

J. STERN & CO.

J. STERN & CO. LLP – MIFIDPRU PUBLIC DISCLOSURE DOCUMENT

AS AT 31 MARCH 2023

The Capital Requirements Directive ('the Directive') of the European Union forms a revised regulatory capital framework across Europe with which FCA regulated investment firms must comply. The regulation governs the amount and nature of capital credit, institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the Markets in Financial Instruments Directive Prudential Sourcebook. ('MIFIDPRU') J. Stern & Co LLP is authorised and regulated by the UK Financial Conduct Authority as a Class 3 Firm – Small and non-interconnected (SNI) Firm under the Investment Firm Prudential Regime (IFPR) so as such is subject to the capital adequacy rules set out in the FCA's MIFIDPRU sourcebook.

This disclosure, is produced in accordance with the disclosure requirements applicable to a SNI firm and as established by the rules in MIFIDPRU 8 of the FCA's handbook.

The framework consists of the below requirements:

- Own Funds Requirement (MIFIDPRU 3 and 4) - which sets out the capital requirements which a firm must have at all times.
- Concentration Risk Requirement (MIFIDPRU 5) – which sets out how a firm must monitor and control the risks arising from the strength or extent of a firm's relationships with, or direct exposure to, a single client or group of connected clients.
- Liquid Assets Requirement (MIFIDPRU 6) – which sets out the requirements for a firm to hold a minimum amount of core liquid assets.
- Governance, Risk Management and Disclosures (MIFIDPRU 7 and 8) – which sets out rules on governance arrangements and the Internal Capital Adequacy and Risk Assessment (ICARA) process and requirements for firms in terms of disclosures round remuneration policies and practices.

In accordance with MIFIDPRU 8, we are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements

J. Stern & Co. LLP is not authorised to take proprietary trading positions or hold Client Money. The Firm is not required to prepare consolidated reporting for prudential purposes. The activities of the Firm and its associated entities are more fully described on its website www.jsternco.com.

The disclosure is reviewed on an annual basis and will be issued as soon as practicable after the completion of the Firm's annual financial statements. The disclosure is subject to the approval of the Firm's Partners and information contained in this document does not constitute any form of financial

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statement and must not be relied upon in making any judgement on the Firm. This disclosure is published on our website at [the key information page](#).

Risk management

The Firm is governed by its members (“Partners”) who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm’s governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Partners determine how the risk our business faces may be assessed and mitigated and evaluate, on an on-going basis, the arrangements required to manage those risks. The Partners meet periodically and discuss current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Partners manage the Firm’s risks through a risk management framework supported by a risk register, policies and processes implemented according to relevant laws, standards and rules. These policies and processes are updated as and when required.

As required, according to MIFIDPRU 7.4, the Firm maintains an ICARA to establish whether the Firm is required to hold any additional capital to cover any risks the Firm is exposed to which are not fully captured under the own fund’s requirement.

The Partners review the Firm’s risk controls and other mitigation arrangements and assess their effectiveness. The Partners have identified that operational, regulatory and market risks are the main areas of risk to which the Firm is exposed before any mitigation techniques are taken into consideration. Where the partners identify material risks, they consider mitigating measures and residual impact and probability of those risks to materialise and use that exercise to conclude whether the allocation of any additional financial resources may be required.

Our Firm is small with a simple operational infrastructure. The Firm has identified through its ICARA process and the risk register that it does not need any additional capital or liquidity required to mitigate and manage any risks which have been identified.

Capital Adequacy and Own Funds

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. The table below shows the Tier 1 capital, specifically Common Equity Tier 1 (CET1) capital held by the Firm. The Firm does not hold any Additional Tier 1 or Tier 2 capital. The table is based on the Firm’s Financial Statements as at 31 March 2023.

Composition of regulatory own funds

Item	Amount £ ‘000
OWN FUNDS	516
TIER 1 CAPITAL	516
COMMON EQUITY TIER 1 CAPITAL	516
Fully paid-up capital instruments	300
Share premium	
Retained earnings	
Accumulated other comprehensive income	
Other reserves	216

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Adjustments to CET1 due to prudential filters	
Other funds	
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	
CET1: Other capital elements, deductions and adjustments	
ADDITIONAL TIER 1 CAPITAL	0
Fully paid up, directly issued capital instruments	
Share premium	
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	
Additional Tier 1: Other capital elements, deductions and adjustments	
TIER 2 CAPITAL	0
Fully paid up, directly issued capital instruments	
Share premium	
(-) TOTAL DEDUCTIONS FROM TIER 2	
Tier 2: Other capital elements, deductions and adjustments	

Own Funds Requirements

The main features of the Firm's capital resources for regulatory purposes are as follows:

Capital item	£ '000
Fixed Overheads Requirement	197
Permanent Minimum Requirement (PMR)	75
Surplus	<u>319</u>

As discussed above the Firm is a SNI firm and as such J. Stern & Co. LLP is required to hold capital resources equal to the higher of:

- the Permanent Minimum Requirement
- the Fixed Overhead Requirement.

The PMR for J. Stern & Co. LLP is £75,000, as determined by the Firms regulatory permissions.

Under IFPR, all investment firms are required to hold liquid assets equal to at least 1/3 of the FOR, plus additional requirements for any client guarantees. J. Stern & Co. LLP does not provide its clients with guarantees; therefore, the additional requirement does not apply.

The IFPR liquidity requirement for J. Stern & Co. LLP is £65,661.

J. Stern & Co. LLP - Remuneration code disclosure 2023

This disclosure is being made by J. Stern & Co. LLP in accordance with the disclosure requirements as set out in MIFIRU 8.6. This disclosure is completed on the basis that the firm is a SNI Firm. It is not subject to the full extent of the Remuneration Code (see SYSC 19G.1.7G), which outlines provisions applicable to SNI firms and, has adopted a proportioned approach to its Remuneration Policy

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The Remuneration Code affects all staff who have a material impact on the firm's risk profile, including a person who performs a senior management function for a firm, material risk takers and staff receiving total remuneration that takes them into the same remuneration bracket as senior management or material risk-takers of a firm. Collectively, such staff are identified as Remuneration Code staff.

A senior manager is defined as an individual employed by the firm to whom the governing body (or a member of the governing body) of the firm has given responsibility for management and supervision, and who reports directly to the governing body, a member of the governing body, the chief executive, or the head of a significant business group.

The Firm has established and maintains remuneration practices that are consistent with and promote effective risk management and prevent exposure to excessive risk. Due to the size, nature and complexity of the Firm, we are not required to appoint an independent remuneration committee. Individuals are rewarded based upon their contribution to the overall strategy and performance of the business taking into account factors including client performance, operational efficiency and effectiveness, business development and overall performance, reliability and effectiveness.

For the year ending 31 March 2023 the Firm had seven Remuneration Code staff, defined as partners, material risk takers and any staff involved in Senior Managers Functions SMF1 – SMF27, and any employee whose total remuneration takes them into the same remuneration bracket as those previously mentioned. Aggregate remuneration paid to Remuneration code staff for the year ended 31 March 2023 was £1,482,500. The amount of aggregate variable remuneration awarded to three remuneration code staff members was £180,000.