D. E. Shaw & Co. (London), LLP

MIFIDPRU 8 Disclosures

December 2022

Introduction

D. E. Shaw & Co. (London), LLP (the "Partnership") is a member of the D. E. Shaw group, a global investment and technology development firm. The Partnership is authorised and regulated in the United Kingdom by the Financial Conduct Authority (the "FCA"). The Partnership provides investment management services exclusively to D. E. Shaw & Co., L.P. ("DESCO LP") and certain affiliated U.S.-based investment advisers for the benefit of various affiliated private investment funds and separately managed accounts. Please refer to the Partnership's entry in the FCA register for more information regarding its regulatory permissions and activities.

D. E. Shaw & Co. (U.K.), Ltd. (the "Corporate Member") is a member of the Partnership and, together with the Partnership, forms a consolidation group. The Partnership is consolidated with the Corporate Member for both accounting and prudential purposes.

The FCA's Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU") requires firms such as the Partnership to publicly disclose, on at least an annual basis, information relating to their governance arrangements, regulatory capital position, and various other matters. This is the Partnership's MIFIDPRU disclosure document.

The disclosures set out below apply solely to the Partnership and not to any other member of the D. E. Shaw group, or to the investment funds managed by the D. E. Shaw group.

Governance Arrangements

Governance Structure

The Partnership's Management Committee is responsible for the day-to-day management and strategic direction of the Partnership. The limited liability partnership deed that governs the operation of the Partnership empowers the Management Committee to manage the Partnership's overall business.

The Management Committee oversees the Partnership's implementation of arrangements designed to ensure, among other things, (i) the sound and prudent management of the Partnership and the risks to which its business is exposed, including the maintenance of sufficient capital and liquid financial resources, (ii) effective oversight of senior management, and that the Partnership employs personnel with sufficient experience and expertise, and clearly defined and delineated roles, to carry out the Partnership's business, (iii) that the Partnership operates effective systems and controls, and that potential conflicts of interest are managed appropriately, (iv) the integrity of the Partnership's accounting and financial and regulatory reporting systems, and (v) that the Management Committee has sufficient information to monitor and assess the adequacy and effectiveness of the Partnership's governance arrangements, strategic decision-making, and provision of services to its affiliated clients.

The Management Committee consists of two members, and is supported by senior employees of the Partnership and various members of senior management of the D. E. Shaw group. One member of the Management Committee sits on DESCO LP's Executive Committee and Risk Committee (the two most senior management committees within the D. E. Shaw group), is responsible for the oversight of the global activities of certain trading strategies deployed by the D. E. Shaw group, and performs Senior Management Function SMF9 (Chair) for the Partnership. The other member of the Partnership's Management Committee is the Chief Financial Officer of the D. E. Shaw group, supervises the team responsible for the Partnership's finance and accounting functions, and is the sole director of the Corporate Member. Both Management Committee members perform Senior Management Function SMF27 (Partner) for the Partnership.

The alignment of senior management among the Partnership, the Corporate Member, and the D. E. Shaw group helps to ensure that the Partnership's business and services are tailored to the needs of its affiliated clients. Both members of the Management Committee are highly experienced senior executives within the D. E. Shaw group and are ideally positioned to consider developments that may affect the Partnership across the global business. They are also well positioned to guide the Partnership's strategic direction to ensure that it continues to deliver services of the nature and quality expected by its affiliated clients.

The Management Committee has structured the Partnership's employee reporting lines so as to ensure an appropriate segregation of duties. For example, the Partnership's support and control functions have different reporting lines than do its front office investment professionals. Additionally, certain support functions are performed by affiliated service providers, including DESCO LP, thereby segregating such functions from those that are performed by the Partnership's employees.

The Management Committee oversees the implementation and operation of a suite of policies and procedures designed to ensure that the Partnership operates its business in a manner that is consistent with the letter and spirit of applicable law and regulation, supports the integrity of the public and private markets in respect of which it provides investment management services, and furthers the interests of its clients.

Directorships Held

Neither member of the Management Committee holds a directorship that is subject to the disclosure requirements set out in MIFIDPRU 8.3.1R(2). Each member of the Management Committee is a director or officer of various entities within the D. E. Shaw group. The Partnership has not sought a modification or waiver from the FCA to allow members of its Management Committee to hold additional directorships.

Governing Body Diversity Policy

The Partnership, and the D. E. Shaw group more broadly, believes that a diverse, equitable, and inclusive work environment drives creativity, productivity, and ultimately, performance. The Partnership and the D. E. Shaw group are dedicated to ensuring that all employees—across gender identity, race, ethnicity, sexual orientation, religion, life experience, and more—feel welcome and empowered to do their best work. The diversity of the Partnership's employees and the membership of its Management Committee —who they are and how they think —is a significant factor in the Partnership's ability to provide services to its affiliated clients.

