Balyasny Asset Management (UK) LLP

For the Period 01 January 2022 to 31 December 2022

Introduction

1. Balyasny Asset Management (UK) LLP (the “Firm”) is authorised and regulated by the Financial Conduct Authority (“FCA”) of the United Kingdom and is a “MIFIDPRU investment firm” as defined in the FCA Rules. The Firm is a non-SNI firm for the purposes of the rules in the Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”).

2. The Firm’s governing body is its Board of Directors of the Firm’s Managing and Designated Member, Balyasny International Asset Management Ltd (“BIAM”), which has oversight responsibility in relation to the Firm and BIAM (the “Management Body”).

3. Under the FCA Rules (specifically Chapter 8 of MIFIFDPRU), the Firm is required to make specific disclosures relating to its:

   - Risk Management Objectives and Policies;
   - Governance Arrangements;
   - Own Funds; and
   - Remuneration Policy and Practices.

4. The Firm is part of a consolidation group for prudential regulation purposes. However, in accordance with MIFIDPRU 8.1.7 R, the Firm is providing these disclosures on a solo basis only.

Significant changes since last disclosure period

1. This is the Firm’s first disclosure under the Pillar 3 disclosure requirements under MIFIDPRU 8. As such, there have been no significant changes to the information disclosed since the Firm’s last disclosure period.

Risk Management objectives and policies

1. The principal activity of the Firm is to provide investment advisory and management services to Balyasny Asset Management L.P. (the “US Parent”). The US Parent pays the Firm a service fee for providing such services, and the US Parent will cover any shortfalls the Firm may encounter over the course of normal business, such that the Firm will not incur significant losses.

2. In pursuing the strategy above, the activities of the Firm will give rise to certain risks which carry a potential for harm. Below we have set out a summary of the harm that could potentially be caused as a result of certain categories of risks related to the Firm’s (i) Own Funds requirement; (ii) requirements around its Concentration risk; and (iii) requirements around its Liquidity. We have also set out a summary of the strategies and processes used to manage each of these categories of risk.

3. Regarding the Firm’s approach to risk generally, the Management Body is committed to managing all of the Firm’s risks. The Management Body has decided that the Firm’s overall appetite for risk in business operations is low and it encourages all staff to identify, escalate and minimise risks as much as possible. The Firm has a conservative approach to regulatory compliance risk and employs reputable external advisors that are specialised in those areas. The Firm has governance and internal control arrangements in place to manage risks across the business.

Risks Related to the Firm’s Own Funds Requirement

The Firm has identified the following risks of harm relating to its strategy which relate to, and are intended to be addressed by, the Firm’s Own Funds obligations:

- Removal of intra-group financial support or The Firm's loss of sub-advisory relationships (i.e., Group Risk)

- Inadequate monitoring and mitigation of foreign exchange risk

- Operational risk associated with inadequate systems and processes, human error, or external events.

The Firm manages and mitigates the risks of harm identified above through various strategies and processes.

- The Firm's overall risk of harm is considered low as the US Parent can provide cash for the Firm's monthly business operations and expenses from monthly management fees which it receives from the underlying funds it manages throughout the year. At year end, the service fee is adjusted to the greater of cost or the residual profit-split model. The additional receivable can be funded from the crystallized incentive fee. The Firm's cash balances are separate from its affiliates and are placed with banks assigned high credit ratings.

- The Firm's foreign exchange risk is limited to its currency exposure to the settling of US Dollar based liabilities such as intercompany payables receivables, portfolio manager compensation and deferred compensation. Cash levels are monitored consistently, and forward contracts may be used to hedge cash flows and reduce adverse exposure to currency rates.

- Operational risk is managed through outsourcing certain responsibilities to third party provides such as administrators, where transactions are subject to reviews and controls at both the administrator and internally. The Firm has robust hiring protocols (reference checks, background checks, and candidates are screened through a multi-layered comprehensive process. Employees are subject to compliance trainings, certifications and a tone at the top which emphasizes ethical behaviour.

<u>Concentration Risk</u>

The Firm has identified the following risks arising from its strategy, which relate to the Firm's relationships with, or direct exposure to, a single client / counterparty or group of connected clients / counterparties:

- the Firm's receivables from debtors is overly concentrated with the US Parent, a solvency event affecting the US Parent, would subject the Firm to a significant level of financial harm;

- the Firm makes cash deposits into accounts at certain banks as part of running its business. Where these cash deposits are concentrated in certain banks, an insolvency event affecting any such bank may subject the Firm to a significant harm.

