Requirement and the K-factor requirement, being the sum of the K-CMH, K-ASA, K-DTF, K-NPR requirements.

During the year ended 31 December 2022, the Firm maintained surplus capital resources at all times to satisfy minimum capital requirements.

A summary of the Own Funds Requirement is set out below:

Table 4: Own Funds Requirement

	As at 31 December 2022 (£'000)
Permanent Minimum Capital Requirement	190
K-factors	
K-CMH (Client Money Held)	66
K-ASA (Assets Safeguarded)	39
K-DTF (Daily Trading Flow)	3
K-NPR (Net Position Risk)	13
Sum of K-factors	121
Fixed Overhead Requirement	523

The Firm concluded that, as at 31 December 2022, it did not require an Additional Own Funds Requirement. The Firm's Own Funds Requirement is therefore £523,000.

6. Approach to Assessing Own Funds and Liquid Assets Adequacy

MIFIDPRU requires the Firm to assess its capital and liquidity requirements to ensure compliance with the Overall Financial Adequacy Rule ("OFAR"). This is performed on an ongoing basis by looking at all capital requirements, which includes the Own Funds calculations as set out above, the ICARA assessments and wind down calculations, as well as monitoring levels of liquid assets against both FCA and internal risk tolerance thresholds.

ICARA assessments of capital needed to mitigate harms to client, firm and markets are performed using a combination of scenario-based capital models, stress tests using 'severe but plausible' events, and a wind-down assessment that demonstrates the Firm has sufficient own funds and liquid assets to wind down its regulated activities in an orderly manner.

Liquid assets monitoring is performed using forward-looking assessments, as well as liquidity-specific stress tests to calibrate internal thresholds.

The Firm has complied with OFAR requirements at all times during the year ended 31 December 2022.

7. Remuneration Policy and Practices

The Remuneration Disclosure for the period 1 January 2022 to 31 December 2022 provides aggregated information on all staff that have a material impact on the Firm's risk profile.

7.1 Policy

The Policy and the Company's general incentive structures reflect the objective for good corporate governance, market integrity and a responsible approach towards good outcomes for clients within a regulated environment, as well as sustained and long-term value creation for the shareholder. In addition, it is intended that:

- the Company is able to attract, develop, motivate and retain high-performing individuals in a competitive market;
- employees are offered a market aligned remuneration package with fixed salaries being a significant remuneration component; and
- staff feel encouraged to create sustainable results and to operate in a professional and appropriate manner and there is alignment of interests among shareholders, clients, staff, and relevant third parties.

The Policy and the Company´s general incentive structures focus on personal performance and ensuring sound and effective risk management through:

- a governance structure for setting objectives from the senior management team downwards and the communicating of these objectives and individual goals to staff via a balanced appraisal system and other communication channels; and
- alignment with the business strategy, risk appetite and strategy, the Company's culture and values, including appropriate conduct requirements to ensure good outcomes for clients and market integrity, key priorities and long-term objectives including the maximum variable remuneration elements in each annual budget to ensure adequacy of capital and cash flow.

The Policy and the Company´s general incentive structures are consistent with the Company´s long term strategy of becoming a leading consumer finance brand as defined in the overall business strategy, the risk strategy and the risk appetite across all areas.

The Policy and the Company´s general incentive structures are intended to ensure transparency in respect of the Company´s reward strategy. As a general rule, each individual is set specific objectives by their manager, which are set in accordance with the Company´s overall strategy, risk parameters and applicable regulations. The Company has established bonus procedures and remuneration guidelines in which the Company's incentive schemes and procedures are articulated.

Remuneration Committee
The Company's Remuneration Committee is described in Section 3 above.

Eligibility for variable remuneration
All employees are eligible to receive variable remuneration.

7.2 Material Risk Takers

Material Risk Takers ("MRTs") are determined by reference to the MIFIDPRU Remuneration Code (SYSC 19G.5), which sets out detailed qualitative and quantitative criteria.

In the context of the Company's activity, the list has been defined so as to include:

- Executive Directors (three employees)
- Other members of the senior management team who have managerial responsibilities for a desk which carries out regulated activities (one employee)

7.3 Risk Profile

This is explained in section 3.

7.4 Remuneration Components and the Strategic Goal underpinning them

Fixed remuneration

Base salary

This is the core element of pay and reflects the individual's role and position within the Company, with some adjustment to reflect their capability and contribution.

Pension

Designed to aid retention and to remain competitive within the marketplace.

Variable remuneration

Bonuses

All staff, including Executive Directors, are entitled to receive annual discretionary bonuses based on profitability and performance against objectives, and this is overseen by the Remuneration Committee.

When assessing individual performance to determine the amount of variable remuneration to be paid to an individual, the Company gives a significant weighting to non-financial (conduct) criteria. This forms a significant part of the performance assessment process, and may completely override financial criteria, where appropriate. It includes, but is not limited to, how far the individual adheres to effective risk management and complies with relevant regulatory requirements.

All bonuses are paid in cash although they are subject to risk adjustment as described below.

7.5 Risk Adjustment in Variable Remuneration

Malus/clawback

All variable remuneration, where appropriate, will be subject to deferral, malus and clawback.

Malus/clawback provisions apply to the whole of any variable reward until the end of a deferral period. An award can be reduced in later years in exceptional circumstances such as:

- material misstatement of accounts; or
- where the employee:
  - participated in or was responsible for conduct which resulted in significant losses to the Firm; and/or
  - failed to meet appropriate standards of fitness and propriety, for example through:
    - action that causes material reputational damage to the Company
    - in the event of material regulatory censure
    - breach of FCA Conduct Rules
    - formal disciplinary warning; or
- Any other circumstances outlined in the FCA handbook.

Malus applies until payment and clawback applies until the end of the deferral period. In any settlement agreements relating to the end of employment a staff member, the ability to apply malus and clawback as outlined above will be retained.

Key risks are described under 3.2. As part of the risk management framework there is an assessment of current risks and potential future risks and the impact these should have on variable remuneration.

There is no expectation that these risks will have an impact on any remuneration that has been deferred nor necessitate clawback in relation to awards already made to any employee.

Guaranteed variable remuneration

The Firm does not pay any guaranteed variable remuneration.

Severance pay

While there is no policy on severance pay, custom and practice is to follow contractual requirements. In cases of redundancy, this includes a statutory redundancy payment. On occasion and where there is a business justification, ex gratia sums may also be paid, subject to appropriate processes being followed. Terms of any settlement agreement relating to an employee holding a Senior Manager Function would be agreed with the Remuneration Committee. Any deferred remuneration remains subject to malus and clawback plan rules.

7.6 Remuneration Awards

MIFIDPRU 8 requires a firm to disclose remuneration split between senior management, other MRTs and other staff. The Company's senior management team comprises all its MRTs (4 employees) and one further employee. The Company is only disclosing remuneration split between its MRTs and other staff as reported in its MIF008 return to the FCA, as reporting the senior management remuneration would reveal the remuneration details of one employee.

Total Remuneration awarded to staff for the year in question is below:

Table 5: Remuneration summary

£m	All staff	MRT	Other
Total	1.15	0.43	0.72
Fixed	1.15	0.43	0.72
Variable	0	0	0

MRT = Material Risk Taker.

There were no severance payments made during the year to MRTs.