ED&F MAN CAPITAL MARKETS LIMITED

PILLAR 3 DISCLOSURES

YEAR ENDED 30 SEPTEMBER 2013

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1. OVERVIEW

These Pillar 3 disclosures are made in line with the regulations laid down by the European Union's Capital Requirements Directive ("CRD") and the Financial Conduct Authority's regulations set out in Chapter 11 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

These disclosures are based on the position of ED&F Man Capital Markets Limited as at 30 September 2013, in line with its financial year-end. They are reviewed on an annual basis, with the next set of disclosures to be released in relation to the year ended 30 September 2014. These disclosures are not subject to audit except where they are equivalent to those included in the audited annual financial statements of the Company.

ED&F Man Capital Markets Limited is a limited activity 730k investment firm.

The information in this document has been approved by the Board and is published on the website: www.edfmancapital.com.

The denominated currency for the Company is US dollars.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1 Objectives

The business strategy and risk appetite of ED&F Man Capital Markets Ltd ("the **Company** or **MCM**") is established by the Company's Board of Directors ("the Board"). The Board and Senior Management promote a risk-adverse culture in which all staff is expected to be proactive in managing the Company's risk.

The Company adopts a conservative approach to risk and through enterprise-wide risk identification and management, its Risk Management Framework is designed to meet the needs of businesses, customers, and shareholders, as well as the prudential standards expected by the Company's regulators.

A strong governance structure; clearly documented policies and defined methodologies for risk identification, measurement, control and mitigation facilitate strategic and operational decisions that enable the Company to achieve its business objectives while optimising risk-adjusted returns.

2.2 Governance Framework

The Board-determined risk appetite and strategic objectives translate to defined risk tolerances and, subsequently, strictly-enforced delegations of authority and associated controls. The risk management process, via risk identification, assessment, mitigation, monitoring, and reporting, provides senior management and the Board with the necessary oversight tools.

The Company implements a governance framework around risk management that includes formal Committees: Credit Committee; European Enterprise Risk Committee; European Management Committee; that, in addition to the Board, meet regularly to review and manage the Company's various risks. Oversight also extends from the parent entity, ED&F Man Holdings Limited, whose board is responsible for setting the Group Risk Appetite, tolerance and framework within in which MCM operates. Key areas of oversight are provided by the ED&F Man Group Audit and Risk Committees. These are supported by the Group Internal Audit function.

2.3 Risk identification

2.3.1 Liquidity Risk

The risk that the Company although solvent does not have available sufficient liquid financial resources to enable it to meet its obligations as they fall due.

The Company CFO will ensure that effective liquidity forecasting and cash management processes are in place, documented and functioning within MCM.

The Risk Department provides the independent, objective monitoring of liquidity risk and liquidity resources. These are monitored and measured against the Company's Risk Appetite and Delegations of Authority.

2.3.2 Capital Risk

The risk that the Company's capital is insufficient to meet the needs of the business.

In addition to making its own internal assessment of the capital it should hold for its risk profile, MCM is required by its regulators to hold specific levels of regulatory capital against its various business obligations. The company seeks to hold capital resources equal to the greater of its own internal assessment of capital required or the total of all regulatory requirements for capital.

The CFO is responsible for the monitoring of capital risk and capital resources. These are monitored and measured against the Company's Risk Appetite and Delegations of Authority.

2.3.3 Credit Risk

The possibility of loss arising from the failure of clients, counterparties or any other parties to meet or perform their obligations to MCM.

Credit risk primarily arises where the Company provides credit to finance margin requirements or as thresholds in wholesale documentation in support of the core business of MCM.

Credit risk is monitored and measured on a daily basis by the Risk Department.

2.3.4 Market Risk

The risk of loss that arises from fluctuations in values of, or income from, assets and liabilities as a result of movement in market rates or prices.

Market risk arises in MCM authorised trading accounts for the specific purpose of client facilitation, hedging and other proprietary trading purposes where MCM takes a principal position for its own account.

These activities must be authorised, have limits set for them, and be monitored in the same manner as a client/counterparty.

Monitoring is performed by the individual desks, in the first instance, and also by the Risk Department on a daily basis.

2.3.5 Operational Risk

The risk of a loss or other adverse consequence arising from inadequate or failed internal processes, people and systems or from external events.

Sub categories of operational risk include:

- Execution, Delivery, and Process Management
- Clients, Products, and Business Practices
- Internal or external Fraud
- Business Disruption and System Failure

- Damage to Physical Assets
- Employment Practices and Workplace Safety

MCM mitigates its operational risk exposures through the implementation of an effective control environment.