The Firm manages and mitigates the risks of harm identified above through various strategies and processes.

- The concentration risk with the US Parent is considered low as the US Parent can provide cash for the Firm's monthly business operations and expenses from monthly management fees which it receives from the underlying funds it manages throughout the year. The management fees received as contractually agreed to and are subject to relatively low volatility as they are determined by assets under management (AUM) rather than trading performance. The US Parent also receives reimbursement income from the funds that is used to pay its running costs of the investment team.

- The Firm holds its cash balances with a banking institution with high credit ratings. The Firm actively monitors banking relationships.

Liquidity

The Firm has identified the following risks of harm arising from its strategy which relate to, and are intended to be addressed by, the Firm's Liquidity obligations:

- the Firm could cease to have sufficient control over its assets and cash;

- the Firm might not be able to convert its assets to liquid assets within a reasonable time, including under stressed conditions

- the Firm could be subject to operational restrictions that affect its ability to convert assets into liquid assets;

The Firm manages and mitigates the risks of harm identified above through various strategies and processes.

- The Firm's liquidity is dependent on the settling of the intercompany balances with the US Parent timely. The Firm has a Liquidity Risk Assessment Policy which includes annual budgeting, continuous forecasting, and scenario stress testing.

- The Firm also sets aside cash in a segregated account equal to one-month base salary, adjusted periodically, as our internal liquidity risk tolerance.

Governance arrangements

Oversight of Governance Arrangements by the Management Body

1. The Firm, as a MIFIDPRU Investment Firm, is subject to the organisational requirements in 4.3A.1 R of the Senior Management Arrangements, Systems and Controls Sourcebook of the FCA Handbook ("SYSC").

2. Under SYSC 4.3A.1 R, the Firm must ensure that the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of the Firm's clients.

3. In order to comply with the requirement in SYSC 4. 3A.1 R, the Firm has procedures in place to ensure that members of the Management Body are selected based primarily on the following criteria:

   - reputation within the market;

   - the possession of the necessary knowledge, skills and experience to perform the relevant duties;

   - whether their addition will complement the Management Body's collective knowledge, skills and experience in relation to the Firm's activities, including the main risks it faces;

   - diversity of viewpoints, backgrounds, experiences, and other demographics

4. As part of the Firm's governance arrangements and structure, the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm. These arrangements include ensuring that the Firm and its individual functions are adequately resourced and ensuring that there is appropriate segregation of duties and responsibilities (for example, appropriate segregation of front office and middle and back office functions, including risk management, operations and compliance functions that are independent of the front office) in a manner that promotes the integrity of the market and the interests of clients.

5. All relevant staff report to the Management Body (either directly or to individuals who, in turn, report to the Management Body). The Management Body is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Management Body decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management across the group is accountable to the Management Body for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm. The US Parent's Management Committee meets at least weekly to discuss significant matters affecting the firm and to make strategic decisions. The Management Committee's:

   - has overall responsibility for the business and conduct of the Firm;
   - approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
   - has oversight of and ensures the integrity of the Firm's accounting and financial reporting systems;
   - has put in place financial and operational controls and compliance with applicable regulations;
   - oversees the process of public disclosure and communications by the Firm with clients and regulators;
   - is responsible for providing oversight of the Firm's senior management;
   - monitors, assesses and makes changes in respect of deficiencies found in respect of: (i) the adequacy/implementation of the Firm's strategic objectives in the provision of investment services and activities (including ancillary services); (ii) the effectiveness of the Firm's governance arrangements; and (iii) the adequacy of the policies relating to the provision of services to clients; and
   - has adequate access to information and documents which are needed to oversee and monitor management decision-making.

   All members of the Management Body are required to commit sufficient time to ensure that they can perform their functions within the Firm and to act with honesty, integrity and independence of mind to effectively assess and challenge decisions where necessary and to effectively oversee and monitor management decision-making.

<u>Directorships</u>

1. The table below sets out how many directorships each member of the Management Body holds, broken down into executive and non-executive directorships.

2. The table below does not include, in respect of each member of the Management Body:

   - any directorships the member holds in an organisation which does not pursue a predominantly commercial objective (for example, a charitable organisation or a company that has been established to own the freehold to a building in which the member lives);

- separate directorships held for multiple entities within the same group (all such directorships are accounted as a single directorship for the purposes of the table below); or

- separate directorships in undertakings in which the Firm holds a qualifying holding.

