



# Capstone Investment Advisors (UK), LLP

MIFIDPRU Public Disclosure

Date as at 30/09/2023

For the year ended 31/12/2022





## 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 2022.

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 2022, covering the financial period 1 January 2022 to 31 December 2022.

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

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	6.0	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	6.0	
<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	24.7		
2	Tangible assets	0.5		
3	Cash and cash equivalents	2.1		
	<b>Total Assets</b>	27.3		
<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	9.3		
	<b>Total Liabilities</b>	9.3		
<b>Shareholders' Equity</b>				
1	Members capital classified as equity	6.0		#4
2	Amounts due in respect of profits	12.0		
3				
	<b>Total Shareholders' equity</b>	18.0		

<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	3.8
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>3.8</b>

## 9. Remuneration arrangements

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 ("SYSC").

### Qualitative Remuneration

In accordance with MIFIDPRU 8.6.2 the Firm makes the following qualitative remuneration disclosures:

- The Firm's remuneration policies and practices are reviewed annually to ensure they 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 UK Governing Body, as the Remuneration Committee, is directly responsible for the overall remuneration policy.
- The Firm ensures that its remuneration structure promotes effective risk management and balances the fixed and variable remuneration components for all staff.
- Variable remuneration is adjusted in line with capital and liquidity requirements as well as the firm's performance.

The Firm's Remuneration Policy sets out the criteria for setting fixed and variable remuneration. All remuneration paid to staff members is clearly categorised as either fixed or variable remuneration.

The Firm ensures that fixed and variable components of the total remuneration are appropriately balanced; and the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration.



The Firm monitors fixed to variable compensation to ensure SYSC 19G is adhered to with respect to Total Remuneration.

## Quantitative remuneration

All firms are required to publicly disclose certain quantitative information in relation to the levels of remuneration awarded.

As a non-SNI firm and in accordance with MIFIDPRU 8.6.8, the Firm is required to disclose the following information, as set out below.

Please note all monetary amounts in the below tables are shown in GBP thousands.

For the performance year ending 31 December 2022:

Number of Material Risk Takers ("MRT"), including Senior Manager Functions ("SMF")	46
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Employee category	Total remuneration awarded	Total fixed remuneration	Total variable remuneration
MRTs	£35,600	£6,849	£28,751
All other employees	£5,118	£3,424	£1,694

In relation to any guaranteed variable remuneration awarded:

Employee category	Total guaranteed variable remuneration awarded	Number of MRTs who received it
MRTs	£7,084	9

In relation to any severance payment awarded:

Employee category	Total amount of severance awarded	Number of MRTs who received it
MRTs	N/A	N/A

The highest severance payment awarded to a single MRT: N/A