

KING STREET (EUROPE) LLP

MIFIDPRU 8 DISCLOSURE

For the Financial Year Ended 2023

1. Introduction and Context

1.1 Firm Overview

King Street (Europe) LLP (the “Firm”) is a limited liability partnership formed under the laws of England and Wales and authorised and regulated by the Financial Conduct Authority (“FCA”) of the United Kingdom. The Firm is a “MIFIDPRU investment firm” as defined in the FCA Rules and is a non-small and non-interconnected investment firm (“Non-SNI”) for the purposes of the rules in the Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”).

The Firm is majority owned by King Street European Advisors, Ltd. (“KSEA”), a UK company that is not an FCA regulated entity and which does not engage in any regulated activities. KSEA, in turn, is a wholly-owned subsidiary of King Street Capital Management, L.P. (“KSCM” or “Parent”), a U.S. limited partnership organised under the laws of the State of Delaware that is registered as an investment adviser with the U.S. Securities and Exchange Commission. KSCM and its affiliates manage various private investment funds, including open-ended, closed-end and CLO/CBO funds, with a focus on multi-strategy credit and real estate investing (each, a “Fund” and collectively, the “Funds”). The Firm provides investment advisory and limited investment management services to KSCM in respect of the Funds.

1.2 Basis of Disclosure

The Investment Firm Prudential Regime (“IFPR”) was implemented by the FCA on 1 January 2022. The new regime requires MIFIDPRU investment firms to publish disclosures as per the rules set out in MIFIDPRU 8. The regulatory aim of the disclosure is to improve market transparency in regard to how the Firm is run. Under the FCA Rules (specifically Chapter 8 of MIFIDPRU), 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.

The document has been completed on a proportional basis taking into consideration the size, nature and complexity of the Firm. The document has been prepared using the Firm’s financial information as at the reference date 30 November 2023.

1.3 Scope

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.

1.4 Significant changes since last disclosure period

There have been no significant changes to the information disclosed since the Firm’s last disclosure period.

2. **Governance**

2.1 **Framework**

The Firm's governing body is its UK Governance Committee (the "Management Body") which meets on a regular basis. The Firm's Management Body has the ultimate management and oversight responsibility of the Firm. It is also responsible for instilling an appropriate risk culture within the Firm, aligning risks with the business strategy and defining the Firm's risk appetite.

2.2 **Arrangements**

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").

As required under SYSC 4.3A.1 R, the Firm's 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 management of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of the Firm's clients.

2.3 **Directorships**

With respect to the disclosure requirements set out in MIFIDPRU 8.3.1R(2), one member of the Management Body holds four non-executive directorships, and another holds a non-executive directorship for another Group entity, while the other members hold none.

2.4 **Committees**

The Firm has outsourced various functions and committees to its Parent, KSCM, which meet on a regular basis. As such, several of the committees responsible for the functions within the Firm are Group committees.

Management Committee

The Group Management Committee is responsible for directing the management and strategy of the Group.

Risk Committee

The Group Risk Committee holds the responsibility of overseeing the risk management processes on a day-to-day basis. The committee sets the risk policies and guidelines, monitors portfolio exposures, oversees the development of risk technology and analytical tools, and handles risk escalation issues.

Conflicts Committee

The Group Conflicts Committee reviews potential conflicts of interest applicable to King Street and its investment products.

Operating Committee

The Group Operating Committee focuses on business development, product launches, fund operations, investor relations activities, significant legal matters and technology initiatives.

2.5 **Diversity**

In accordance with SYSC 4.3A.10 R, the Firm maintains a policy for promoting diversity on the Management Body. The Firm recognises the benefits of having a diverse Management Body and regards maintaining or increasing diversity within the Management Body as a desirable longer-term goal in maintaining an effective Management Body to support the attainment of the Firm's strategic objectives and its sustainable development.

The Firm will attempt to ensure that the composition of the Management Body reflects as a broad a range of backgrounds and experience (including, for example, educational and professional background, gender and age) as it can, taking into account the size of the Firm and the above qualifications.

