Regulated by the FCA – Licence No. 447225

MIFIDPRU 8 DISCLOSURES REPORT FOR 2022

September 2023

Contents

1. Introduction

As a MIFIDPRU Investment Firm, **Magnetar Financial (UK) LLP** (the 'Company', 'Firm' or 'MFUK') is obliged to publicly disclose qualitative and quantitative information that are appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities.

The provisions for public disclosure are set out in MIFIDPRU 8 and this document has been produced in order to meet the disclosure obligations of MFUK.

1.1. Business Overview

The Company was incorporated in the United Kingdom as a private liability company with registration number OC316696 and it is authorised by the Financial Conduct Authority ('FCA') with licence number 447225.

The principal activity of MFUK is the provision of investment management services under a sub-advisory agreement with Magnetar Financial LLC, a Delaware limited liability company. MFUK, together with Magnetar Financial LLC and their respective affiliates, constitutes the Magnetar Group. MFUK has a tightly defined scope of operations, namely the provision of investment management services, which mitigates many of the risks it faces.

MFUK is a satellite company to another Magnetar Group entity based in the United States, Magnetar Capital Partners LP. As such, MFUK is closely controlled and monitored by persons acting on behalf of Magnetar Capital Partners LP or its affiliates. In addition, most overall portfolio management decisions are made by Magnetar Group's personnel in the United States. As a result of the relationships between Magnetar and other entities in the Magnetar Group, the Magnetar Group's internal controls are applied by MFUK.

1.2. Classification

As per the provisions of MIFIDPRU, all UK Investment Firms are classified either as Small and Non-Interconnected ('SNI') and Non-Small and Non-Interconnected ('Non-SNI') FCA investment Firms. The Company is currently classified as a **non-SNI Investment firm** since it exceeds the threshold condition under MIFIDPRU 1.2.1 of average AUM being less than £1.2 billion.

1.3. Declaration of the Management Body

MFUK's Management Body is required to proceed with an annual declaration on the adequacy of the Company's risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company's risk profile.

The Company's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations. The Management Body considers that the Company has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate array of properly resourced assurance mechanisms, to avoid or minimise loss. Key ratios and figures representing interaction of the risk profile and the stated risk tolerances are deemed to be proprietary information.

2. Risk Management Objectives and Policies (MIFIDPRU 8.2.)

To ensure effective risk management, the Company has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.

First Line of Defence:

Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with the Company's policies and where appropriate defined thresholds. The First Line of Defence acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defence:

The Risk Management Function is responsible for proposing appropriate objectives and measures to define the Company's risk appetite, devising the suite of policies necessary to control the business including the overarching framework, independently monitoring the Company's risk profile and providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them. Integral to the mission of the Second Line of Defence is identifying risk areas, detecting situations/activities in need of monitoring, and developing policies to formalise risk assessment, mitigation and monitoring.

Third Line of Defence:

Due to the nature, scale and lack of complexity of Magnetar's business it is not deemed appropriate or proportionate to have an independent internal audit. To the extent that it applies, internal audit remains the responsibility of the Senior Management of the Firm.

2.1. Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment, requires a strong risk management culture. As a result, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

- Adequate risk identification and management,
- Establishment of the necessary policies and procedures,
- Setting and monitoring of relevant limits, and
- Compliance with the applicable legislation.

The Management Body meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Management Body reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies and procedures as well as the Company's risk management policies and procedures as implemented by Management.

The Magnetar Group, including as applied by MFUK, uses an institutionalised approach to risk management designed to continually identify and measure risk factors embedded within distinct strategies and across its funds. This is achieved through a combination of quantitative risk assessment integrated into the investment process, systematic measurement and monitoring of liquidity risk and real time performance attribution by analyst, desk, strategy and funds.

As part of its business activities, MFUK faces a variety of risks, the most significant of which are described further below. The Company holds regulatory capital against the three all-encompassing main types of risk: credit risk, market risk and operational risk.