The Partnership operates a Management Committee Diversity Policy that is intended to promote diversity within the Management Committee. The Partnership is a relatively small firm that has two members: an individual, who is a member of the Management Committee, and the Corporate Member, the sole director of which is the other member of the Management Committee. As noted above, the Partnership provides services exclusively to certain affiliated entities in the D. E. Shaw group. As such, the Partnership expects that members of the Management Committee will typically be senior executives within the D. E. Shaw group, such individuals being uniquely positioned to understand and oversee the business of the Partnership. The Partnership believes that the Management Committee is appropriately sized to effectively and efficiently govern its business, and is mindful that the possibility of achieving broad diversity within a two-member committee is constrained.

Accordingly, the Partnership's Management Committee Diversity Policy recognizes that diversity within the membership of the Management Committee could refer to a committee comprised of individuals with, among other attributes, different skill sets, knowledge, experience, and technical expertise, and/or different educational, professional, or cultural backgrounds. The policy does not set quantitative diversity targets. The Partnership believes that the current membership of the Management Committee is consistent with the objectives of the Management Committee Diversity Policy.

Remuneration

The Partnership's Management Committee oversees the Partnership's remuneration policies and practices. The Partnership maintains a written remuneration policy designed to comply with the FCA's MIFIDPRU Remuneration Code. This policy applies to the Partnership's members and employees, as well as employees of other entities in the D. E. Shaw group who are "material risk takers" (as defined in the MIFIDPRU Remuneration Code) with respect to the Partnership.

The total compensation of the Partnership's employees is typically structured as a base salary and a year-end bonus. The amount of any year-end bonus is generally discretionary, and may be zero under certain circumstances. Year-end bonuses are based on a number of considerations, including, among other things, the employee's experience and performance in the role, the overall performance of the investment strategy that the employee supports (if applicable), the profitability of the D. E. Shaw group, and competitive pay practices and industry benchmarks.

Year-end bonuses are subject to the D. E. Shaw group's mandatory deferral policies pursuant to which a portion of a year-end bonus amount above a specified threshold is subject to deferral. Deferred amounts are generally invested in one or more of the private investment funds managed by the D. E. Shaw group. The Partnership may reduce prior year deferred compensation awards to, and/or clawback previous remuneration awards from, certain members and employees under certain circumstances. Members or employees who voluntarily elect to leave the Partnership (other than in connection with retirement) will typically forfeit all or significant portions of their unvested deferred compensation and thus have an economic incentive to remain with the Partnership.

Risk Committee

The Partnership does not operate a risk committee and is not required to do so pursuant to MIFIDPRU 7.3 by virtue of meeting the criteria set out in MIFIDPRU 7.1.4.

Capital Adequacy

The Partnership is required by MIFIDPRU 7.4.7 to hold own funds and liquid assets that are adequate to ensure that (i) it is able to remain financially viable throughout the economic cycle, and (ii) its business can be wound down in an orderly manner with minimal harm to its clients or other market participants. This requirement is referred to in MIFIDPRU as the "overall financial adequacy rule" (the "OFAR").

The Partnership conducts an annual internal capital adequacy and risk assessment ("ICARA") process to confirm that the quantity and quality of its own funds and liquid assets satisfy the OFAR. The Partnership's ICARA process includes, among other things, a review of (i) material risks to which the Partnership's business is exposed and the potential harms that could be posed by the Partnership's activities or its wind down, (ii) the risk management practices employed by the Partnership to mitigate such risks and potential harms, and (iii) the amount of additional own funds, if any, the Partnership might need to hold in order to address such risks and potential harms. The Partnership conducts capital planning and stress testing as part of its ICARA process to assess whether changes to its business model or activities would require additional own funds, and whether its own funds would remain sufficient under hypothetical stressed conditions. The conclusions of the ICARA process are documented in a written report that is presented to and approved by the Partnership's Management Committee.

Own Funds

The Partnership's own funds as of 31 March 2022, the last day of the Partnership's most recent financial year (the "Reference Date"), are described in Table OF1 below. A reconciliation of the Partnership's own funds balance and related information, as of the Reference Date, to corresponding information in the Partnership's audited financial statements for the financial year ended on the Reference Date is set out in Table OF2 below. Both Table OF1 and Table OF2 are in the format prescribed by MIFIDPRU 8.4.