All appointments to the Management Body will be made on merit against objective criteria but while paying due regard to the benefits associated with complimenting and expanding the knowledge, skills, diversity and experience of the Management Body as a whole.

3. **Risk Management**

3.1 **Risk Management Objective & Framework**

The Firm's risk management objective is to ensure that the arrangements, systems and controls in place to monitor, manage and mitigate risk are effective and suitable for the Firm's ongoing operations. The senior management of the Firm considers it to be a key component of business strategy to embed risk management throughout the Firm.

3.2 **Risk Management Governance**

The Firm's risk management governance framework ensures that roles and responsibility in regard to the management of risk are clearly defined and assigned within the Firm. The ultimate responsibility for the risk management process is held by the Firm's Management Body. Selected Group committees and functions of the risk management framework are described within this disclosure.

3.3 **Risk Appetite**

The Firm defines "risk appetite" as the level of material risk that the Firm's Management Body considers to be acceptable for a given risk or group of risks. The Firm has undertaken a risk identification and scoring exercise which has rated all risks on a scale. The scale ranges from risks that could potentially cause a significant impact on the Firm's business on a more frequent basis, to risks that could potentially cause minor to moderate impacts infrequently on the Firm's business. The position of rated risks are communicated to the Firm's Management Body on a regular basis and is reassessed by the Management Body on an annual basis.

3.4 **Risk Reporting**

The Firm's Compliance Officer has established a risk-based compliance monitoring programme that takes into account all areas of the Firm's services and activities. The Compliance Officer reports on an ad-hoc basis directly to the Firm's Management Body where any significant risk of failure to comply with obligations under the regulatory system is identified.

3.5 **Key Risks**

Management has, through the risk management framework, identified the following material risks the Firm could be exposed to during the course of business operations. These risks are monitored through the risk reporting framework of the Firm, and managed through implemented systems and controls to ensure they remain within the Firm's risk appetite.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Firm has identified two sources of credit risk, pertaining to cash deposits and sub-advisory fees. It holds cash balances with UK credit institutions that possess a credit rating of A or higher. Regular monitoring of the health and ratings of the credit institution is carried out by management, and the Management Body is content with the placement of cash balances with a single credit institution at present. The Firm's business model involves a cost-plus arrangement with its Parent company, KSCM, and it relies on the continued support from the Parent. This risk is inherent in any similar business that receives compensation on a cost-plus basis from its parent. Consequently, there is no intention or obligation to conduct business independently of KSCM. In the event of regulated activities

being wound down, senior management is expected to take an orderly approach. This process is relatively straightforward and can be completed within a short timeframe without causing any adverse impact on the Funds or KSCM.

Market Risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions and asset values attributable to changes in market variables, such as interest rates or foreign exchange rates.

As the Firm does not undertake trading on its own account, its exposure to market risk is limited to the risk associated with failure to realise the full value of the Firm's assets as a result of foreign exchange rate fluctuations. The Management Body's risk appetite is to actively monitor and limit the exposure to non-sterling denominated currencies.

Operational Risk

Operational risk is the risk of loss to the Firm resulting from inadequate or failed internal processes, people, and systems, or from external events.

The Firm upholds stringent operating controls over a variety of facets, including operations, finance, trading, and other sensitive data. Sensitive information is protected by secure encryption and firewalls, in conjunction with employee training and adherence to confidentiality agreements. The Firm ensures that its employees are thoroughly vetted and possess adequate qualifications for their respective roles. Furthermore, employees have access to a wealth of training material in the form of manuals and policies to enable them to abide by company procedures and reduce the risk of internal breaches, fraud, theft, or collusion. Lastly, the Firm has established mitigations to rectify any errors promptly, should they occur.

Business Risk

Business risk is the risk to the Firm arising from changes in its business, including the risk that the Firm may not be able to carry out its business plan and its desired strategy.