2.2. Risk Statement

The Company's activities expose it to a variety of risks, and in particular to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, group risk, strategic risk, liquidity risk, conduct risk etc. The Company, through its operations, has a significant exposure to the economies and financial markets.

As regards the management of the risks arising from the current macroeconomic and political uncertainty (heightened inflation, Ukrainian crisis, climate crisis etc.), the Company is following the local government guidelines, enhancing its onboarding procedures and closely monitoring its capital and liquidity positions.

Risk Strategy

The risk strategy of the Company is a responsibility of the Management Body, which formulates and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Company's business model. One important characteristic of the Company's risk strategy is the alignment with the strategic and operational targets that are set by the Management Body.

The risks that arise from the implementation of the Company's strategic and business plans are regularly analyzed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Company aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risks in line with the overall risk management and risk bearing capacity of the Company. The Company recognizes the importance of risk management to its business' success, and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Company's exposure to various risks.

Risk Appetite

The Company has a low-risk appetite with respect to investing and managing business and operational activities.

According to the Financial Stability Board (FSB), an appropriate risk appetite framework (RAF) should enable the risk target, risk appetite, risk limits and risk profile to be considered for business lines and legal entities as relevant, and within the group's context.

The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which the risk appetite is established, communicated, and monitored.

Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors and customers. The RAF aligns with the institution's strategy.

The Company is assessing its risk appetite with respect to investing and managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by Management.

Table 1: Risk Appetite areas

Indicator	Normal [1]	Warning [2]	Limit [3]
Minimum Own Fund Requirement	≥£1,460k	<£1,460k	≤£1,234k
Total Capital Ratio	≥110.00%	<110.00%	≤100.00%

Notes:

1. *The level of the indicator is within the acceptable limits as per the Company's risk appetite.*
2. *The Company should take proactive actions in order to ensure that the level of the indicator will remain above the acceptable limits.*
3. *The level of the indicator falls below the acceptable limits and as such the Company should proceed with the required actions in order to restore the level of the said indicator to the normal predefined levels.*

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework.

The Management Body approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

2.3. Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture, and its importance is also continuously emphasised by the management.

The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture whereby each business area is encouraged to take risk–based decisions, while knowing when to escalate or seek for advice.

2.4. Material Risks

MFUK has taken the approach to be risk averse and the Firm takes reasonable steps to manage its risks. This is reflected in its low appetite for taking on risk in its business activities. Risks to income generating capability are mitigated wherever possible, and measures against actual and potential operating risks are taken centrally by its Operations and Finance function in Evanston. As iterated earlier in this document, the Magnetar Group's business and operational controls are applied by MFUK to manage and mitigate identified business and operational material risks to MFUK and to its customers.

We have considered the risks with respect to the Magnetar Group as it relates to MFUK. We have considered situations where MFL has lost 25% or more of its FuM. It is important to note that when considering these serious scenarios, the Magnetar Group would either scale MFUK back to a smaller cost base or begin wind-up operations as soon as possible.

The Key Risks MFUK faces are:

Operational risk relates to risks to the Firm when running the business. This would include MFUK's business continuity and disaster recovery solutions in place in order to provide for the continuance or reestablishment of operations in the event of an emergency or significant business disruption.

Several key controls are employed by Magnetar Group, and are deployed by MFUK, to manage operational risks including segregation of duties including secondary reviews and authorizations a comprehensive disaster recovery plan, password protected system access and various other controls deployed to mitigate operational risk.

Business risk relates to being able to generate revenues and control costs on an ongoing basis in line with business plans. Given MFUK's transfer pricing structure within the group, material cost management and management and expense passthrough fees are the key drivers here.

MFUK's transfer pricing structure within the group reduces the risk that it will not be able to carry out its business plan. MFUK will always be reimbursed for its expenses. However, if the Magnetar group as a whole encounters a major stress event, the most likely course of action is to wind down operations in the UK.

Liquidity risk relates to the amount of assets MFUK holds in highly liquid, marketable forms that are available should unexpected cash flows lead to a liquidity issue.

