

Schonfeld Strategic Advisors (UK) LLP

MIFIDPRU 8 Disclosure

September 2023

Introduction

The Financial Conduct Authority (“FCA” or “regulator”) sets out its prudential expectations for UK regulated firms within a specialist sourcebook contained in the FCA Handbook, known as (“MIFIDPRU”). MIFIDPRU is broken into numerous chapters which set out the detailed prudential requirements that apply to Schonfeld Strategic Advisors (UK) LLP (“SSA UK” or the “Firm”). Specifically, chapter 8 of MIFIDPRU (“MIFIDPRU 8”) sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements and as highlighted by this disclosure.

SSA UK 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.

The purpose of this disclosure is to give stakeholders and market participants an insight into the Firm’s culture and data on the Firm’s own funds and own funds requirements, allowing potential investors to assess the Firm’s financial strength.

This document has been prepared by SSA UK in accordance with the requirements of MIFIDPRU 8 and is verified by the UK Management Committee. Unless otherwise stated, all figures are as at the Firm’s 31 December financial year-end.

Risk Management Objectives and Policies

This section describes SSA UK’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

SSA UK is the UK operating entity of Schonfeld Strategic Advisors LLC and its affiliates (the “Schonfeld Group”). SSA UK is authorised and regulated by the FCA as a Collective Portfolio Management and Investment (“CPMI”) firm and via the multi-manager platform, invests capital with Internal and Partner portfolio managers, primarily on an exclusive or semi-exclusive basis, across quantitative, fundamental equity, tactical, and discretionary macro and fixed income trading strategies.

The Firm has created a unique structure to provide global portfolio managers with autonomy, flexibility and support to best enable them to maximize the value of their businesses. Over the last 30 years, Schonfeld Group has capitalized on inefficiencies and opportunities within the markets and has developed and invested heavily in proprietary technology, infrastructure, and risk analytics. The portfolio exposure has expanded across multiple asset classes with a significant presence in the Americas, Europe, and Asia. From the perspective of manager selection, the Firm looks for ways to align the interests of investors, investment professionals, and the Firm, highlighted by the opportunity for investment professionals to co-invest in the funds and their individual strategies.

Underlying investors are institutional investors, such as pension funds, insurance companies, and other professional investors.

SSA UK grows revenues by increasing the underlying asset base on which it charges a management fee via a “pass-through” model in reimbursement of expenses. As set forth in the relevant offering documents of the applicable Schonfeld Group private funds, these expenses will include items such as performance-based compensation charged by the SSA UK’s portfolio management teams, salaries, operational and overhead expenses (such as fund administration, tax, custodian, audit, legal, insurance, etc.), research, brokerage, custodial expenses and so forth.

This growth in revenue is achieved in two core ways, firstly through growth of the Firm’s client’s assets within existing portfolios through capital inflows and value creation and secondly via the appointment of additional managers and portfolios onto the SSA global platform.

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.

Concentration Risk

The potential for harm associated with SSA UK’s business strategy, based on the Firm’s concentration risk, is low.

The Firm has a single client, its parent entity, Schonfeld Strategic Advisors LLC and additionally manages assets as an Alternative Investment Fund Manager (“AIFM”) and on a sub-advisory basis, which provides for a diverse stream of revenue. Its parent undertaking, is a well-established financial services company with a diverse and significant revenue pool. The Firm, therefore, considers that it has a safe and predictable revenue stream from its parent, including during stressed market conditions. With regard to the fund vehicles, the investors are typically institutional professional

investors that invest for the long term. The Firm, therefore, considers that its asset base is 'sticky' and not prone to substantial fluctuations, including during stressed market conditions.

From a cash management perspective, the Firm deposits its cash with a number of well-established multinational institutions to spread concentration risk.

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 stressed scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. SSA UK has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. Additionally, it has historically been the case that all debtors are settled promptly, thus ensuring further liquidity resources are available to the Firm on a timely basis. Liquidity is monitored regularly through the monthly management accounts review process.

Risk Management Structure

SSA UK has established a risk management process, which includes UK risk committees, in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the UK Investment Risk Committee, with the UK Management Committee taking overall responsibility for this process and the fundamental risk appetite of the Firm.