The Firm is susceptible to business risk due to its reliance on the Parent/Group to support its business infrastructure. As a sub-advisor to its Parent company, the Firm operates on a cost-plus basis, with revenues sourced from the Parent equivalent to a predetermined percentage mark-up of its operating costs based on transfer pricing analysis. This arrangement ensures that the Firm is protected against unexpected expenses, as any extraordinary costs are financed by the Parent company. Consequently, the Firm is insulated from many of the risks that asset management firms are typically exposed to and does not require extra capital allocation. The Firm assesses that any unmitigated material business risk is not present.

Liquidity Risk

Liquidity risk is the risk that the Firm may not have sufficient financial resources available to be able to meet its liabilities.

The Firm manages liquidity risk by actively monitoring its expense levels and incoming revenue funding to ensure there are sufficient levels of cash to maintain the operations, as well as to remain within the Firm's risk appetite for its regulatory liquidity thresholds. Accounting reviews the bank cash balances periodically to ensure that the Firm has sufficient funding at all times. Given the nature of its business, the Firm does not have intra-day liquidity needs that require planning outside the normal monthly forecasting. The Firm does not provide services that require the internal pricing of liquidity risk into its accounting.

The Firm does not collateralize balance sheet assets for the purpose of raising additional liquidity or funding.

Reputational Risk

Reputational risk is the risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by the Firm itself, our employees or those with whom we are associated, that may cause stakeholders to form a negative view of the Firm.

The Firm manages reputational risk by thoroughly vetting employees prior to joining the Firm. All employees attend mandatory compliance training programs to remain informed of the Group's policies and procedures, including a yearly mandatory training related to financial crime. Further, the Firm's legal, risk and compliance teams make sure the Firm remains in compliance with its regulatory obligations, and prudent due diligence and risk assessment of business transactions entered into by the Firm is performed and documented.

4. **Own Funds**

4.1 **Composition of Regulatory Own Funds**

The Firm exclusively holds Tier 1 capital, consisting of paid-up share capital. Therefore capital resources are considered to be high quality in nature. The Firm does not hold any tier 2 or 3 capital resources. Additionally, there are no deductions necessary from the Firm's eligible capital instruments, in line with the deductions required by MIFIDPRU 3.3.5.

As at 30 November 2023, the Firm holds a total of £2.5m of eligible capital resources to meet its capital requirements.

The table below outlines the details of the Firm's capital resources position as at 30 November 2023. This information has been sourced from the Firm's latest audited financial statement for year end 30 November 2023.

Table 1: Composition of regulatory own funds.

	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	2,500	
2	TIER 1 CAPITAL	2,500	
3	COMMON EQUITY TIER 1 CAPITAL	2,500	
4	Fully paid up capital instruments ¹	2,500	Called up share capital
5	Share premium	—	
6	Retained earnings	—	
7	Accumulated other comprehensive income	—	
8	Other reserves	—	
9	Adjustments to CET1 due to prudential filters	—	
10	Other funds	—	
11	(-)-TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	—	
19	CET1: Other capital elements, deductions and adjustments	—	
20	ADDITIONAL TIER 1 CAPITAL	—	
21	Fully paid up, directly issued capital instruments	—	

¹ The nominal value of any paid up ordinary share capital and the value of any paid up LLP members' capital would be recorded in this row.

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	—	

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

		a. Balance sheet as in published/audited financial statements	b. Under regulatory scope of consolidation	c. Cross-reference to template OF1
		As of 30 November 2023		
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible and tangible assets	3,024		
2	Cash at bank and in hand	5,042		
3	Debtors	11,875		
	Total Assets	19,941		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: amounts falling due within one year	4,087		
2	Creditors: amounts falling due after more than one year	1,769		
	Total Liabilities	5,856		
Shareholders' Equity				
1	Members' capital classified as equity	2,500		3. Common equity tier 1 capital

2	Other Reserves	2,568		
3	Loans and other amounts due to members	9,017		
	Total Shareholders' equity	14,085		

Own Funds Requirements

The Firm must at all times maintain its own funds to be at least equal to its own funds requirement. As per MIFIDPRU 4.3, the own funds requirement is the higher of the:

- (i) Permanent Minimum Requirement (MIFIDPRU 4.4R)
- (ii) Fixed Overhead Requirements (MIFIDPRU 4.5R)
- (iii) K-Factor Requirement (per MIFIDPRU 4.6R)

Table 3: Own funds requirement as at 30 November 2023:

Own Funds Requirement		£ in Thousands
Permanent Minimum Requirement		75
Fixed Overhead Requirements		2,232
K-Factor Requirement	\sum K-AUM, K-CMH and K-ASA ²	1,102
	\sum K-DTF and K-COH ³	26
	\sum K-NPR, K-CMG, K-TCD and K-CON ⁴	—

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.