Funding for operational requirements is made exclusively from MFL. MFUK does not require leverage to support its operations.

Magnetar Group's liquidity is closely monitored by the Management Committee using forecasts that are prepared on a regular basis.

In addition, the Firm may make interim draw downs on payments due to it from MFL if so required.

Market risk relates to the risk of decline in the value of the portfolios of funds managed resulting from changes in market factors.

The overall Magnetar Group manages market risk through a combination of quantitative risk assessments integrated into the investment process, systematic measurement and monitoring of liquidity risk, and real time performance attribution by analyst, desk, strategy and funds.

Credit risk relates to the risk of failure of a counterparty to perform as contracted. MFUK may be exposed to counterparty risk primarily from external service providers.

As MFUK is mainly funded by MFL by way of the service agreement, there is limited counterparty risk from external entities. In addition, minimum cash balances are maintained by MFUK to fund operations, which are held by large financial institutions of high credit quality.

MFUK keeps a prudent amount of capital in relation to its cost base. MFUK's main risk is its dependence upon other group entities for both revenues and liquidity. As time passes this may change but until such time, its primary response mechanisms to severe shocks will be restructuring, downsizing and closure options. MFUK has a low appetite for risk of the type described above.

Regulatory and Legal risk is the risk that MFUK's activities do not comply with applicable laws and regulations.

The Magnetar Group's Chief Legal Officer, General Counsel, Chief Compliance Officer, and Money Laundering Reporting Officer monitor and manage regulatory and legal risks. In addition, the Firm's Chief Executive Officer also monitors and manages regulatory and legal risks. In addition, external counsel and consultants with industry expertise are utilized as needed.

3. Governance Arrangements (MIFIDPRU 8.3)

The Company's systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

3.1. Organisational Structure

Through its organisational structure, the Company incorporates a strict Internal Governance framework. Furthermore, the Organisational Structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflict of interest situations within the Company.

Moreover, MFUK maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of the level of risk tolerance set, where applicable.

3.2. Management Body

The Company's Management Body comprises of 1 executive director and three non-executive directors.

The Management Body has the ultimate and overall responsibility for the investment firm and defines, oversees and is accountable for the implementation of the governance arrangements. The Management Body is responsible for ensuring that the Company complies at all times with its obligations under the Law. In doing so, the Management Body approves and periodically reviews the effectiveness of the policies, arrangements and procedures in place, whilst if needed, takes appropriate measures to address any deficiencies.

3.3. Committees

Establishing committees helps management bodies in their supervisory functions. Committees draw on the specific knowledge and areas of expertise of individual management body members. While committees should prepare decisions and make recommendations to the management body in its supervisory function, the management body has the overall responsibility.

Moreover, the Company does not fall within the scope of MIFIDPRU 7.1.4R(1) since the value of the firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100 million. Therefore, the Company is not obliged to establish any committee.

3.4. Policy on Recruitment

The Management Body possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Management Body reflects an adequately broad range of experiences to be able to understand the Company's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations of the Firm.

3.5. Number of Directorships

The table below discloses the number of directorships held by members of the management body of the Company, including the Firm and any other companies belonging to the same group, as at 31 December 2022. Directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations, are not taken into account for the purposes of the below.

Table 2: Number of Directorships of the members of the Management Body*

Name of Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Alan Mitchell Shaffran	Executive Director	1	-

****The information in this table is based only on representations made by the directors of the Company.***

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

3.6. Policy on Diversity

The Company is committed to promoting a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation.

For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age and cultural and educational background.

4. Own Funds (MIFIDPRU 8.4)

Own Funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the Company to absorb losses. During the year, the primary objective of the Company with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its own funds and that the Company maintained healthy capital ratios in order to support its business. Further to the above, the Company, as a non-SNI Investment Firm, shall at all times have own funds at least the highest of Permanent Minimum Capital Requirement, Fixed Overheads Requirements, and K-Factors Requirement.

