Tenax Capital Limited

MIFIDPRU 8 Capital and Remuneration Disclosure 2022

For the year ended 31 December 2022

Regulatory capital requirements and resources

Background

Under the FCA prudential rules applicable to Collective Portfolio Management Investment Firms, a firm is required to disclose key details of its capital position and remuneration practices. These rules are mainly set out in the Prudential Sourcebook for MiFID investment firms ("MIFIDPRU") and the Sourcebook on Senior Management Arrangements, Systems and Controls ("SYSC"), as well as certain other modules of the FCA Handbook. These rules implement the policies arising from the FCA's Investment Firm Prudential Review ("IFPR"), which came into effect on 1st January 2022.

This disclosure statement is primarily designed to meet the requirements of MIFIDPRU 8 (Disclosure).

Under the FCA's MIFIDPRU rules, a firm is required to meet minimum capital requirements that it needs to hold to cover its credit, market and operational risks and to facilitate an orderly wind down. A firm is also required to assess whether it needs to hold any additional capital against company-specific risks not covered by the minimum capital requirement. Finally, a firm is required to develop a set of disclosures that will allow market participants to assess key information about its underlying risks, risk management controls and capital position.

The rules allow a company to omit one or more of the required disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or mis-statement of any information would be likely to change or influence the decision of a reader relying on that information. Where we have considered a disclosure to be immaterial, we have stated this in the document.

In addition, we may also omit one or more of the required disclosures where we believe that the information is proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties. We have not omitted information for either of these two reasons.

Scope and application of the requirements

The company is authorised and regulated by the FCA, and as such subject to minimum regulatory capital requirements. The disclosures in this document relate to the provision of discretionary asset management services to professional clients. We provide services to regulated funds and other professional clients with discretionary managed accounts.
The company is not a member of a larger group in the UK and is therefore not subject to consolidated Pillar 3 reporting requirements.

Governance and risk management

The Board of Directors of the company determine its business strategy and risk appetite, and also oversee the design and implementation of a risk management framework that takes account of the risks that the business faces. The Board assesses how these risks should be mitigated and oversees on an ongoing basis the arrangements to manage those risks. The Board meets on a regular basis to discuss current projections for profitability and regulatory capital management, business planning and risk management. The Board manage the company's risks through a framework of policies and procedures, having regard to relevant laws, standards, principles and rules, with the aim of operating a defined and transparent risk management framework. These policies and procedures are updated as required.

The company is relatively small and, as such, does not have a written policy on gender diversity. However, it is committed to gender diversity and the current composition of the Board of Directors reflects this.

The company has a non-complex operational infrastructure. It does not hold client assets or deal as principal. It is not exposed to market risk, other than foreign exchange risk on its accounts receivable and bank balances in foreign currency. It is exposed to a limited degree of credit and concentration risk from the investment management and performance fees receivable from funds under its management. The company seeks to manage these risks by maintaining appropriate diversification in its client base and sources of funding. The company's liquid assets are held primarily in the form of cash held on deposit at banks, and there is no reliance on external credit lines. The company follows the standardised approach to market risk and the simplified standard approach to credit risk. The company is subject to the FCA fixed overhead requirement and a capital requirement relating to the volume of assets under management ("AUM"), but it is not required to calculate an operational risk capital charge.

The main features of the company's capital resources as at 31 December 2022 for regulatory purposes can be summarised as follows (with the relevant section of the 2022 Financial Statements identified for ease of reference):

Capital item	**£000s**	**2022 Financial Statements**
Tier 1 capital less innovative tier 1 capital	4,364	Note 21
o/w Called up share capital	300	Note 21
Share premium account	8	Note 23
Capital redemption reserve	300	Note 23
Profit and loss account	3,756	Note 23
Total tier 2, innovative tier 1 and tier 3 capital	0	N/A
Deductions from tier I and tier 2 capital	0	N/A
Total capital resources, net of deductions	4,364	Notes 21-23
Fixed overhead requirement	730	N/A
K-AUM requirement	344	N/A
Regulatory capital surplus	3,634	N/A

The company is a limited licence asset management firm which is classified as a collective portfolio management investment firm for the purpose of compliance with FCA prudential rules. As such, the company is subject to a combination of requirements set out in MIFIDPRU, SYSC and the Investment Fund Sourcebook ("FUND"). As such, its capital requirement is the greater of:

- a permanent minimum capital requirement of £75,000 or:
- a fixed overhead requirement; or
- a K-factor requirement.

As a collective portfolio management investment firm, the company is also subject to a liquid asset requirement.

The only K-factor requirement applicable to the company is the one based on the volume of assets under management ("K-AUM"). In practice, the fixed overhead requirement tends to establish the company's capital requirement, since the K-AUM requirement is almost invariably lower. In addition, the company does not have material market risk exposures. The company has not omitted any disclosures on grounds of confidentiality.

The company undertakes an annual assessment of its risk profile and capital needs, including stress testing and scenario analysis. The outcome of this process is documented and reviewed by the Board of Directors. The conclusion of the most recent assessment, undertaken in the first half of 2023, suggests that the company's comfortable capital surplus should be more than sufficient to meet any foreseeable risks of material harm and (in the worst case scenario) facilitate an orderly wind down.

Remuneration Code disclosure

The company's main business is to provide investment management services to funds managed by the company. It also manages discretionary accounts for professional clients. As a collective portfolio management investment firm, the company is subject to the MIFIDPRU Remuneration Code set out in SYSC 19G of the FCA Handbook, as well as certain other FCA Handbook provisions. The Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The company incentivises staff through a combination of the two.

The company's policy is designed to ensure that we comply with the RemCode. Our remuneration arrangements:

1. are designed to be consistent with, and promote, sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid or manage conflicts of interest; and
4. are in line with the company's business strategy, objectives, values and long-term interests.

Proportionality

The RemCode requires a firm to apply a principle of proportionality in setting its remuneration policies and practices. At present, the Company is not subject to certain RemCode provisions, such as those relating to deferral and clawback of variable remuneration, or the requirement to establish a remuneration committee, because its AUM falls below the size threshold set out in SYSC 19G 1.1 (1) – (3) and other relevant FCA guidance (after excluding AUM delegated from another asset manager).

Application of the requirements

The company is required to disclose certain information on at least an annual basis regarding our remuneration policy and practices for 'material risk takers', namely those staff whose professional activities have a material impact on the risk profile of the company. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

The company's approach to remuneration is determined by the board of directors and is documented in the company's Remuneration Policy which is periodically reviewed and updated.

Individuals are allocated a share of the total bonus pool, as determined by the board, by reference to their contribution to the overall strategy in the following areas:

- Investment generation
- Investment trading
- Sales & marketing
- Operations
- Conduct and risk management

The following table sets out aggregate quantitative information on remuneration for financial year 2022, for all employees and also for staff whose actions could have a material impact on the risk profile of the company.

£	Fixed remuneration	Variable remuneration	Total remuneration
All employees	1,665,304	1,072,359	2,737,663
Material risk takers	1,256,142	986,087	2,242,229

Certain disclosures may be omitted where the information could be regarded as prejudicial to compliance with the EU General Data Protection Regulation ("GDPR"), which is designed to protect individuals with regard to the processing of personal data and the free movement of such data. For this reason, remuneration data for staff categorised as senior management under FCA Handbook rules have been omitted, in reliance on the exemption in MIFIDPRU 8.6.8 R (7), and are instead included in the totals shown above. The company has adopted this approach to prevent the disclosure of individual remuneration details for one or more material risk-takers.