Kirkoswald Capital Management Ltd

MIFIDPRU Public Disclosure Document

April 2025

Kirkoswald Capital Management Limited
110 Park Street | Lower Ground Floor | Mayfair |
London W1K 6NX | UK

Introduction

The Financial Conduct Authority ("FCA") in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU") sets out the detailed prudential requirements that apply to Kirkoswald Capital Management Limited ("Kirkoswald" or the "Firm").

Kirkoswald is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm ("Non-SNI MIFIDPRU Investment Firm"). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

This document has been prepared by Kirkoswald in accordance with the requirements of MIFIDPRU 8. Unless otherwise stated, all figures are as at the Firm as at 31 December 2024 financial year-end.

Risk Management Objectives and Policies

This section describes Kirkoswald's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds.
- Concentration risk.
- Liquidity.

Business Strategy

Kirkoswald is an investment management firm, seeking to deliver positive risk managed returns on fixed income investments in emerging markets. The Firm seeks to grow its revenues by growing the underlying asset base on which it charges a management fees and performance fees.

Costs are controlled carefully to ensure long-term profitability. The business seeks to make investments to expand its business and product lines and to continuously improve its control environment.

Given the Firm's business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm is low.

Own Funds Requirement

Kirkoswald is required to maintain own funds that are at least equal to the Firm's own funds requirement, which is currently set by its FOR. The potential for harm associated with Kirkoswald's business strategy, based on the Firm's own funds requirement, is low. This is due to the Firm's relatively consistent and stable revenues and asset base, as well as its ability to control its expense base.

It is the Firm's policy to maintain an own funds surplus above the own funds requirement.

Concentration Risk

The Firm monitors and controls its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms. The Firm has multiple clients, which provides for a diverse stream of revenue. Moreover, the investors are typically institutional professional investors that invest for the long term.

The Firm deposits its cash in well-established multinational institutions.

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with Kirkoswald's business strategy, based on the Firm's basic liquid assets requirement, is low. As with regard to its own funds requirement, this is due to the Firm's relatively consistent and stable revenues and asset base. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. Kirkoswald has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits its holds.

The cash position of the Firm is monitored by the Firm's Corporate Finance team and the co-COO on a regular basis.

Risk Management Structure

Whilst maintaining the overall responsibility for monitoring risk management, the Board has delegated the day-to-day risk management to the Firm's Risk Committee ("RC") as being responsible for reporting of various risk management matters including operational issues. The principal risks faced by the Firm from time to time will be identified and monitored by the Firm's Risk Committee which shall report to the Board in respect of such risks. The RC provides advice to the Board on all risks associated to the Group's business with focus on business, portfolio, and operational risk management issues. The RC reports directly to the Board and is chaired by the Firm's Co-COO.

Appropriate action is taken where risks are identified that fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in Kirkoswald's mitigating controls.

Governance Arrangements

Overview

The Governing Body has overall responsibility for the Firm and is therefore responsible for defining and overseeing the governance arrangements (at the Firm).

Amongst other things, the Governing Body approves and oversees the implementation of the Firm's strategic objectives and risk appetite, ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls, ensures compliance with the requirements of the regulatory system, assesses the adequacy of policies relating to the provision of services to clients, and provides oversight of the Firm's senior management.

The Management Body

Kirkoswald's management body is the Governing Body. No member of the Governing Body (who is an Kirkoswald employee) has material outside interests as it relates to the financial services industry.

Diversity of the Management Body

Kirkoswald is committed to a policy of equal opportunity and non-discrimination. The Company encourages and supports a culture in which all its staff are treated with dignity and respect. At all times it aims to:

1.Select, recruit, develop and promote the very best people, basing judgement solely on suitability for the job;

2.Ensure all applicants and employees receive fair and equal treatment, irrespective of sex, sexual orientation, marital status, nationality, colour, race, religion, age or disability;

3.Maintain a working environment free from harassment and intimidation;

4.Ensure that existing and new legislative acts based on a stated right to equal treatment are strictly adhered to;

5.Deal speedily and effectively with any complaints of alleged discrimination and/or harassment, ensuring that they are fully investigated and that remedial action is taken where necessary.

Risk Committee

The Firm has established an independent risk committee. The purpose of the risk committee is to advise the Governing Body on the Firm's overall current and future risk appetite and strategy and assist the Firm's Governing Body in overseeing the implementation of that strategy by senior management.