MFUK throughout the year under review, managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

4.1. Composition of Regulatory Own Funds

The following information provides a full reconciliation of the Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the Company. The Company's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital.

Table 3: Composition of Regulatory Own Funds

No.	Item	Amount	Source based on reference number of Table 6
1.	**OWN FUNDS**	**8,959**	
2.	**TIER 1 CAPITAL**	**8,959**	
3.	**COMMON EQUITY TIER 1 CAPITAL**	**8,959**	
4.	Fully paid up capital instruments	4,618	Shareholder's Equity 1
5.	Retained earnings	4,341	Shareholder's Equity 2

4.2. Main Features of Capital Instruments

The Company is obliged to disclose information on the main features of the CET 1 instruments, Additional Tier 1 instruments and Tier 2 instruments. Therefore, the Company's capital instruments' main features are outlined below:

Table 4: Own funds: main features of own instruments issued by the firm

Own funds: main features of own instruments issued by the firm
The Company's own funds consists of members' capital, retained earnings and profit for the year. All of the items included in the own funds calculation are eligible to be considered as CET 1 Capital Instruments.

4.3. Balance Sheet Reconciliation

The Company shall disclose the balance sheet included in its audited financial statements for the year-end disclosures.

As at 31 December 2022, the reconciliation of Company's assets and liabilities and regulatory Own Funds are shown in the following table:

Table 5: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial

		Balance sheet as in published/ audited financial statements	Cross reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1.	Tangible Assets	585,863	N/A
2.	Debtors	22,295,628	N/A
3.	Cash and cash equivalents	4,151,084	N/A
Total Assets		**27,032,575**	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1.	Creditors: amounts falling due within one year	7,196,494	N/A
2.	Creditors: amounts falling due after one year	10,876,694	N/A
Total Liabilities		**18,073,188**	
Shareholders' Equity			
1.	Members' capital	4,618,478	4
2.	Other reserves	4,341,909	5
Total Shareholders' equity		**8,959,387**	

5. Own Funds Requirements (MIFIPDRU 8.5.)

The Company as a non-SNI Investment Firm shall at all times have own funds at least the highest of the following:

a) Permanent Minimum Capital Requirement,
b) Fixed Overhead Requirements, and
c) K-Factors Requirement.

5.1. Fixed Overheads Requirement

The fixed overheads requirement (FOR) applies to all MIFIDPRU Investment Firms. The FOR is intended to calculate a minimum amount of capital that a MIFIDPRU Investment Firm would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as the one quarter of the fixed overheads of the preceding year in accordance with the provisions of MIFIDPRU 4.5. When calculating its fixed overheads requirement, a firm must use the figures resulting from the accounting framework applied by the firm in accordance with MIFIDPRU 4.5.2R.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is £1,251k as per the table below:

Table 6: Fixed Overheads Requirement

Item	£
Total expenses of the previous year after distribution of profits	21,057,370
Total deductions	**16,052,252**
(-)Staff bonuses and other remuneration	16,052,252
Annual Fixed Overheads	**5,005,118**
Fixed Overheads requirement	**1,251,280**

5.2. K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. K-factor application to an individual FCA investment firm will depend on the MiFID investment services and activities the Firm undertakes.

Capital requirement from applying K-factors formula is the sum of Risk to Client (‘RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’) as described in the table below:

Table 7: K-Factors Proxies

Risk to Client (RtC)	Risk to Market (RtM)	Risk to Firm (RtF)
• K-AUM: Assets Under Management • K-ASA: Client Assets Safeguarded and Administered • K-CMH: Client Money Held, and • K-COH: Client Orders Handled	• K-NPR: Net Position Risk (calculated in accordance to CRR); or • K-CMG: Clearing Member Guarantee	**Sum of:** • K-TCD: Trading Counterparty Default • K-CON: Concentration risk based on large exposures, and • K-DTF: Operational risks from Daily Trading Flow

The Company does not provide the investment service of dealing on its own account and does not hold client money or assets, only the RtC proxy is applicable for the Company. Additionally, the only K-Factor that is applicable is the K-AUM.

