

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 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 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 March 2024, covering the financial period 1 April 2023 to 31 March 2024, and published in November 2024.

The principal activity of the Firm is the provision of investment management and advisory services. It does not have permission to hold client money or client assets.

In accordance with MIFIDPRU 8.7.1.(a) the Firm meets the conditions in MIFIDPRU 7.1.4R(1) and therefore is not required to disclose information on its investment policy.

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
Donna Phlora	SMF27	0
Sandra Wittmann	Certified	2

All of the external directorships held by members of the Executive Committee are non-executive roles.

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. Several members of the Executive Committee are members of the various group-wide committees, providing appropriate coverage and insight for the business.

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

The Firm has a Conflicts of Interest Policy and procedures in place. Potential conflicts of interests are continually monitored and assessed by Compliance as an independent control function. 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

The Firm 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. The Firm strives to create a strong, inclusive culture and takes a zero-tolerance approach to any form of bullying, harassment, victimisation and discrimination. The Firm's DE&I Committee, which provides oversight and drives forward the Firm's DE&I objectives, is chaired by Sandra Wittmann, General Counsel and Executive Committee member. The committee is also responsible for the firmwide DE&I Policy.

The Firm's DE&I pillars focus on recruitment, professional development, retention and inclusion. The Firm's key initiatives include its Corporate Social Responsibility partnerships with SEO London and GAIN (Girls Are Investors), as well as its new membership of the Diversity Project, aiming to contribute to a more diverse and inclusive culture within the asset management industry. The overall goal is to ensure that the Firm is a contributor to social sustainability, both through its internal culture and industry initiatives.

The Firm 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 the Firm does not currently have quantitative targets relating to DE&I, it has implemented reporting tools within its 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 the Firm's 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.

Risk management objectives and policies

The Firm's risk appetite is low and the Firm looks to maintain a strong capital and liquidity position throughout market cycles. The Firm's general risk management objective is to consider risks through the lens of harm that the business may cause to clients, the Firm or markets, and the ability of the Firm to mitigate against harm through appropriate controls, oversight, hedging and other risk management activity. Where risks and resulting harms cannot be mitigated through operational controls, the Firm monitors and evaluates those risks on an ongoing basis or where appropriate, seeks to transfer those risks to a third party such as an insurance provider.

The overall risk management process is further summarised as follows:

- o Risk identification (identify applicable risks and harms to Firm, Client, and Market);
- o Harm evaluation (assess the likelihood and magnitude of each risk and the possible harm of a risk event occurring);
- o Risk appetite and response (assess tolerance for harm and potential mitigation / controls in place);
- o Residual risk (consider remaining harm after mitigation / controls are factored in and whether additional capital is required); and
- o Monitoring and reporting (business performance, changes in business activity, compliance with financial and legal requirements, and controls effectiveness is monitored on an on-going basis).

Risk assessment and potential harms

The Executive Committee delegates day to day oversight over operational risk to the Operational Risk Committee. The aim of the Operational Risk Committee is to provide governance and oversight over Cheyne's operational and business risks, agree risk management policies and priorities, and to establish and maintain a framework for risk monitoring. The Committee carries out an annual risk assessment and meets at least quarterly and consider changes to the scoring of the risk register if significant changes have occurred within the business and annually otherwise. The risk register is reviewed by the Executive Committee annually. The results of this risk assessment are incorporated in the Firm's Internal Capital Adequacy Risk Assessment ("ICARA").

The Firm's principal risks identified in respect of the Firm's activities are summarised below. Details of these and their potential impact on the Firm's capital position are considered and documented in the Firm's ICARA, along with the systems, internal controls and human resources in place to mitigate the potential harm.

Business Risk

Business Risk covers any risk arising from changes in the business where the income may fall or is volatile, relative to a fixed cost base. The Firm's main business risk is a fall in assets under management and a consequential fall in management fees. The Firm manages a wide number of funds/products with either permanent capital, locked in capital or predefined redemption terms. In light of the current fund/product mix, the Firm on aggregate, is not materially exposed to the risk of significant redemptions leading to a material loss of revenues, and it holds sufficient capital to withstand adverse changes to the business environment.

Reputational factors are also a business risk to the Firm as reputational damage could result in a significant decrease in assets under management. In addition to the redemption terms discussed above which mitigates the risk of a material fall in assets under management, the Firm has a robust governance framework and invests in its portfolio management teams and the firm's infrastructure on an on-going basis. The Firm also focuses on embedding a strong risk management and compliance culture, all of which mitigates the risk of reputational damage.

Regulatory factors also give rise to business risk. The Firm operates within a highly regulated environment and laws and regulations may evolve in a manner that negatively impacts upon the group's business model. The Firm mitigates this risk through ongoing monitoring of current and proposed regulatory requirements along with engagement with industry bodies.

Credit Risk

As a CPMI, the Firm neither holds client money nor assets nor lends money, and is, therefore, not exposed to credit risk in the traditional sense. The Firm's exposure to credit risk is the risk that investment management fees cannot be collected when due and the exposure to banks where cash is held. To mitigate this risk, the Firm only holds cash with banks which have high credit ratings. Investment Management fees are collected routinely throughout the year with no history of non-payment and as such this credit risk is low.