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.

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.

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).

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

² Assets Under Management (K-AUM), Client Money Held (K-CMH), and Assets Safeguarded and Administered (K-ASA)

³ Daily Trading Flow (K-DTF) and Client Orders Handled (K-COH)

⁴ Net Position Risk (K-NPR), Clearing Margin Given (K-CMG), Trading Counterparty Default (K-TCD) and Concentration Risk (K-CON)

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.

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.

5. **Remuneration**

5.1 **Approach to Remuneration**

The Remuneration Policy for the Group applies to all staff of the Firm, to the extent specified. SYSC 19G.1.24G provides that the term “staff” should be interpreted broadly to include, for example, employees of the Firm, partners or members, employees of other entities in the group, employees of joint service companies, and secondees, in each case as relevant.

5.2 **Remuneration Policy**

The Remuneration Policy sets out the policies and practices of remuneration for all the Firm’s staff and is intended to reflect the overall business philosophy, aims and objectives. The Remuneration Policy is reviewed by the Firm’s Management Body to ensure that the terms are in line with new regulatory requirements.

It is the Firm’s intention that:

1. It complies in full with the MIFIDPRU Remuneration Code (SYSC 19G), ensuring that the Remuneration Policy is risk-focused and adopts Remuneration Policies which promote effective risk management and do not expose the business to excessive risk;
2. The Remuneration Policy will align to the business strategy and the objectives, culture and values of the Firm;
3. the Remuneration Policy will support the long term aims. It will seek to encourage and support long term stability and sustainability, particularly of its capital base, and promote steady growth and keen risk awareness;
4. Decisions about Remuneration Policy will be reviewed, considered and approved/ratified by the Firm’s Management Body and the Firm’s Parent, KSCM.

5.3 **Remuneration Governance**

The Firm is governed by the policies set out in the Remuneration Policy which is reviewed at least annually by the Firm’s Management Body. As a firm subject to the MIFIDPRU remuneration rules, the Firm has concluded, in light of its structure and the nature of its activities, that it does not need to appoint a remuneration committee. The Firm’s Management Body, in conjunction with the Group’s Management Committee, is responsible for this Policy.

The remuneration of the senior officers in the Firm’s risk management and compliance functions is directly overseen by Group Chief Operating Officer and Group General Counsel, in conjunction with the Group Management Committee.

5.4 **Material Risk Takers (“MRT”)**

The group of individuals that comprise MRTs at the Firm is determined in accordance with the definitions and criteria outlined within MIFIDPRU SYSC 19 G.5.3, which includes any staff member whose professional activities have a material impact on the risk profile of the Firm or of the assets that the Firm manages.

The Firm reviews its list of MRTs at least annually, and updates that list as necessary throughout the year, including when staff join or leave the Firm, as required by the

MIFIDPRU Remuneration Code. For the performance year 2023 there were 6 MRTs identified.

5.5 Control Function

When setting remuneration levels, the Firm recognises the importance of attracting and retaining experienced staff to perform control functions. Staff engaged in risk, audit and compliance functions are independent of the business units they oversee.

In accordance with SYSC 19G.3.6, staff engaged in control functions:

1. Are independent from the business units they oversee;
2. Have appropriate authority; and
3. Are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

5.6 Categorisation of Fixed & Variable Remuneration

The Firm has two remuneration categories to disclose in line with MIFIDPRU 8.6.5; fixed and variable which include salaries and discretionary bonuses (which for certain individuals may include compensation plans tied to the performance fees/carried interest earned by the Parent and its affiliates). The Firm is required to ensure there is a clear distinction between the criteria for setting fixed and variable remuneration.