5.2.1. Risk to Client

The risk to Client proxy captures the risk that may be inflicted onto the clients. RtC exists in the activities/services of the firm which are related to the client and are measured as a percentage of Clients Money Held (CMH), Assets Under Management (AUM), Assets Safeguarded & Administered (ASA) and Clients’ Orders Handled (COH).

The Company is required to calculate the following K-Factors requirements as part of the RtC:

5.2.1.1. K-AUM: Assets Under Management

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets an IF manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

Calculation

AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months, excluding the 3 most recent monthly values.

K-AUM shall be the arithmetic mean of the remaining 12 monthly values multiplied by the relevant coefficient of 0.02%.

As at 31 December 2022, the Company's AUM was £1,378k and the respective K-AUM was £276k.

5.3. K-Factors Requirement Results

As at 31 December 2022, the Company's K-Factors Requirement is £276k as shown in the table below:

Table 8: K-Factors Results

Item	Factor Amount £'000	K-Factor Requirement £
TOTAL K-FACTOR REQUIREMENT		**275,654**
Risk To clients		**275,654**
K-AUM	1,378,269	275,654
K-CMH (Segregated)	-	-
K-CMH (non-Segregated)	-	-
K-ASA	-	-
K-COH (Cash Trades)	-	-
K-COH (Derivative Trades)	-	-
Risk to Market		**-**
K-NPR		-
K-CMG		-
Risk to Firm		**-**
K-TCD		-
K-DTF (Cash Trades)	-	-
K-DTF (Derivative Trades)	-	-

5.4. Overall Capital Adequacy Position

According to MIFIPDRU 3.2.2, investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital}}{\boldsymbol{D}} \geq \mathbf{56\%}$$

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital + Additional\ Tier\ 1\ Capital}}{\boldsymbol{D}} \geq \mathbf{75\%}$$

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital + Additional\ Tier\ 1\ Capital + Tier\ 2\ Capital}}{\boldsymbol{D}} \geq \mathbf{100\%}$$

where D is the Company's own funds requirement calculated in with MIFIDPRU 4.3.

The Company's own funds, own funds requirement and capital ratio reported as at 31 December 2022, were as follows:

Table 9: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	£

Total Own Funds	**8,959,387**
OWN FUNDS REQUIREMENTS	**£**
Permanent Minimum Capital Requirement (MIFIDPRU 4.4)	75,000
Fixed Overheads Requirement (MIFIDPRU 4.5)	1,251,280
K-Factors Requirement (MIFIDPRU 4.6)	275,654
Total Own funds Requirement	**1,251,280**
CAPITAL RATIOS	
Common Equity Tier 1 Capital Ratio (min. 56%)	**716.02%**
Surplus/(Deficit) of **Common Equity Tier 1** Capital Ratio	8,258,670
Tier 1 Capital Ratio (min. 75%)	**716.02%**
Surplus/(Deficit) of Tier 1 Capital Ratio	8,020,926
Total Capital Ratio (min. 100%)	**716.02%**
Surplus/(Deficit) of Total Capital Ratio	7,708,107

As per the above results, MFUK as at 31 December 2022 maintains adequate own funds to cover its capital requirements. However, the Company will continue to monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

5.5. Internal Capital Adequacy and Risk Assessment Process

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company under normal and during stressed conditions.

The Company should establish sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed to. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company and they shall be subject to regular internal review.

In light of the above, the ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning assessment.

The Overall Financial Adequacy Rule (OFAR) establishes the standard to determine if an FCA investment firm has adequate financial resources.

OFAR will require the firm, at all times, to hold adequate own funds and liquid assets to:

- to ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and,
- to allow its business to wind-down in an orderly way.

