

Overview

The Investment Firms Prudential Regime (“IFPR”) is the FCA’s new prudential regime for investment firms, which came into force on 1 January 2022. The IFPR has been implemented through the new MIFIDPRU sourcebook, with disclosure requirements outlined in MIFIDPRU 8.

This disclosure is in relation to Cheyne Capital Management (UK) LLP (the “Firm”) which is authorised and regulated by the FCA. Under the IFPR’s firm categorisation, the Firm is categorised as a non-SNI MIFIDPRU investment firm. The Firm was also registered as an Alternative Investment Fund Manager (“AIFM”) under the Alternative Investment Fund Manager Directive (“AIFMD”) effective 22 July 2014. The disclosure for the Firm is prepared annually on a solo entity basis. The disclosed information is proportionate to the Firm’s size and organisation, and to the nature, scope and complexity of the Firm’s activities.

The Firm has adopted the FCA’s transitional provisions for disclosure requirements contained in MIFIDPRU TP12. Consequently, the scope of the information disclosed in this document relates principally to the Firm’s governance arrangements, own funds, own funds requirements, and remuneration arrangements.

The principal activity of the Firm is the provision of investment management and advisory services.

Governance Framework

The Members of the Firm have delegated management of the Firm, including the formulation and execution of strategy of the Firm, to the Executive Committee. The Executive Committee is currently comprised of:

Members	SMF Function	No of other external directorships held
Stuart Fiertz	SMF27	1
David Hill	SMF27	0
Jonathan Lourie	SMF1, SMF27	0
Sean Macdonald	SMF27	0
Sandra Wittmann	Certified	2

The Executive Committee defines, oversees and is accountable for the implementation of arrangements to ensure effective and prudent management of the Firm, including appropriate segregation of duties of senior managers in line with the FCA’s Senior Management and Certification Regime (“SMCR”) and management of conflicts of interest. The Executive Committee is supported by a number of committees across the Firm responsible for various matters.

Due to the size, nature and complexity of its activities, there is no Risk Committee or Nomination Committee in place as part of its governance arrangements, nor is it required to establish these committees as per MIFIDPRU 7.1.4R.

The Executive Committee has delegated remuneration matters, including formulating and reviewing the Firm’s remuneration framework and making remuneration recommendations, to the Firm’s Remuneration Committee (“RemCo”).

Diversity, Equality & Inclusion

Cheyne is committed to supporting diversity, equality and inclusion (DE&I) throughout the organisation by implementing change through supporting relevant initiatives, partnerships and programmes across the organisation and the asset management industry more broadly. Cheyne strives to create a strong, inclusive culture and takes a zero-tolerance approach to any form of bullying, harassment, victimisation and discrimination. Cheyne's DE&I Committee, which provides oversight and drives forward our DE&I objectives, is chaired by our General Counsel and Executive Committee member, Sandra Wittmann. The committee is also responsible for the firmwide DE&I Policy.

Cheyne's DE&I pillars focus on recruitment, professional development, retention and inclusion, as well as our Corporate Social Responsibility partnerships with SEO London and GAIN (Girls Are Investors). The aim is to ensure that we are a contributor to social sustainability in all areas in which we operate, both through our internal culture and external interactions.

Cheyne is comprised of a diverse range of employees and is committed to providing equal employment and advancement opportunities to all colleagues and applicants without regard to gender, race, nationality, religion, age, orientation and disability. Whilst Cheyne does not currently have quantitative targets relating to DE&I, we have implemented reporting tools within our HR system to enable a more granular measurement of gender and ethnicity, that is compliant with data privacy considerations. The business case behind the data collection has been communicated to all employees.

The ongoing evolution and monitoring of this data will allow us to assess how our DE&I Policy and supporting action plans are working in practice, and enable the DE&I Committee to identify areas for improvement and target its efforts to effect change.

Own Funds

Composition of Own Funds

The Firm's own funds (i.e. capital resources) consisted of the following as at 31 March 2022:

Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1 OWN FUNDS	10,000	
2 TIER 1 CAPITAL	8,000	Members' capital classified as equity
3 COMMON EQUITY TIER 1 CAPITAL	8,000	
4 Fully paid up capital instruments	8,000	
5 Share premium	-	
6 Retained earnings	-	
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	-	
20 ADDITIONAL TIER 1 CAPITAL	-	
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	2,000	
26 Fully paid up, directly issued capital instruments	2,000	Creditors: Amounts falling due after more than one year; Note 11
27 Share premium	-	
28 (-) TOTAL DEDUCTIONS FROM TIER 2	-	
29 Tier 2: Other capital elements, deductions and adjustments	-	

Tier 1 capital comprises of LLP Members' Capital. Tier 2 capital constitutes a subordinated loan. The values noted above under item 4 and 26 for tier 1 and tier 2 capital respectively corresponds to the values in the Firm's audited financial statements.

