

Stifel Europe Limited **Pillar 3 disclosures**

Stifel Europe Limited

MIFIDPRU 8 DISCLOSURE

Financial Year Ended 31st /December/2023

1. INTRODUCTION

1.1 Background

Stifel Europe Limited (“the Company”) is prudentially regulated as a non-SNI MIFIDPRU investment firm. The Company’s principal activity is providing securities brokerage and investment banking services. The Company’s dealing desks specialise in trading UK and European cash equities, equity derivatives and Exchange Traded Funds (ETFs). Stifel Europe Limited also provides a full range of investment banking services, including private placements, M&A and equity research. The Company is permitted to act for Eligible Counterparties, Professional clients, and Retail clients. Its ability to act for retail clients is limited solely to its arranging (bringing about) deals in investments Part 4A permission. The Company is authorised and regulated under UK legislation by the Financial Conduct Authority (“FCA”).

1.2 Scope of Application

Due to its ownership structure, the Company is a member of an investment firm group and therefore is required to issue disclosures on a consolidated/ an individual basis for prudential purposes.

1.3 Disclosure Policy

This Disclosure is in line with the most recent published financial statements for the Company as at 31/12/2023.

The MIFIDPRU Disclosure obligations, under MIFIDPRU chapter 8, require publication on an annual basis. The FCA expects this to be published on the Company’s website. This Disclosure will be assessed and amended if there are any material changes within the period of Disclosure.

This Disclosure has been approved by the governing body of the Company and is not subject to audit, except where they are prepared under accounting requirements for publication.

2. GOVERNANCE

2.1 Stifel Europe Limited’s Board of Directors

The Board has overall responsibility for the activities of the Company. The Board consists of the Company's directors. Together, they oversee the process of risk management, financial reports, and remuneration. As at the reporting date, the Board considered that it had in place adequate and appropriate systems and controls with regard to the Company's strategy and that the Company is properly resourced and skilled, to avoid or minimise loss.

2.2 Directorships

The total number of executive and non-executive directorships held by members of the Board as at 31/12/2023 are as below.

Name of Director / Senior Manager	SMF functions	Directorships within the group	Directorships outside of the group
Olivier Marie Paul Garnier De Falletans	SMF 1 SMF 3 SMF16 SMF17	1	1
Gregoire Revenu	SMF 3	1	1

Directorships held within the same group are counted as a single directorship and those in non-commercial organisations are excluded.

2.3 Diversity

The Company operates in a gender-neutral working environment and does not discriminate against any protected characteristics. The Company ensures its Remuneration Policy is compliant with the Equality Act 2010.

3. RISK MANAGEMENT

Under MIFIDPRU, the Company's senior management is responsible for establishing and maintaining its Internal Capital Adequacy and Risk Assessment (ICARA). This requires the Company to assess the Company's capital and liquidity requirements and ensure it has sufficient own funds and liquidity resources at all times to meet the Overall Financial Adequacy Rule (OFAR) throughout the business cycle, whether in a Business as Usual or stressed environment. The ICARA assesses the aforementioned capital needs in a way which is consistent with the Company's stated risk profile and operating environment. The Company ensures that throughout its ICARA process, it identifies its material risks which are reviewed and amended where necessary by the Company's board on an annual basis, and its winding down plan to ensure the Company holds sufficient Own Funds and Liquidity to both mitigate its material risks and is able to wind down in an orderly manner.

The Company's general risk management objective is to minimise the risks to the Company's clients, its counterparties, and other stakeholders and to ensure it remains in full compliance with its regulatory and legal obligations. The Company's risk appetite is reviewed on a regular basis and updated in accordance

with the evolving strategy, business model, financial capacity, business opportunities, regulatory constraints, and other internal and external factors.