According to MIFIDPRU 4 own funds requirements are built around the Permanent Minimum Requirement (PMR), the Fixed Overheads Requirement (FOR), and, for non-SNIs, the K-Factors Requirement (KFR). These requirements serve different purposes. The FOR is a proxy for the amount of own funds the firm needs to hold to allow them to begin wind-down in an orderly way while the KFR is the amount of own funds required to cover the risk of harm from the ongoing operation of the firm's business. Finally, the PMR is a flat minimum required to underpin the FOR and the KFR. Unlike the FOR and KFR, the PMR does not scale with harm.

The PMR and FOR are standard requirements that apply to all FCA investment firms. The KFR is a standard requirement that applies to non-SNI firms. Meeting these alone may not be enough to mean that they are meeting threshold conditions. This will depend on the size, business model and complexity of the firm's activities. The firm will need to estimate the financial impact of any harm that is not covered by its PMR, FOR or KFR.

The above process will help the firm determine its 'own funds threshold requirement' that needs to be met with the appropriate resources at all times. Specifically, the firm will set its own funds threshold requirement at the higher of the:

1. PMR,
2. own funds necessary to cover harms from ongoing operations**,** or
3. own funds as necessary for wind-down**.**

As a non-SNI Investment Firm, the Company is required to calculate the K-Factors requirement.

The Company recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way as to be more diligent in the inclusion of risk factors in the business design process and also to hold adequate capital against the gross risks to which it is exposed to. It is also acknowledged that the ICARA Report is a reasonably intense process, requiring information from many different departments and committees of the company and also it requires senior management time at the design phase, during the risk and financial data collection phase and for the sign-off phase. Therefore, the Management Body is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

6. Remuneration policy and practices (MIFIDPRU 8.6)

The Company has in place a remuneration policy in line with the requirements set by FCA. The policy is prepared as an ad-hoc document which reflects the current organisational structure and is proportionate to the size and activities of the Company. The employees are remunerated based on their performance within a multi-year framework, irrespective of the gender and/or ethnicity of each employee. The remuneration benefits are always in line with the business strategy and objectives of the Company, which ensures the promotion of effective risk management.

The Senior Management keeps records containing information as regards the remuneration of the Company's employees in a separated file/record (e.g. payroll data).

The applicability of the Company's policy is reviewed at least annually by the Management Body in the context of an internal review for compliance with the relevant legislation as well as to confirm applicability, viability and alignment with the industry's remuneration standards (e.g. to ensure base salary levels are not set at artificially low levels).

Furthermore, the senior management with the assistance of the Compliance Function, will periodically review the Policy, as and when applicable, and thus adjust it should the need arise to do so. The updated Remuneration Policy shall be presented to the Management Body for their review and approval.

As a non-SNI firm, the Company is required to disclose as part of the market discipline requirement under MIFIDPRU rules the basic and standard information about the total number of staff, amount of total fixed and variable remuneration that have been awarded in the relevant year split between material risk takers (MRTs) and non-MRTs, and also provide information on the ex-post adjustments made to variable remuneration.

6.1. Remuneration Policy Principles

Risk management and risk tolerance

MFUK has considered the effects of its remuneration policy on its risk assessment and concluded that its remuneration structures (including bonus awards) ensure the alignment of the interests of the Firm, its stakeholders and clients with the interests of its staff. MFUK considers that its remuneration policy does not encourage excessive risk taking by its staff. As noted above, one of the key factors in the determination of variable remuneration is overall financial performance of the Firm and Magnetar Group.

In addition, the nature of the Firm's business is not one which rewards risk taking as MFUK primarily acts as sub-advisor and provides other support services to its affiliates in the US.

Supporting business strategy, objectives, values and long-term interests

The Firm's remuneration policy is designed to support long-term interests of the Firm and its stakeholders. The Firm rewards staff on the basis of merit and remunerates employees at a level sufficient to attract and retain qualified and experienced staff and to incentivize outstanding performance by its staff.

Avoiding conflicts of interest

The Firm has established a conflicts of interest policy which considers any circumstances in which the Firm's approach to remunerating its staff may give rise to a conflict of interest between the Firm and its clients or as between one or more clients of the Firm. Overall, profits generated throughout the Firm help determine the level of overall variable remuneration.