Fixed remuneration is set using pre-determined criteria and reflects a staff member's professional experience and organisational responsibility at the Firm. Fixed remuneration is pre-determined, non-discretionary, non-revocable and not dependent on performance and therefore fixed pay does not incentivise risk taking. Fixed remuneration also includes the value of benefits provided to employees including but not limited to health and travel insurance and pension contributions.

Variable remuneration is linked to the performance of the Firm, the business units concerned, and the performance of staff. Variable remuneration is discretionary (even if paid consistently over a period of years). The amount, timing of payment, applicable conditions and form of delivery of any variable remuneration is at the absolute discretion of the Firm. Subject to this discretion, the Firm generally applies a deferral requirement. It promotes a culture where staff are rewarded for long-term and sustained business performance, whilst demonstrating sound and effective risk management and avoiding excessive risk taking.

The performance of the Firm, the business unit and the individual are considered in line with MIFIDPRU 8.6.5 when making decisions around remuneration. Among the factors considered are staff performance, Firm performance and profitability, the performance and profitability of Funds managed by the Firm, market conditions, and other factors deemed appropriate by the Firm in its sole discretion.

5.7 Risk and Performance Adjustments

Measurements of performance used to calculate variable remuneration components and pools of profit allocation include adjustments for all types of current and future risks (taking into account the cost of the capital and liquidity required) and take into account the need for consistency with the timing and likelihood of the Firm receiving potential future revenues incorporated into current earnings. The allocation of variable remuneration takes into account all types of current and future risks, including non-financial risks, in accordance with the MIFIDPRU Remuneration Code.

The Firm acknowledges the importance of risk adjustment in measuring performance and the underlying importance of applying judgment and common sense. The Firm will take into account the specific nature of its own activities (and, in particular, the realised nature of its revenues), in conducting any risk adjustment to bonuses.

To comply with MIFIDPRU Remuneration Code, the Firm is required to have in place a process and mechanisms through which it can, if required, reduce the variable remuneration of an MRT to take account of a specific crystallised risk or adverse performance outcome, including misconduct. In practice, this will be achieved through in year-adjustments to variable remuneration, clawback and/or malus mechanisms.

Clawback allows for recovery of variable pay awards that have already vested; malus allows the amount of any unvested variable pay awards to be reduced, potentially to zero, prior to payment. All of an MRT's discretionary and guaranteed variable remuneration, any retention awards, severance pay and buy-out awards will be subject to the in-year adjustment, clawback and, where deferral applies, malus arrangements.

The Firm will assess an MRT's performance and conduct before granting a variable remuneration award and again, if relevant, before vesting and/or payment.. The majority of any performance adjustments are expected to take place before any such award is granted, taking all circumstances into account, and checking that the MRT's overall performance has remained satisfactory. However, it may be appropriate in certain circumstances for the Firm to apply malus or clawback, as applicable, to an MRT's variable remuneration that has either already been granted and/or paid.

5.8 Appendix to Remuneration Disclosure

Table 1: Total amount of remuneration awarded to senior management, six identified as material risk takers and other staff.

	Fixed remuneration (in thousands)	Variable remuneration (in thousands)
Senior Management	1,334	4,787
Other Material Risk Takers		
Other staff	5,137	9,676
Total	6,471	14,464

Table 2: Total amount of guaranteed variable remuneration awards made to the six MRTs:

	Total amount of guaranteed variable remuneration awarded	Number of individuals
Senior Management	0	0
Other Material Risk Takers	0	0

Table 3: Total amount of severance payments awarded to the six MRTs, and the number of individuals receiving them:

	Total amount of severance payments awarded	Number of individuals
Senior Management	0	0
Other Material Risk Takers	0	0

Table 4: Highest severance payment awarded to an individual MRT:

Highest severance payment awarded to an individual Material Risk Taker	N/A
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NB the figures above are in respect of the last financial year ending November 2023.