Member of the Management Body	Number of executive Directorships	Number of non-executive Directorships	Total number of directorships
Dina Guirguis	1	0	1
Lisa Avellini	1	0	1

Risk Committee

The Firm is not required to establish a risk committee, and so has not established such a committee

Diversity Policy

1. The Firm maintains an equal opportunities policy for the firm as a whole. In accordance with SYSC 4.3A this also applies to the Management Body.

Own Funds and Own Funds Requirement

Own Funds

1. The Firm is subject to the disclosure requirements stipulated in MIFIDPRU 8.4.1 R. As such, the tables below set out:

   A. details of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the Firm (i.e. a composition of regulatory own funds);

   B. a reconciliation of the Firm’s composition of regulatory own funds with the capital in the balance sheet in the audited financial statements of the Firm; and

   C. a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the Firm.

   Please see the tables below which set out these disclosures.

A. 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**	60,381	
2	**TIER 1 CAPITAL**	60,381	
3	**COMMON EQUITY TIER 1 CAPITAL**	60,381	
4	Fully paid up capital instruments	57,253	Members' capital
5	Share premium	-	
6	Retained earnings	-	
7	Accumulated other comprehensive income	-	
8	Other reserves	3,127	Loans and other debits due to members
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**	-	
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	-	

B. Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross-reference to template OF1**
		As at period end	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*				
Non-current asset				
1 Tangible fixed assets		995	995	
2 Other assets		2,025	2,025	
3 Debtors: amounts falling due after more than one year		11,230	11,927	
Current assets				
4 Debtors: amounts falling due within one year		295,073	295,073	
5 Cash deposits at bank		14,565	15,167	
Total Assets		323,888	325,187	
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*				
1 Creditors: amounts falling due within one year		259,109	263,961	
2 Creditors: amounts falling due after more than one year		4,398	2,916	
Total Liabilities		263,507	266,877	
Shareholders' Equity				
1 Loans and other debts due to members		3,127		Item 8
2 Members' other interests		57,253		Item 4

3 Called up share capital		1,675	
4 Profit and loss account		56,811	
Total Shareholders' equity	60,381	58,486	

C. Own funds: main features of own Instruments issued by the Firm
The CET 1 instruments issued by the firm consist of LLP members' equity. Members' equity capital represents amounts introduced by the members to be used in business operations. All amounts credited to each members' capital account shall be immediately and fully available to the LLP for unrestricted use to cover risks and losses as and when they may occur. Further capital contributions and withdrawals are permitted as outlined by the Limited Liability Partnership Agreement.

Own Funds Requirements

1. The below table relates to the Firm's own funds requirements under MIFIDRU 4.3.

K-Factor Requirement (calculated by the Firm in accordance with MIFIDPRU 4.6)	The Firm's K-Factor Requirement is: 1,051	The Firm's K-Factor Requirement can be further broken down as follows:
		the sum of: o the K-AUM requirement; which is: 281
		the sum of: o the K-COH requirement; which is: 770
Fixed Overheads Requirement (calculated by the Firm in accordance with MIFIDPRU 4.5)	The Firm's Fixed Overheads Requirement is: 23,545	

2. As part of its ICARA process, the Firm assesses the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7 R.

3. In particular, the Firm assesses the own funds it requires to:

- address any potential harms it has identified which it has not been able to mitigate;
- address any residual harms remaining after mitigation; and
- ensure an orderly wind down of its business.

4. As the Firm is not an SNI firm, it is required to use its K-factor requirement as a starting point for determining the appropriate amount of own funds to cover risks of harm to the business as a going concern, to the extent that such risks have not or cannot be mitigated.

5. The Firm assesses whether and to what extent a K-factor requirement covers each risk of harm identified during the ICARA process on a going concern basis (to the extent the risk of harm is not or cannot be adequately mitigated).

6. For this purpose, each risk of harm that is not adequately mitigated is mapped to the corresponding K-factor requirement. To the extent that the applicable K-factor requirement is insufficient to cover the post mitigation risk of harm or to the extent that there is no applicable K-factor requirement, the Firm will calculate a suitable amount of additional capital.

7. As part of its ICARA, the Firm also assesses the level of own funds that it would need in order to effect an orderly wind down, taking into account any additional risks of harm it identifies and whether the Firm's fixed overheads requirement adequately covers such risks.