Operational risk management is performed within the various business functions in which the Risk arises: Operations and Settlements; Compliance; It & Systems; Risk Management; and, is the responsibility of the Risk Department to oversee.

3. REMUNERATION

Under PS10/20, the Company classifies as a Proportionality tier three firm and its Remuneration policies and procedures have been prepared to meet the requirements of this tier status.

MCM is a member of the ED&F Man Group of Companies whose strategic plans and objectives are set for the long term interests of our shareholders who are mainly our staff. The Group's Policy is to ensure that a proportion of variable remuneration is paid in the form of ED&F Man shares and, in general, these share awards are deferred over three years.

The MCM Board is responsible for implementing the remuneration policies under delegated authority from the ED&F Man Group Remuneration Committee, comprised of the Group CEO and three independent non-executive directors. It is also responsible for reporting to the Remuneration Committee and the Group's Main Board about MCM's executive and other aggregate remuneration.

In order to determine the elements of fixed and variable remuneration, senior managers use a number of criteria including:

- Contribution to revenue and business growth
- Adherence to policies and regulations
- Operational performance
- Contribution to cost reduction and general efficiency

The Incentive Plan contains provisions in relation to good and bad leaver awards for deferred awards. Deferred awards are at risk if an employee commits a disciplinary offence.

The aggregate quantitative remuneration information, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm is as follows for the year ended 30 September 2013: Code Staff – 19; Fixed Remuneration – US$2.7m; Variable Remuneration – US$13.9m.

4. CAPITAL RESOURCES

The capital resources of the Company as at 30 September 2013 were as follows:

	$000
Tier One	
Share capital	63,001
Reserves	8,213
Total tier one	71,214
Tier Three	
Interim profit and loss	4,044
Total tier three	4,044
Deductions from capital	
Illiquid assets	(5,853)
Total deductions	(5,853)
Total capital resources after deductions	**69,405**

The Company has taken the option of deducting illiquid assets instead of material holdings when calculating its capital resources in line with Annex 5 of Chapter 2 of the FCA's General Prudential Sourcebook ("GENPRU").

The capital requirements of the Company as at 30 September 2013 were as follows:

	$000
Credit risk capital component	14,358
Counterparty risk capital component	9,468
Market risk capital requirement	2,216
Fixed overhead requirement	6,493
Total capital requirement	**32,535**

The capital resources surplus of own funds at 30 September 2013 amounted to $36,870,000, resulting in a solvency ratio of 213.32%.

5. CAPITAL ADEQUACY

5.1 Assessment of internal capital

The Company regularly assesses its internal capital in order to:

- Meet its daily regulatory requirement under the FCA regulations
- Ensure that the Company continues as a going concern
- Maintain a strong capital base in order accommodate future developments in the business

This assessment is performed via daily capital adequacy calculations and the Internal Capital Adequacy Assessment Process. This is reviewed on a quarterly basis and updated where necessary.

5.2 Market risk

The Company is exposed to two elements of market risk, as follows:

- Foreign Exchange Position Risk
- Interest Rate Position Risk

The two elements above amounted to the following as at 30 September 2013:

	$000
Foreign exchange	569
Interest rate	1,647
Total market risk capital requirement	2,216

5.3 Credit risk

The Company uses the standardised approach for the purposes of calculating its credit risk. This capital requirement is based on 8% of its risk-weighted assets.

The Company is exposed to credit risk in the following exposure classes:

- Claims or contingent claims on institutions
- Claims or contingent claims on corporates
- Other items, including prepayments and accrued income

No External Credit Assessment Institutions are used by the Company, with the result that the unrated weighting is used for the purposes of exposures to corporates.

The Company is also exposed to counterparty credit risk arising from the trading book. This is principally due to unsettled transactions and is calculated as 8% of the total risk-weighted exposure amounts.

5.4 Operational risk

As the Company is a limited activity firm, the operational risk calculations do not apply. Instead, the Company uses the Fixed Overhead Requirement calculation as set out in the FCA rules.

6. DISCLAIMER

The Information has been prepared to explain the basis on which the Company has prepared and disclosed certain capital requirements, and information about the management of risks relating to those requirements and for no other purpose. It therefore does not constitute any form of financial statement nor does it constitute any form of contemporary or forward looking record or opinion.

Under BIPRU disclosures may be omitted where the information is not material or considered confidential or proprietary information.

7. Further Information

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