

ODEY ASSET MANAGEMENT LLP: MIFIDPRU 8 Disclosure for the Financial Year Ended 5 April 2023

1. Introduction

Odey Asset Management LLP (“OAM”, “Odey”, “We”, “Our” or the “Firm”) is a boutique asset management company incorporated in England and Wales with company registration number OC302585.

OAM is authorised and regulated by the Financial Conduct Authority (“FCA”) with the Firm Reference Number (“FRN”) 214843 and is classified as a Collective Portfolio Management Investment (“CPMI”) Firm. We are categorised as non-small non-interconnected (“SNI”) firm, therefore non-SNI MIFIDPRU investment firm by the FCA for capital purposes and meet all the conditions for application specified in MIFIDPRU 7.1.3R, as such we are required to have risk and remuneration committees.

A CPMI firm is an investment firm authorised under the UK regulation that implemented the UCITS Directive or the Alternative Investment Fund Managers Directive (“AIFMD”) with a Part 4A (“MiFID” – Markets in Financial Instruments Directive) permission for managing investments. OAM is a Full Scope UK AIFM (Alternative Investment Funds Manager) of EEA and non-EEA AIFs. We hold permissions to advise, arrange and deal in investments as an agent together with arranging, safeguarding and administration of assets.

This Public Disclosure document has been produced in line with rules and requirements of MIFIDPRU8, as applicable to non-SNI firms. The document has been prepared in relation to OAM’s MiFID business based on the audited financials as at April 2023, covering the financial period 6th April 2022 to 5 April 2023. It does not apply to the collective portfolio management activities of the firm.

The included disclosures are:

- Governance arrangements
- Risk Management objectives & Policies
- Own funds
- Own funds requirements
- Remuneration arrangements

OAM meet the conditions in MIFIDPRU 7.1.4R and therefore is not required to make disclosures relating to Investment Policy as documented in MIFIDPRU 8.7. Disclosures of OAM’s investment policies may be included in subsequent versions of this disclosure statement, to the extent that those conditions apply.

Validation Process

This disclosure is prepared annually on an individual entity basis. The disclosed information is proportionate to our size and organisation, and the nature, scope and complexity of our activities. OAM's management body, the Executive Committee ("ExCo"), approve and verify the information within this disclosure to ensure compliance with the regulatory obligations contained in MIFIDPRU 8 prior to its publication.

2. Governance Arrangements

Firm Structure

OAM LLP is a UK domiciled regulated firm owned by its partners . and is authorised by the FCA to undertake MIFID investment activities with clients based in the UK as well as an AIFM. OAM's MiFID permissions enable the firm to provide services to Professional and eligible counterparties; it may additionally provide the service of making arrangements with a view to transactions in investments on behalf of Retail (investment) clients.

Governance Framework

The Firm's governance framework is designed and regularly reviewed to ensure appropriate business operations oversight in accordance with the regulatory obligations specific to the firm's permissions.

OAM's ExCo is responsible for overall oversight and approval of the firm's systems and controls and the achievement of its strategic objectives which includes risk related matters, governance and compliance with regulatory requirements and expectations. The ExCo is governed by its Terms of References, which include all responsibilities and requirements as per SYSC 4.3A.1 and the Firm has accordingly implemented segregation of duties between its business and control functions.

OAM has a Conflicts of Interest Policy in place, along with procedures where potential conflicts of interests are continually monitored and assessed by Compliance as an independent control function, as well as being reported to the ExCo on a regular basis.

The ExCo comprises of two members: the firm's SMF 27's ("senior management functions") both of whom have been approved by the FCA and are listed on the FCA Register (noted in the table below). The ExCo utilises Board committees to collectively manage, implement, oversee and monitor the business operations of OAM.

The ExCo received regular reporting and management information on the Firm's operations, specifically reporting and escalation of any compliance, financial, legal and risk matters. The ExCo 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.

External Directorships

In line with MIFIDPRU 8.3.1 (2), OAM has detailed below the number of external appointments, both as executive and non-executive roles of its ExCo members:

Name	OAM SMF Function / Role	OAM position	# of external directorships	Represents a minority ethnic background	Sex
Peter Martin	SMF 3, Executive Director	CEO	0	No	Male
Michael Ede	SMF 27, Partner	CFO / COO	1	No	Male

Risk Management Objectives & Policies.

OAM has implemented and embedded a risk management framework, policies and procedures across all relevant risk areas of the Firm. The ExCo sets the business strategy and risk appetite statement of the Firm, which flows through to the risk management framework of the Firm.

OAM further identifies and assesses the key risks within the Firm's Internal Capital Adequacy and Risk Assessment ("ICARA) process

In line with MIFIDPRU 7.3.1 the Firm has established a Risk Committee. The Risk Committee have designed and implemented a risk management framework and process to reflect OAM's risks. The Risk Committee has oversight of:

- the risk appetite statement, risk strategy, risk culture and capital and liquidity strategies;
- implementation of the risk framework
- ensuring there are appropriate and adequate systems and controls to identify, monitor and manage risks arising in the business.

The Firm has appointed a Head of Risk, their responsibilities include:

- the implementation and enforcement of the firm's risk appetite, framework and principles;
- monitoring the risk areas to determine how risks can be mitigated; and

regular review of the controls and procedures

The Firm maintains a risk register, which includes risk assessment and rating methodologies in accordance with its risk appetite statement. Key risks are reported to the ExCo at each meeting.

Own funds requirements – MIFIDPRU 4

Describe the K-factors applicable to the Firm (K-AUM / K-COH) based on its business model and what drives the risks.

OAM's investments 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 and quantified additional own funds and liquidity, where required.

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.

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.

Own Funds

OAM's own fund requirement is assessed reviewing the capital held in the company in comparison to the K-factor requirement, fixed overhead and permanent capital requirements as presented by the ICARA.