Own Funds Requirements

K-Factor Requirement and Fixed Overheads Requirement

The Firm's K-Factor requirement and fixed overhead requirement amounts are as follows:

Item	Amount (GBP thousands)
K-Factor Requirements	
Σ K-AUM, K-CMH and K-ASA	219
Σ K-DTF and K-COH	157
Σ K-NPR, K-CMG, K-TCD and K-CON	-
Fixed overhead requirement	6,103

ICARA Process

Under IFPR, the Firm must assess own funds and liquidity requirements set out in the Internal Capital and Risk Assessment ("ICARA") process and ensure sufficient own funds and liquidity resources are held at all times to meet the Overall Financial Adequacy Rule ("OFAR"). As part of the ICARA process, the Firm establishes its own funds threshold requirement and its liquid assets threshold requirement to ensure that 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 systems and controls or driven by an activity not covered by the K-Factor Own Funds Requirement, the Firm assesses whether additional own funds / liquid assets are required. The stress tests performed as part of the ICARA process includes early warning indicators to assist the firm when approaching trigger levels and sets out credible actions to help reverse or repair any adverse trends. The wind-down planning includes triggers (own funds and liquid assets) and timelines, with different scenarios considered that could cause a need to wind-down the business. The Firm sets resources aside so that sufficient own funds and liquid assets are always maintained to enable an orderly wind-down. The adequacy of the ICARA process is reviewed on an annual basis, or more frequently should there be any material changes to the Firm's risk profile or business strategy.

Own Funds Adequacy and Monitoring

The Firm assesses the adequacy of its own funds on a periodic basis, including measurement against trigger levels at which specific notifications, escalations and mitigating actions may be taken. The Firm currently holds a material surplus of capital resources over own funds requirements. The assessment of own funds versus requirements is reviewed at least quarterly to understand the impact of any material changes to the business plan and react to these with amendments to the ICARA if needed.

Liquid Assets Adequacy and Monitoring

The Firm periodically reviews the liquidity adequacy assessment determining the Firm's requirements for liquid assets, ensuring that these remain appropriate to cover the liquidity risks in normal and stressed conditions, as well as supporting the wind-down of the Firm in an orderly manner. A framework of metrics, controls and limits is designed to manage the liquidity risks within the Firm's risk appetite.

Annual Remuneration Disclosure for the Year to 31 March 2022

The following disclosure on remuneration is made for the year ended 31 March 2022. In accordance with the transitional provisions for public disclosure requirements in rule 12.8 of MIFIDPRU TP12, the Firm continues to comply with remuneration disclosure requirements as they applied to the Firm in previous financial years under BIPRU for the year end 31 March 2022.

The Firm has implemented a Remuneration Policy (“the Policy”) that is applicable to all remuneration matters within the firm, with a particular focus on those persons who have been identified as having a material impact on the risk profile of an Alternative Investment Fund (“AIF”). This includes senior management, risk takers and control functions (“Code Staff”).

The Policy is in line with the Firm’s business strategy, objectives, values and long-term interests. The Firm’s overall objective is to achieve attractive and controlled performance and capital growth for all funds under management and to develop strong long-term relationships with investors. The Firm’s income is dependent upon the funds for which it serves as investment manager or investment advisor, and therefore the profit available for distribution under the Policy is dependent upon the performance of such funds. As such, the fulfilment of the Firm’s objectives is interlinked with the best interests of the Firm’s clients, which in turn is in line with the Policy. The Policy promotes effective risk management and does not tolerate breaches of internal risk guidelines.

The Firm has a Remuneration Committee (currently the COO and CFO) who report into the Incentivisation Committee (currently the CEO and President) that oversees the remuneration of individuals, including Code Staff, and approval of the allocation of profits available for discretionary division among members.

The quantitative disclosure for the year ended 31 March 2022 in respect of remuneration is as follows:

Aggregate quantitative information on remuneration of Code Staff				
Business Area	Number of Code Staff	AIFM Remuneration (Variable)	AIFM Remuneration (Fixed)	Deferred Remuneration
Portfolio Management	29	£14,362,259	£2,619,212	£1,045,603
Senior Management	6	£5,683,780	-	£630,917
Total	35	£20,046,039	£2,619,212	£1,676,520

Remuneration Code information is provided as required under the FCA Rules (BIPRU 11.5.18).