Market / Foreign Exchange Risk

The Firm does not take principal risk. The only potential exposures are Non Trading Book Exposures, i.e. to foreign exchange losses on assets or liabilities in foreign currencies. The Firm's revenues are in a mixture of GBP, USD and EUR, while the majority of its costs are in GBP. The Firm calculates amounts available to be paid as compensation based on the actual conversion rates achieved and may hedge forward the amounts required to cover future costs to minimise this risk.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Some of the operational risks the Firm faces are loss of key staff, personnel replacement costs, trading and valuation errors, business continuity and disaster recovery, cyber risk and group risk. In order to mitigate this risk the Firm employs qualified, experienced staff and ensures segregation of functions between front office and middle office, finance, risk, compliance and legal.

Own funds requirements – MIFIDPRU 4

The Firm is subject to two K-Factors: K-AUM and K-COH. K-AUM covers the average assets under management that the business manages. The K-COH requirement is a calculation of the average value of the client orders handled.

The Firm's investments risks are captured within its K-factor calculation and operational risks are predominantly captured within its Fixed Overhead Requirement ("FOR") calculation. The Firm has further assessed any operational risks and winddown costs within its ICARA and quantified additional own funds and liquidity, where required.

Concentration risk – MIFIDPRU 5

The Firm does not conduct any trading on its own account and does not have regulatory permissions for dealing as principal. The Firm considers concentration risk as part of assessing each risk on its risk register e.g., redemptions. The Firm's primary concentration risk is with its primary banking partner as this is where it holds the majority of its liquid assets. The Firm has a secondary banking provider and credit spreads of these banks are monitored on an ongoing basis by the risk department and should a potential issue arise, cash balances can be moved between banks on short notice.

The Firm's diverse range of strategies mitigate the concentration risk of a particular strategy, with the largest strategy contributing to less than half of management fee income in the year end 31 March 2024.

Liquidity – MIFIDPRU 6

The Firm always maintains minimum liquidity 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 identified for supporting the ongoing business activities of the Firm.

Own Funds

Composition of Own Funds

The Firm's own funds (i.e. capital resources) consisted of the following as at 31 March 2024:

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 based on 31 March 2024 are as follows:

Item	Amount (GBP thousands)
K-Factor requirements	
Σ K-AUM, K-CMH and K-ASA	175
Σ K-DTF and K-COH	127
Σ K-NPR, K-CMG, K-TCD and K-CON	-
Total K-Factor requirement	302
Fixed overhead requirement	7,615

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 2024

The following disclosure on remuneration is made for the yearly performance period ended 31 March 2024. In relation to this year end, the Firm is a 'small' non-SNI MIFIDPRU and therefore is not required to apply certain provisions within the MIFIDPRU remuneration code.

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 the Firm, or the assets the Firm manages including in any Alternative Investment Fund. This includes senior management, risk takers and control functions ("Code Staff"). All staff are eligible to receive variable remuneration and are covered by the Policy.

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 Policy incorporates a deferral mechanism and this remuneration is subject to clawback in certain circumstances for leavers.

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.

Remuneration is made up of a fixed component (fixed drawings for members and salary for employees, plus benefits) and a variable element (discretionary profit allocations for members and bonuses for employees). In setting these elements of remuneration, the Firm ensures that they are appropriately balanced and include the possibility of no variable component being awarded. For partners fixed elements may be repayable or reduced in certain circumstances. The benefits offered to members and employees of the Firm as part of their remuneration which are categorised as fixed remuneration include private medical insurance, life insurance, travel insurance and pension scheme membership.

In setting and reviewing fixed remuneration, the Firm takes account of the need to ensure that fixed and variable components of total remuneration are appropriately balanced. Fixed remuneration is intended to be set at a level that allows the Firm to operate a fully flexible policy on variable remuneration whilst remaining competitive so as to attract and retain key talent. Fixed compensation reflects an individual's role within the firm, their professional experience and contribution, and market benchmarking as appropriate.

The Remuneration Committee determines the appropriate ratios between fixed and variable remuneration components as part of the process for setting and determining remuneration awarded. The factors to be used in setting fixed and variable remuneration are at the absolute discretion of the

Firm, and variable remuneration will be awarded in a manner that allows for the possibility that no variable remuneration will become payable. Variable remuneration is currently based on the financial situation of the Firm as a whole, the performance of the relevant product(s) or business unit and the performance of the individual concerned (including financial and non-financial considerations), as well as market benchmarks. Variable compensation may be reduced if disciplinary actions have been taken, including for any breaches of the FCA's Senior Managers and Certification Regime and Individual Conduct Rules.

The circumstances in which performance adjustments may apply may vary for different components of variable remuneration and for different staff but will include situations where the individual failed to meet standards of fitness and propriety.

The quantitative disclosure for the year ended 31 March 2024 in respect of remuneration is as follows:

Aggregate quantitative information on remuneration of Code Staff					
Business Area	Number of Code Staff	Total Remuneration	Fixed Remuneration	Variable Remuneration	Deferred Remuneration
Portfolio Management	29	£26,875,497	£2,695,144	£24,180,352	£3,408,667
Senior Management	7	£18,545,626	£0	£18,545,626	£4,622,819
Non Code Staff	117	£22,609,485	£8,831,456	£13,778,030	£1,149,155
Total	153	£68,030,608	£11,526,600	£56,504,008	£9,180,641

No awards of guaranteed variable remuneration or severance payments were made to Code Staff during the period.