The template provided in MIFIDPRU 8 Annex 1R is presented below which shows the total CET1 that OAM holds. OAM deems all its capital to be CET1 as it is permanent and can absorb losses immediately.

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS		
2	TIER 1 CAPITAL		
3	COMMON EQUITY TIER 1 CAPITAL	4,486	Audited financial statements pg 9
4	Fully paid up capital instruments	4,486	Audited financial statements pg 9
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	-	

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.

There are three parts to the capital requirement as determined by the ICARA report:

1. Own funds requirement is the greater of:
 - A. The Permanent minimum requirement (“PMR”),
 - B. The K-Factor requirement (“KFR”)
 - C. The Fixed Overhead Requirement (“FOR”).
2. Basic liquid asset requirement
3. Additional fund requirement is the greater of:
 - A. The Harm Assessment
 - B. Stress Testing
 - C. Wind Down Analysis

The analysis of the above shows that the own funds requirement determines the highest capital holding and as such this should be held to meet the overall financial adequacy rules requirement. A need for additional capital will likely never arise, given that the firm can opt to close the businesses and return assets to investors at any time.

The Firm’s risk appetite statement and assessment of risks through its risk management framework and risk register form the basis of its ICARA and assessment of the overall financial adequacy rule in line with MIFIDPRU 7.4.7.

The ExCo reviews, challenges and approves the ICARA and conclusions of own funds requirements.

Remuneration Arrangements

Remuneration Policy Objectives

The remuneration structure is designed to attract, motivate and retain the best people to ensure good performance for the underlying investors in Funds, which in turn achieves success for the firm. The key elements of the structure of the Remuneration Policy include deferred profit allocation/bonus awards.

Governance Framework

For proportionality reasons, the Firm has appointed the ExCo as the body responsible for determining remuneration matters; for purposes relating to remuneration they are the Remuneration Committee (“RemCom”) The RemCom does not meet distinctly from the ExCo; rather the business of the ExCo may determine remuneration matters in line with the Remuneration Policy. It reviews the Remuneration Policy annually, or as and when there are significant changes, and will notify all Code Staff as appropriate. The ExCo, in consultation with line managers, decides on all financial awards for staff and partners including: salaries & bonuses, partner drawings & profit allocations, awards of shares in Odey Holdings Limited, deferral arrangements, and termination payments. Awards are made typically annually in January, but also ad hoc.

The firm is too small to warrant an independent remuneration committee, nor does the RemCom report to another Board as the members of RemCom comprise of the three most senior partners. In all cases deferred amounts will only be payable to the extent the firm has sufficient capital.

Profit Allocation/Bonus Deferral

Valuable focus is achieved through clear profit allocation/bonus targets, but a 100% pay out on a particular date is bad for business continuity. In addition the development of participants and their associated business tends to take place over a period of years.

Profit allocation/bonus deferral is intended to help offset the disadvantages of single date profit allocation/bonus awards.

The RemCom determines performance related remuneration based on a number of factors. Generally, Fund Managers can expect to receive a proportion of any crystallised performance fees generated by the Fund they manage. All OAM Funds with performance fees have High Water Marks (HWM), thus performance fees are only generated once underlying Fund investors have achieved a positive absolute or relative return. Additionally the Remcom will take into account a number of factors including the overall profitability of the firm and various financial and non-financial performance factors, such as the development of the business and long term sustainability. There are currently two forms of deferral:

Cash Deferral

Deferred cash awards are required to be invested in OAM Funds. This strengthens the alignment of interests between partners, employees and our clients and Fund investors, especially for partners responsible for performance. Cash is deferred over a two or three year period, with two equal payments on the 1st and 2nd anniversaries for the two year deferral or alternatively the full amount paid on the 3rd anniversary for the three year deferral, but is lost if the individual is no longer a member of staff/partner at the transfer date.

Share deferral

At certain times the owners of the Odey Group may decide to make equity available to senior participants in the business. The award of Bonus Shares in Odey Holdings AG, allows for increased ownership in the business by partners. In determining the award of shares, the Remcom takes into account a partner's contribution to the overall development of the business and creation of a long term sustainable franchise. To this end, the deferred vesting of bonus shares is over a three year period in which the shares are entitled to a dividend on the 1st/2nd/3rd anniversaries, but may be reacquired by the Group should the partner leave within the three year period. The Bonus Shares become Ordinary Shares with full rights, after the third year.

All forms of deferral help to manage key man risk as the retained element acts as a disincentive to leave at short notice and encourages behaviour focused on creating a sustainable business. The profit for the financial year ending 5th April 2022, available for members' remuneration and profit share, was £18.8 m.

OAM has adopted a remuneration policy and procedures that comply with the requirements of chapter 19G of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"). 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.
- ExCo, 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.

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

Fixed remuneration is based upon a staff member's professional experience and organisational responsibility. It is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.

Variable remuneration is based upon staff members performance or, in exceptional cases, other conditions.

Performance reflects the long-term performance of the staff member as well as performance in excess of the staff member's job description and terms of employment, and

- includes discretionary pension benefits; and
- includes carried interest, as referred to in SYSC 19G.1.27R.

Total remuneration is based on balancing both financial and non-financial indicators together with the performance of the Firm and the staff member's business unit.

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.

Please see the firm's annually accounts filing for the information

The material in this document has been prepared by OAM, Company number OC302585 purely for the purpose of explaining the basis on which OAM has prepared and disclosed certain information about its governance arrangements, risk arrangements, own funds, own funds requirements and remuneration policy and practices in accordance with MIFIDPRU Article 8 disclosures.

The information herein contained should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments (the "Investment Activity") and does not take into account investors' or potential investors' particular investment objectives, financial situation or needs.

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