Governance

As a Non-SNI MIFIDPRU investment firm, in light of its size and nature of its activities, the Firm has determined that it does not need to establish a remuneration committee. The Directors of the Founder Members of MFUK (i.e., Magnetar Management (UK) Limited and Magnetar Capital (UK) Limited, each performing the SMF27 function) are responsible for establishing and implementing MFUK's remuneration policy, including reviewing this policy. This ensures that the Firm's remuneration practices are aligned with the long-term interest of its Founder Members. As part of the remuneration decision-making process, impact of individual employees' activities on the Firm's risk profile is taken into account and the overall risk management of the Firm is also considered as one of the assessment factors. Given the nature of the Firm's business (i.e. primarily providing services to its affiliates in the US), MFUK considers it to have a low risk profile. In addition, any issues regarding compliance with relevant regulatory requirements are also a factor to be considered in assessing variable remuneration.

The implementation of the Remuneration Policy will be centrally and independently internally reviewed on an annual basis with respect to each performance year for compliance with the policies and procedures adopted by the Directors of the Founder Members of MFUK (as defined above). The Firm documents the results of its reviews and the actions taken to remedy any findings, as relevant.

Control functions

The Firm has committed sufficient resources for remuneration for control functions to attract and retain people of an appropriate level of seniority to have adequate authority within the Firm and has appropriate processes/procedures in place to ensure employees engaged in control functions are independent from the business units they oversee and have appropriate authority.

As noted above, the Directors of the Founder Members of MFUK set the remuneration policy of the Firm including overseeing the remuneration of senior officers of the Firm in risk management and control functions. Employees performing control functions are not involved in determining remuneration for their own business area.

Remuneration and capital

MFUK ensures that the Firm's total variable remuneration does not negatively impact its capital base. The Firm assesses its exposure to risks arising from its remuneration practices as part of the internal capital adequacy risk assessment process on at least an annual basis, or as and when necessitated by any material changes to the Firm's business or staff.

Profit-based measurement and risk adjustment

The Firm uses operating profit of both MFUK and the Magnetar Group as the key financial performance measure to determine the total pay-out of the bonus scheme. As noted above, each individual's performance is also taken into account in the assessment process.

As noted above, the Firm has discretion in determining the total amount of the bonus pool and the amount to be paid to the relevant individual employee.

The performance measures consider both the future earnings and future risks. If the performance is weak or loss making, the Firm's policy is not to make payments under the bonus scheme.

Personal Investment Strategies

Employees are not permitted to use personal hedging strategies to undermine the risk alignment effects embedded in their remuneration arrangements. Non-compliance or breach of such undertaking could lead to serious disciplinary actions against the employee.

Avoidance of the Remuneration Code

No variable remuneration is paid through vehicles or methods that facilitate the avoidance of the Remuneration Code or MIFIDPRU.

Remuneration structures

This principle contains a number of sub-principles some of which are disapplied on the basis of the proportionality rule.

Assessment of performance

As noted above, each individual performance is also taken into account in the assessment process. The Firm as has discretion in The Firm also has discretion in determining the total amount of the bonus pool and the amount to be paid to the relevant individual employee.

The performance measures take into account both the future earnings and future risks.

Guaranteed variable remuneration

The Firm may, in its sole discretion, award guaranteed variable remuneration in the form of either: sign-on bonuses, short-term guarantees (which are typically granted in conjunction with a new hire), and retention bonuses, all of which are typically limited to the first year of service.

Payments related to early termination

MFUK ensures that appropriate contractual provisions are included in the employment contract so that payments related to early termination will reflect performance achieved over time and will not reward failure.