Remuneration policy and practices

Qualitative disclosures

1. The Firm's approach to remuneration for staff can be summarised as follows:

   - **Philosophy:** The Firm's remuneration policies and practices are driven by its desire to reward its staff fairly and competitively, but at the same time create a culture of principled behaviour and actions (particularly with regards to the areas of risk, compliance, control, conduct and ethics). As such, the Firm's remuneration policies and practices have been designed so as to contribute to the achievement of the Firm's objectives, but in a way that does not encourage excessive risk-taking or the violation of applicable laws, guidelines, and regulations, and which takes the capital position and economic performance of the Firm over the long term into account.

   - **Linkage between variable remuneration and performance:** The Firm's compensation plan is composed of base salary (fixed remuneration) and bonus (variable remuneration) and benefits. Bonuses are awarded at the end of a calendar year on a discretionary basis based on 1) personal performance and/or 2) firm-wide or team performance results for Back Office teams and Investment Management Teams (ie Risk, Execution, Portfolio Finance). Portfolio Managers are awarded bonuses based on a contractual calculation of the profit and loss they generated for the Firm in the year. For years prior to 2020, if total compensation exceeded certain thresholds, amounts were subject to mandatory deferral. Compensation in 2021 and thereafter is no longer subject to deferral but the previously awarded deferred compensation will vest in accordance with the terms of the year it was awarded. Deferred amounts receive interest based on the returns of one of the funds managed by the BAM group. Employees who voluntarily elect to leave the Firm typically forfeit their unvested deferred compensation and thus have an incentive to remain with the Firm.

   - **Main performance objectives:** The Firm's main performance objectives relating to the remuneration of staff is as follows:

     Financial performance objectives:

     o For Portfolio Managers variable remuneration is based on the profit and loss they generate for the Firm for the year.

     Non-financial performance objectives

     o Non-financial performance objectives include risk mitigation, compliance record and reputation in the market

- **Categories of staff eligible to receive variable remuneration:** The following categories of staff are eligible to receive variable remuneration:

    - o Business side staff

    - o Investment side staff

2. As indicated above, the Firm's objective in using financial incentives with its staff is to contribute to its strategic objectives, but in a sufficiently prudent manner that does not encourage excessive risk-taking or the violation of applicable laws, guidelines, and regulations, and which takes into account the capital position and long term economic performance of the Firm.

3. The below is a summary of the decision-making procedures and governance surrounding the development of the Firm's remuneration policies and practices (which the Firm is required to adopt under SYSC 19G (the "MIFIDPRU Remuneration Code").

    - The Management Body has adopted remuneration policies and practices in line with the rules and guidance laid down by the FCA and the MIFIDRU Remuneration Code, and is responsible for the implementation of such policies and practices.

    - The Management Body periodically reviews the Firm's policies (at least annually) in accordance with the guidance and rules in SYSC 19G.3.

    - The Compensation Team reviews all remuneration and the Founders review the year end remuneration. All variable remuneration is adjusted in line with capital and liquidity requirements.

    - Due to the application of MIFIDPRU 7.1.4 R, the Firm is not required, and so has not established, a remuneration committee.

<u>Material Risk Takers ("MRTs")</u>

1. The Firm follows SYSC 19G.5 and identifies the following groups of employees as MRTs based on qualitative criteria (related to the role and decision making authority of employees) and quantitative criteria (related to the level of total gross remuneration):

    - Senior Managers of the Firm;

    - Employees whose professional activities have a material impact on the assets that the firm manages;

2. Employees who have managerial responsibility for business units that are carrying on at least one of following regulated activities:

    - Arranging (bringing about) deals in investments;

    - Dealing in investment as agent;

    - Managing investments;

    - Making investment with a view to transactions in investments; and/or

    - Advising on investments

    - Employees that have managerial responsibilities for control functions;

    - Employees that have managerial responsibilities for the prevention of money laundering and terrorist financing;

- Employees who are responsible for managing a material risk in the Firm; and
- Employees who are responsible for managing risks in Information technology, Information Security and/or outsourcing of critical or important functions.