Annually, the Firm formally reviews its risks, controls, and other risk mitigation arrangements and assesses their effectiveness; the conclusions to this review inform the overall risk appetite of the Firm.

A formal update on operational matters is provided to the UK Management Committee on a quarterly basis. Management accounts demonstrating the continued adequacy of SSA UK's regulatory capital and liquidity requirement are also reviewed on a quarterly basis.

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 SSA UK's mitigating controls.

Governance Arrangements

Overview

SSA UK believes that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The UK Management Committee has overall responsibility for SSA UK and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

In order to fulfil its responsibilities, the UK Management Committee meets on a quarterly basis. Amongst other things, the UK Management Committee 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.

A key document that is reviewed, discussed, and ratified by the UK Management Committee at least annually is the Senior Management Systems and Controls Document ("SYSC Document"), as this demonstrates how the Firm has met its obligations with regard to its governance arrangements. The SYSC Document provides the UK Management Committee with information on the functioning and performance of all aspects of the Firm, including the following areas:

- General organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities, and the Firm's accounting policies.
- Employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge, and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons.
- Policies, procedures, and controls for meeting its compliance and financial crime requirements.
- Internal capital adequacy and risk assessment process.
- Outsourcing of critical or material operating functions or activities.
- Record-keeping controls and arrangements.
- Conflicts of interest management.
- Remuneration policies and practices; and
- Whistleblowing controls.

The Management Body

SSA UK's management body is the UK Management Committee. No members of the management body hold any directorship positions that are outside of the Schonfeld Group.

Risk Committee

The UK Investment Risk Committee meets on a quarterly basis and feeds their findings into the UK Management Committee. The UK Management Committee meets on a quarterly basis and discusses current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The UK Management Committee engages in SSA UK's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles, and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

Own Funds

Own Funds Requirement

SSA UK is required to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR"):** The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- **Fixed overhead requirement ("FOR"):** This is equal to one quarter of the Firm's relevant expenditure, based on the prior year audited financial statements;
- **K-factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that SSA UK would need for the ongoing operation of its business. The K-factor that apply to the Firm's business are K-AUM (calculated on the basis of the Firm's assets under management ("AUM"))

The Firm's own funds threshold requirement is the highest of the above plus any additional own funds detailed below:

- **Additional Own Funds Requirement:** Through its ICARA process SSA UK is required to calculate any additional own funds that the Firm would require to mitigate any risks of harm from ongoing business operations and separately calculate any additional own funds required to ensure that SSA UK can be wound down in an orderly manner.

SSA UK's own funds requirement is currently the FOR, as this is the highest of the metrics. The potential for harm associated with SSA UK's business strategy, based on the Firm's own funds requirement, is low. This is due to the relatively consistent and stable growth in the Firm's revenues and asset base.

A method adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. In the event that the Firm's own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its UK Management Committee, as well as the regulator. The UK Management Committee will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

As of 31 December 2022, SSA UK maintained own funds of £19,427,316. 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 Reference Numbers/Letters of the Balance Sheet in the Audited Financial Statements
1	OWN FUNDS	19,427	
2	TIER 1 CAPITAL	19,427	
3	COMMON EQUITY TIER 1 CAPITAL	19,427	
4	Fully paid up capital instruments	19,427	2022 Audited Financial statements – Reconciliation of Members Interests. Members' capital (classified as equity) – Page 10
5	Share premium	-	
6	Retained earnings	-	
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Accumulated other comprehensive income	-	
10	Accumulated other comprehensive income	-	

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	-	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

		Balance Sheet as in Audited Financial Statements	Cross-Reference to Above Template
		As at 31 December 2022	
Assets - Breakdown by Asset Classes According to the Balance Sheet in the Audited Financial Statements in £'000)			
1	Tangible assets	5,498	
2	Debtors	33,289	
3	Cash at bank and in hand	20,441	
	Total Assets	59,228	
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	(35,407)	
2	Loans and other debts due to members	(4,394)	
	Total Liabilities	(39,801)	
Shareholders' Equity (in £'000)			
1	Members' capital classified as equity	19,427	Item 4
	Total Shareholders' Equity	19,427	

Own Funds: Main Features of Own Instruments Issued by the Firm

SSA UK's own funds consist of common equity tier 1 capital only. This capital takes the form of cash.

Own Funds Requirements

SSA UK is required to at all times 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.