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Table OF1

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (see Table OF2 below)
1	**OWN FUNDS**[1]	**£13,064**	
2	**TIER 1 CAPITAL**	**£15,181**	a11
3	**COMMON EQUITY TIER 1 CAPITAL**	**£15,181**	a11
4	Fully paid up capital instruments		
5	Share premium		
6	Retained earnings	£15,181	a11
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	£2,117[2]	
19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL	£0	
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	£0	
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		

[1] The Partnership's own funds consist solely of cash balances held in its bank accounts.
[2] As of the Reference Date, this amount was projected for distribution to the Corporate Member and was therefore excluded from the Partnership's calculation of its own funds.

Table OF2

Reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in audited financial statements (GBP thousands)	Under regulatory scope of consolidation (GBP thousands)	Cross-reference to Table OF1
		As at period end	As at period end	
Assets				
1	Tangible assets	£1,892	£1,892	
2	Debtors	£6,709	£4,667	
3 4	Cash and cash equivalents Tax and related assets	£16,410	£16,967 £1,332	
5	**Total Assets**	**£25,011**	**£24,858**	
Liabilities				
6	Creditors	£9,830	£9,893	
7	**Total Liabilities**	**£9,830**	**£9,893**	
Members' Equity				
8	Members' Capital	£5,461		
9	Other Reserves	£9,720		
10	Retained Earnings		£14,965	
11	**Total Members' Equity**	**£15,181**	**£14,965**	Items 2, 3, and 6

Own Funds Requirement

In accordance with MIFIDPRU 4.3, the Partnership's own funds requirement, and therefore the minimum amount of capital it is required to hold, is the higher of its "permanent minimum capital requirement" (an amount fixed in MIFIDPRU based on the activities conducted by the Partnership), its "fixed overheads requirement" (an amount equal to one quarter of certain of the Partnership's annual expenditures), and its K-Factor requirements (which are calculated based on the volume of certain activities directed by the Partnership). Information relating to the Partnership's compliance with the own funds requirement is set out in Table OF3 below.

Table OF3

Demonstration of own funds in excess of Own Funds Threshold Requirement		
	Item	**Amount (GBP thousands)**
1	Permanent Minimum Capital Requirement (MIFIDPRU 4.4.4)	£75
2	Fixed Overheads Requirement (MIFIDPRU 4.5)	£10,564
3	K-AUM (MIFIDPRU 4.7)	£3,754
4	K-COH & K-DTF (MIFIDPRU 4.10 and MIFIDPRU 4.15)	£126
5	Overall K-factor requirement (sum of (3) and (4))	£3,880
6	Additional own funds requirement to address risks of harm on a going concern basis	£0
7	Level of additional own funds required to achieve an orderly wind-down	£0
8	Own Funds Threshold Requirement (highest of items (1), (2), and (5), plus the higher of (6) or (7))	£10,564
9	Firm's own funds	**£13,064**
10	**Surplus own funds over own funds threshold requirement**	**£2,500**
11	Own funds Indicator Threshold (110% of (8))	£11,620
12	**Surplus own funds over own funds indicator threshold**	**£1,444**

As described above, the Partnership's permanent minimum capital requirement (line 1) is £75,000, its fixed overheads requirement (line 2) is approximately £10.56 million, and its overall K-Factor requirement (line 5) is approximately £3.88 million. Accordingly, its own funds requirement is equal to its fixed overheads requirement.

The own funds held by the Partnership as of the Reference Date were approximately £13.06 million (line 9), a surplus of approximately £2.50 million relative to its own funds requirement (line 8). The Partnership has determined as part of its ICARA process that it has adequate own funds for the duration of its planning horizon given its position within the D. E. Shaw group and the nature and level of the risks to which it is or might be exposed.

Items Omitted From This Disclosure

The Partnership is not a Small, Non-Interconnected Firm ("SNI") as defined in MIFIDPRU; however, in accordance with MIFIDPRU 7.1.4R, it is also not subject to certain requirements in MIFIDPRU 7.3 that are otherwise applicable to non-SNIs. Accordingly, this MIFIDPRU disclosure document does not address the matters described in MIFIDPRU 8.7 (Investment policy).

In accordance with the transitional provisions of MIFIDPRU TP 12.6, this MIFIDPRU disclosure document does not address the matters described in MIFIDPRU 8.2 (Risk management objectives and policies). These matters will be addressed in the Partnership's MIFIDPRU disclosure document relating to financial years ending on and after 31 March 2023.

The Partnership's first performance year that is subject to the MIFIDPRU disclosure requirements is the calendar year ending 31 December 2022. Accordingly, this MIFIDPRU disclosure document does not specifically address the matters described in MIFIDPRU 8.6 (Remuneration policy and practices) in the section headed "Remuneration" above. These matters will be addressed in the Partnership's MIFIDPRU disclosure document relating to financial years ending on and after 31 March 2023.