Own Funds

As at 31 December 2024, Kirkoswald maintained own funds of £ 5.719mm. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Composition of Regulatory Own Funds

	Item	Amount (GBP Thousands)	Source Based on the Balance Sheet in the Audited Financials
1	**OWN FUNDS**	**10,281**	
2	**TIER 1 CAPITAL**	**10,281**	
3	**COMMON EQUITY TIER 1 CAPITAL (before deductions)**	**10,281**	
4	Fully paid up capital instruments	583	
5	Share premium	2,179	
6	Retained earnings	7,519	
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Accumulated other comprehensive income	0	
10	Accumulated other comprehensive income	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(4,562)	
19	CET1: Other capital elements, deductions and adjustments	0	
20	**ADDITIONAL TIER 1 CAPITAL**	**0**	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	**TIER 2 CAPITAL**	**0**	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	

28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

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Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements				
		Balance Sheet as in Published/Audited Financial Statements	**Under Regulatory Scope of Consolidation**	**Cross-Reference to Above Table**
		As at December 31, 2024	As at December 31, 2024	
Assets - Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)				
1	Tangible assets	46	46	
2	Investments	612	21	
3	Debtors – Due after more than 1 year	3,971	0	
4	Debtors – Due within 1 year	3,779	3,779	
5	Net asset for deferred compensation	1,532	1,532	
6	Cash and cash equivalents	4,715	4,715	
xxx	**Total Assets**	**14,655**	**10,093**	
Liabilities - Breakdown by Liability Classes According to the Balance Sheet in the Audited Financial Statements (in £'000)				
1	Creditors: amounts falling due within one year	3,676	3,676	
2	Creditors: amounts falling due after one year	0	0	
xxx	**Total Liabilities**	**3,676**	**3,676**	
Shareholders' Equity (in £'000)				
1	Called up share capital	583	583	
2	Capital redemption reserve	2,179	2,179	
3	Profit and loss account	8,217	3,655	

xxx	**Total Shareholders' Equity**	**10,979**	**6,417**	

Own Funds: Main Features of Own Instruments Issued by the Firm
Kirkoswald's own funds consists of its common equity tier 1 capital.

Own Funds Requirements

Kirkoswald is required, at all times, to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR (defined below).

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	4,435
(C) K-Factor Requirements ("KFR")	210
- K-AUM – *Risk arising from managing and advising on investments*	210
- K-COH – *Risk arising from order execution and reception and transmission of orders*	0
(D) Own Funds Requirement (Max. [A, B, C])	**4,435**

Kirkoswald is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The Firm's own funds threshold requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that Kirkoswald is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, Kirkoswald identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective.

This process is documented and presented to, and ratified by, the Governing Body on at least an annual basis.

Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, Kirkoswald is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). The Firm, as an alternative investment fund manager, is also classified as a collective portfolio management investment firm, and as such, is also subject to the AIFM Remuneration Code (SYSC 19B). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of Kirkoswald's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, the Firm recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset.

Characteristics of the Firm's Remuneration Policy and Practices

Remuneration at Kirkoswald is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

Kirkoswald's policy includes a framework for assessing the level of remuneration to be paid to staff members. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is particularly constrained, or where there is a risk that the Firm may not be able to meet its capital or liquidity regulatory requirements.

Governance and Oversight

The Governing Body (in consultation with the Firm's Remuneration Committee) is responsible for setting and overseeing the implementation of the firm's remuneration policy and practices. The remuneration policy is reviewed annually.

Material Risk Takers

The Firm's material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). Such staff include:

- Members of the management body
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a control function[1];
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions; and
- Those with authority to take decisions approving or vetoing the introduction of new products.

Quantitative Remuneration Disclosure

The below table quantifies the remuneration paid to staff in the financial 1 January 2024 to 31 December 2024.

Period: December 31, 2024				
		Senior Management	Other Material Risk Takers	Other Staff
Total Number of Material Risk Takers		12		
Remuneration Awarded	Fixed (£)	860	2,429	5,793
	Variable (£)	166	1,294	1,889
	Total (£)	1,026	3,723	7,682
Guaranteed Variable Remuneration	Amount (£)	One formulaic bonus included in the above		
	# Staff Awarded			
Severance Payments	Amount (£)	0		

[1] A control function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm's risks, and for reviewing and reporting on those risks.

	# Staff Awarded	0	

MIFIDPRU investment firms are typically required to split the quantitative data in the above table, where relevant, into categories for senior management and other material risk takers. However, the regulator allows firms to aggregate or altogether omit the information to be disclosed for senior management and other material risk takers, where splitting the information between these two categories would lead to the disclosure of information about only one or two individuals. Kirkoswald has relied upon this exemption as noted in the chart above in order to prevent the identification of an individual material risk taker(s).