The below illustrates the core components of SSA UK's own funds requirements:

Requirement	£'000
<i>Higher of:</i>	
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	14,500
(C) K-Factor Requirements ("KFR")	-
- K-AUM – Risk arising from managing and advising on investments	46
(D) Own Funds Requirement (Max. [A, B, C])	14,500

SSA UK is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on SSA UK to hold own funds 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.

Where SSA UK determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

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 as calculated via the ICARA; 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 SSA UK is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, SSA UK 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. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby calculates the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the UK Management Committee on at least an annual basis.

Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, SSA UK 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")). SSA UK, as an alternative investment fund manager, is also classified as a CPMI 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 SSA UK'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.

In addition, SSA UK recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff (including Remuneration Code Staff) and sustains consistently high levels of performance, productivity, and is gender neutral. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

SSA UK is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes. From a remuneration perspective, this means that performance is determined through the

assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

Characteristics of the Firm's Remuneration Policy and Practices

Remuneration at SSA UK is made up of fixed and variable components and all staff are eligible. The Firm ensures that the fixed and variable components of 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, including the possibility of paying no variable remuneration component. The Firm has set an appropriate ratio between the variable and fixed components of total remuneration for each of its MRTs. This is documented internally and confidentially. The Firm will calculate whether the award of variable remuneration is consistent with the ratio. Variable remuneration is generally paid on a discretionary basis and takes into consideration the achievement of target profits and the improvement of investor returns, as relevant to each job function. Although variable remuneration is typically awarded at the discretion of the Firm, certain individuals may be entitled to guaranteed variable remuneration based on the achievement of specific performance criteria or other significant milestones outlined in their respective employment contracts. For all staff, when assessing individual performance to determine the amount of variable remuneration to be paid to an individual, the Firm takes into account non-financial criteria as well as financial criteria.

SSA UK's policy includes a framework for assessing the level of remuneration to be paid to staff members. The framework applies both ex-ante and ex-post risk adjustment criteria to the level of remuneration paid. Factors considered include:

- The current and future risks identified by the Firm;
- How the Firm takes into account current and future risks when adjusting remuneration;
- How malus (where relevant) and clawback are applied;
- The policies and criteria applied for the award of guaranteed variable remuneration;
- The policies and criteria applied for the award of severance pay.

The implementation and assessment of the above is done on a case by case basis and is subject to approval by the UK Management Committee. **Governance and Oversight**

The UK Management Committee is responsible for setting and overseeing the implementation of SSA UK's remuneration policy and practices. In order to fulfil its responsibilities, the UK Management Committee:

- Is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital, and liquidity.
- Prepares decisions regarding remuneration, including decisions that have implications for the risk and risk management of the Firm.
- Ensures that the Firm's remuneration policy and practices take into account the public interest and the long-term interests of shareholders, investors, and other stakeholders in the Firm.

- Ensures that the overall remuneration policy is consistent with the business strategy, objectives, values, and interests of the Firm and of its clients.

SSA UK's remuneration policy and practices are reviewed annually by the UK Management Committee.

Material Risk Takers

SSA UK is required to identify its 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). The types of staff that have been identified as material risk takers at SSA UK are:

- Members of the management body in its management function;
- Members of the senior management team;
- 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 function¹;
- 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;

Quantitative Remuneration Disclosure

The below table quantifies the remuneration paid to staff in the financial year 1 January 2022 to 31 December 2022. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, partners, employees of other entities in the group, employees of joint service companies, and secondees:

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.

Period: 1 January 2022 to 31 December 2022				
		Senior Management	Other Material Risk Takers	Other Staff
Total Number of Material Risk Takers		8	7	
Remuneration Awarded	Fixed (£)	1,471	933	15,428
	Variable (£)	11,854	6,637	31,672
	Total (£)	13,324	7,570	47,100
Guaranteed Variable Remuneration	Amount (£)	-		
	# Staff Awarded	-		
Severance Payments	Amount (£)	-	-	
	# Staff Awarded	-	-	
Highest Severance Payment Awarded to an Individual (£)		-		

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. SSA UK has relied upon this exemption and has aggregated the disclosure of guaranteed variable remuneration and omitted the disclosure of severance payments in order to prevent the identification of an individual material risk taker.