Different components of remuneration (fixed and variable) awarded by the Firm		
Component of remuneration	Base salary / fixed monthly drawings	Fixed
	Annual bonus / portfolio manager payout	Variable
	Fixed pension contributions	Fixed

Summary of the financial and non-financial performance criteria used across the Firm which impact variable remuneration awarded to staff		
Performance Criteria	Performance criteria used in relation to the Firm	Financial performance criteria: o Fund performance o Net Operating Income
		Non-financial performance criteria: o Achievement of strategic goals o Compliance related performance
	Performance criteria used in relation to the Firm's business units	Financial performance criteria: o Expense management o Attributable revenue generation
		Non-financial performance criteria: o Risk mitigation o Risk and scaling expectations
	Performance criteria used in relation to the Individuals	Financial performance criteria: o Attributable revenue generation
		Non-financial performance criteria:

		o Performance in line with the Firm's strategy o Adherence to the Firm's risk management policies

Risk Adjustments of remuneration.
Determination of the bonus pool includes adjustments for all types of current and future risks and the cost of the capital and liquidity required. The allocation of variable remuneration components within the Firm takes into account all types of current and future risks. In considering the above, the Firm: • determines at what level the adjustments should be applied (such as business unit, trading desk and/or individual level, as appropriate), which risks are relevant, and which risk adjustment techniques and measures are most appropriate; and • in considering all types of current and future risks, includes both financial risks and non-financial risks. Total variable remuneration is generally considerably contracted where the financial performance of the Firm is subdued or negative.

Guaranteed Variable Remuneration

1. In exceptional and justified circumstances, the Firm may award guaranteed variable compensation, granted as part of a contractual obligation. Guarantees, that are subject to appropriate level of approvals, are awarded to attract new employees into the firm where they have no established performance or reputation. Additionally, the pay out of the guaranteed variable remuneration is also subject to individual's adherence to firm's policies and procedures and is subject to minimum conditions, such as that the employment is not terminated or notice is given and employee is not subject to a disciplinary sanction. The Firm does not award multi-year guarantees to any MRTs. Guaranteed compensation arrangements to MRTs are prohibited.

Severance Payments

1. In certain circumstances, severance payments may be made. In such circumstances, severance pay is determined on a case-by-case basis and involves input from the legal, human resources and compliance departments. Additionally, the advice of external counsel is sought to ensure any severance payment is sound.

2. Fixed and variable remuneration are paid out in cash

Quantitative disclosures

1. The total number of MRTs identified by the Firm under SYSC 19G.5 was: 8

2. Remuneration paid or awarded for the financial year ended 2022 comprised fixed remuneration and variable remuneration. The following tables show aggregate quantitative

remuneration information for the Firm's "Senior Management", "Other Material Risk Takers" and "Other Staff" according to the following definitions:

- **Senior Management:** those persons at the Firm who exercise executive functions and who are responsible and accountable to the Management Body for the day-to-day management of the Firm;

- **Other MRTs:** other employees whose activities have a material impact on the risk profile of the Firm and have been classified as MRTs; and

- **Other Staff:** other employees whose activities are not deemed to have a material impact on the risk profile of the Firm and have not been classified as MRTs.

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Disclosures required under MIFIDPRU 8.6.8R (4) and (5)(a) and (b)	
Disclosures required under MIFIDPRU 8.6.8R (4)	
*MRT*s	
2022 Total remuneration awarded to MRTs	16,153
2022 Fixed remuneration awarded to MRTs	14,097
2022 Variable remuneration awarded to MRTs	2,056
Disclosures required under MIFIDPRU 8.6.8R (5)(a)	
MRTs	
2022 Number of MRTs that received guaranteed variable remuneration awards	1
2022 Total amount of guaranteed variable remuneration awards made to MRTs	246
Disclosures required under MIFIDPRU 8.6.8R (5)(b)	
MRTs	
2022 Number of MRTs that received severance payment awards	-
2022 Total amount of severance payment awards made to MRTs	-

Disclosures required under MIFIDPRRU 8.6.8R(4) – Other Staff	
2022 Total remuneration awarded to Other Staff	266,473
2022 Fixed remuneration awarded to Other Staff	229,532
2022 Variable remuneration awarded to Other Staff	36,941

Disclosures required under MIFIDPRRU 8.6.8R(5)(c) – Senior Management and Other MRTs	
2022 Highest severance payment awarded to an individual classified as an MRT	-

3. In relation to the above Quantitative disclosures, the Firm has relied on the exemption in MIFIDPRU 8.6.8R (7) such that it has aggregated information in relation to

   - **MIFIDPRU 8.6.8R (4)**
   - **MIFIDPRU 8.6.8R(5)(a)**
   - **MIFIDPRU 8.6.8R(5)(b)**

4. The Firm has relied on the exemption in MIFIDPRU 8.6.8R (7) in order to prevent the individual identification of any individual MRTs at the Firm or the disclosure of information that could be associated with an individual MRT at the Firm.