6.2. Link of Variable Remuneration to Performance Objectives

MFUK shall ensure that where remuneration is linked with performance, the total amount of Remuneration is based on a combination of the following performance assessments:

a. the individual (quantitative as well as qualitative criteria-except for those who perform their duties in Control Functions where only qualitative criteria apply- are taken into account; annual performance evaluation and performance ratings are taken into account),
b. the business unit concerned, and
c. the overall results of the Company and as long as conflicts of interest are mitigated, as described in the Remuneration Policy.

In general, a performance appraisal is performed in a multiyear framework in order to ensure that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of Remuneration will be spread over a period of time which will take into account the Company's underlying business cycle and risks.

Measurements of performance used to calculate variable remuneration components and include adjustments for current and future risks (taking into account the cost of the capital and liquidity required). The allocation of variable remuneration takes into account current and future risks, including non-financial risks, in accordance with the MIFIDPRU Remuneration Code.

The Firm will assess an MRT's performance and conduct before granting a variable remuneration award and again, if relevant, before vesting, and taking all relevant circumstances into account, and checking that the MRT's overall performance has remained satisfactory.

Material Risk Takers (MRTs) are those individuals whose professional activities have a material impact on the risk profile of the firm or the assets it manages.

6.3. Fixed and Variable Remuneration Components

All Company employees and the members of the Senior Management are eligible for the annual (one-off) variable remuneration, which is determined based on their annual performance appraisal.

Fixed Remuneration

Base salary is set using general market data for the industry as well as the skills, experience and organizational responsibility at the Firm (subject to a cap). Base salary is pre-determined, non-discretionary, non-revocable and not dependent on performance and therefore base salary does not incentivise risk taking.

Salaries are reviewed each year and suggestions of adjustments are submitted to the Firm's senior management for approval. The Remuneration Policy is also set in comparison with standard market practices employed by the other market participants/competitors.

Variable remuneration

Variable remuneration is awarded by taking into account the individual employee's long-term performance, performance of the individual's business unit or department, and the overall results of MFUK and the Magnetar Group (i.e., Magnetar Financial LLC and its affiliates).

Generally, the Magnetar Group makes determinations relating to individual bonuses, including decisions as to whether or not a bonus is to be paid, what the value of a bonus (if any) should be, and how it should be paid, in its sole discretion. All bonus payments will be subject to all deductions which the Firm is legally required to make, will be paid in accordance with the Firm's regular payroll practices, and may be subject to deferral conditions or such other conditions as may be imposed by the Firm (in its absolute discretion) from time to time, including without limitation in relation to forfeiture and/or clawback and/or payment of any such award in a form other than cash (for example, share based units).

6.4. Remuneration of Material Risk Takers

The remuneration policy of the Company is intended to ensure that the Company will attract and retain the most qualified Senior Management Personnel and Directors. As stated above, the criteria used for determining the remuneration of the Company's directors are segregated into quantitative and qualitative criteria. The quantitative remuneration criteria mostly rely on numeric and financial data such as the Company's performance and the individual performance evaluation and ratings of each member of staff whose professional activities affects the risk profile of the firm. In addition to the quantitative criteria, the Company has put in place qualitative criteria which include compliance with regulatory requirements and internal procedures, fair treatment of clients and client satisfaction.

Moreover, the remuneration of the Company's non-executive directors is fixed, and it is set at a level that is market aligned and reflects the qualification and competencies required based on the Company's size and complexity, the responsibilities and the time that the non-executive directors are expected to consume in order to serve the Company.

The table below provides information on the remuneration of Executive Directors, Senior Management and other staff, broken down by fixed and variable remuneration.

Table 10:

Annual Remuneration as at 31 December 2022				
Position	**No. of Beneficiaries**	**Fixed Remuneration £**	**Variable Remuneration £**	**Aggregated Remuneration £**
Senior Management (MRTs)	1	214,757	-	**214,757**
Other staff (Non-MRTs)	16	2,052,286	2,971,224	**5,023,510**
Total	**17**	**2,267,043**	**2,971,224**	**5,238,267**

During the year there was no severance payments made to senior management or material risk takers. The total amount of guaranteed variable remuneration awarded to senior management and material risk takers during the year was £0.