



# Capstone Investment Advisors (UK), LLP

MIFIDPRU Public Disclosure

Date as at 31/12/2022

For the year ended 31/12/2021





## 1. Overview and summary

Capstone Investment Advisors (UK) LLP ("CIA UK", "Capstone" or "the Firm") is regulated by the Financial Conduct Authority ("FCA") and is within the scope of the UK Markets in Financial Instruments ("MiFID"). As a result, it is subject to the prudential requirements of the Investment Firms Prudential Regime ("IFPR") contained in the FCA's Prudential Sourcebook for MiFID investments Firms ("MIFIDPRU") handbook.

For the purposes of MIFIDPRU, the Firm has been classified as a non-small non-interconnected ("non-SNI") firm, as of 31 December 2021.

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 Public Disclosure Document has been prepared based on the audited financials as at 31 December 2021, covering the financial period 1 January 2021 to 31 December 2021.

The Firm's main business activity is providing discretionary portfolio management services to its parent entity Capstone Investment Advisors LLC. The Firm does not manage any funds on behalf of retail clients, has no trading book exposures and does not have regulatory permissions to manage or hold client money or assets.

## 2. Significant changes since last disclosure period

This is the Firm's first disclosure under the MIFIDPRU 8 requirements, as such there have been no significant changes to the information disclosed since the Firm's last disclosure period.

## 3. Governance arrangements

The Firm, as a MIFIDPRU Investment Firm, is subject to the organisational requirements in 4.3A.1R of the Senior Management Arrangements, Systems and Controls sourcebook of the FCA handbook ("SYSC"). The Firm's ultimate decision-making and oversight body is the UK Governing Body, which serves as the Firm's governing body and management body for the purposes of the FCA Rules. Under SYSC 4.3A.1R, the Firm must ensure that the UK Governing Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interest of the Firm's clients.

The UK Governing Body is responsible for determining the strategic management and control of the activities of CIA UK.

Certain individuals within CIA UK are also approved as Senior Managers by the FCA under the Senior Managers and Certification Regime (SMCR). These individuals perform key roles within CIA UK's governance framework, including, for example, those of SMF27 (Partner) or SMF16 (Compliance Oversight).

The Firm has in place a Conflicts of Interest policy, and potential conflicts of interests are continually monitored and assessed by Compliance as an independent control function, as well as being reported to the UK Governing Body on a regular basis.

The UK Governing Body receives regular reporting and management information on the Firm's operations, specifically reporting and escalation of any compliance, financial, legal and risk matters. The UK Governing Body receives independent reporting for internal control functions as well as external independently appointed auditors and consultants on the effectiveness of the Firm's operations, systems and control arrangements.



## 4. Promoting diversity and inclusion

The Firm values a diverse, inclusive, and equitable workplace where all employees feel appreciated and respected. We are committed to a non-discriminatory approach and provide equal opportunity for employment and advancement throughout our programs, departments, and locations. We seek out and admire diverse life experiences and heritages and support all voices being heard.

## 5. Own funds requirements – MIFIDPRU 4

The Firm's investment risks are captured within its K-AUM calculation and operational risks are predominantly captured within its Fixed Overhead Requirement ("FOR") calculation. The Firm has further assessed any operational risks within its ICARA.

## 6. Concentration risk – MIFIDPRU 5

The Firm does not conduct any trading on own account and does not have regulatory permissions for dealing as principal. The Firm therefore does not have any concentration risks on or off-balance sheet and does not operate a trading book.

## 7. Liquidity – MIFIDPRU 6

The Firm maintains minimum liquidity at all times in compliance with the Basic Liquid Asset Requirement (BLAR), being at least 1/3 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 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.

## 8. Own funds

### 2.1 Own funds resources

In line with MIFIDPRU 8.4 the Firm has prepared the reconciliation of own funds in line with MIFIDPRU 8 Annex 1 as follows:

Composition of regulatory own funds			
#	Item	Amount (GBP millions)	Source
1	<b>OWN FUNDS</b>		
2	<b>TIER 1 CAPITAL</b>		
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>		
4	Fully paid up capital instruments	6.8	Members' Other Interests
5	Share premium		
6	Retained earnings		



<b>Composition of regulatory own funds</b>			
<b>#</b>	<b>Item</b>	<b>Amount (GBP millions)</b>	<b>Source</b>
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		
19	CET1: Other capital elements, deductions and adjustments	6.8	
<b>20</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>		
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		
<b>25</b>	<b>TIER 2 CAPITAL</b>		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTION FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		



<b>Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statement</b>				
<b>GBP (thousands)</b>				
		<b>a</b>	<b>b</b>	<b>c</b>
	<b>Item</b>	<b>Balance sheet as in audited financial statement</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross reference to own funds table</b>
<b>Assets</b> – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Debtors	17.6		
2	Tangible assets	0.5		
3	Cash and cash equivalents	2.5		
	<b>Total Assets</b>	20.6		
<b>Liabilities</b> – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	5.1		
	<b>Total Liabilities</b>	5.1		
<b>Shareholders' Equity</b>				
1	Members capital classified as equity	6.8		#4
2	Amounts due in respect of profits	8.7		
3				
	<b>Total Shareholders' equity</b>	15.5		

<b>Own funds: main features of own instruments issued by the firm</b>
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The Firm's own funds are predominantly made up of eligible partnership capital, which is classified in the own funds resources table as fully paid up capital instruments.
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## 2.2 Own funds requirements

The Firm calculates its own funds requirements as a non-SNI firm in line with the rules and requirements in MIFIDPRU 4.3 for non-SNI firms.



In addition, the Firm has completed its ICARA and analysis to determine its net wind-down requirements and any additional own fund requirements to fund its on-going operations.

Item	Amount (GBP millions)
Permanent minimum	0.1
FOR	2.7
K-AUM	0.2
K-COH	-
K-DTF	-
Total K-factor requirement	0.2
Additional own funds requirement to address risks of harm on an ongoing basis	-
Level of additional own funds required to achieve an orderly wind-down	-
<b>Own Funds Threshold Requirement</b>	<b>2.7</b>

## 9. Remuneration arrangements

The Firm was, prior to 1<sup>st</sup> January 2022, subject to the disclosure requirements in BIPRU 11.5.18R to BIPRU 11.5.20R and, therefore, in relation to its most recently-ended employee performance period, benefits from the transitional provision in MIFIDPRU TP 12. In line with that transitional provision, the remuneration information set out below has been prepared in accordance with the rules in BIPRU 11.5.18R to BIPRU 11.5.20R rather than the rules in MIFIDPRU 8.6.

CIA UK has adopted a remuneration policy that complies with the requirements set out in chapter 19A of the FCA's Senior Management Arrangements, Systems and Controls sourcebook (SYSC).

CIA UK has applied the Remuneration Code in a proportionate manner, taking into account the Firm's size, internal organisation and the nature, scope and complexity of its activities.

The remuneration committee is responsible for setting the Remuneration Policy for all staff. The Remuneration policy is designed to promote effective risk management and avoid exposing staff to excessive risk.

Remuneration is made up of fixed pay (i.e. salary, drawings and benefits) and performance-related pay, which takes into account the individual's overall performance and the results of the Firm as a whole. The performance of the individual is assessed over the entire calendar year. The Firm has one "business area" which is investment management business. All of its Code Staff that have a material impact on the firm's risk profile fall into the "senior management" category for the purposes of BIPRU 11.5.18R(7). The aggregate remuneration awarded to the Firm's Code Staff that have a material impact on the risk profile of the firm during the financial year ending 31 December 2021 in respect of the 2021 performance year was £31.2m.