The Company oversees and manages its risks through a combination of routine monitoring of policies and procedures, an efficient reporting process, an annual independent audit, a Compliance Manual, and the use of an independent outsourced compliance adviser. The Board of Directors has the overall responsibility for the process of risk management, as well as to determine the business strategy and risk appetite along with establishing, implementing, and maintaining adequate risk management policies and procedures. These policies and procedures are updated as required, having regard to the relevant laws, standards, principles, and rules (including FCA Principles and Rules).

Risk is inherent in all businesses and, therefore, arises in the normal course of the Company's activities. The Company accepts this and seeks to effectively identify, monitor, manage and mitigate each of the risks and they actively promote a risk awareness culture throughout the organisation. Appropriate action is taken where risks are identified which fall outside of the Company's risk tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Company's systems and controls environment which has been established to mitigate such risks.

3.1 Own Funds Risk

The Company's main business risk relates to the medium- and long-term profitability of the Company that could be adversely affected by the failure to identify and implement the correct strategy and to react efficiently to changes in the business and market environment.

The Company's revenue is reliant on profits from its trading activities and investment banking services. Therefore, the Company's risk relates to credit risk which is the loss arising from a debtor failing to pay an amount to the Company (i.e., from potential non-performance by counterparties and customers).

This risk is assessed and mitigated as part of the ICARA process by clearly defining the Company's strategy, analysing various economic scenarios to reduce single event and macroeconomic exposure.

3.3 Credit, Counterparty and Concentration Risk

Credit Risk refers to the risk of financial loss arising from the failure of a client or other counterparty to meet its outstanding obligations and from cash and deposits held with credit institutions.

The Company is primarily exposed to Credit Risk from the failure of client transactions executed on a Delivery versus Payment (DvP) basis. It holds all liquidity with large international credit institutions with high credit ratings. Consequently, the risk of past due or impaired exposures is minimal. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

3.5 Liquidity Risk

The Company is required to hold sufficient financial resources to enable it to meet its obligations as they fall due or to ensure that it can secure adequate amount of assets in the event of a stress situation.

The Company maintains an amount of free funds it considers suitable for providing sufficient liquidity to meet its liquid asset threshold requirements under normal and stressed business conditions. This is

supported by a prudent budgeting and forecasting process, as well as monitoring of the Company's cash position by the senior management on a regular basis. Accordingly, the Company has always held sufficient liquidity to meet its contractual obligations as and when they arise.

4. CAPITAL ADEQUACY

The Company is required to maintain sufficient capital resources at all times. Own funds describe the available capital resources of the Company while own funds requirement describes the capital funds required as a result of the business activities of the Company.

4.1. Own Funds

The table below shows the Company's Own Funds. This is made of Common Equity Tier 1 (CET1) capital, Additional Tier 1 capital and Tier 2 capital held by the Company

Own Funds	£000s
Common Equity Tier 1 Capital	24,499
Additional Tier 1 Capital	1,505
Tier 2 Capital	979
Total Own Funds	26,983

5. OWN FUNDS REQUIREMENT

The Company's Own Funds Requirement is calculated in accordance with MIFIDPRU 4.3, which states that the Company's own funds requirement as a non-SNI Investment Firm is the highest of the following components: –

- Its permanent minimum capital requirement under MIFIDPRU 4.4;
- Its requirement under MIFIDPRU 4.5;
- Its K-factor requirement under MIFIDPRU 4.6

As at December 2023	£000s
Permanent Minimum Capital Requirement	750
Fixed Overheads Requirement	4,690
K-Factor Requirement	2,196
Sum of K-AUM, K-CMH and K-ASA	X0
Sum of K-COH and K-DTF	X0
Sum of K-NPR, K-CMG, K-TCO and K-CON	2,196
Own Funds Requirement (Maximum of PMR, FOR and K-Factor Requirement)	4,690

6. REMUNERATION

6.1 Approach to Remuneration

The Company does not link remuneration directly to the performance of the Company, or that of the Group, rather, the Company's performance may be a factor in determining variable remuneration. The Company also considers its non-financial criteria when assessing remuneration.

Any discretionary bonus scheme pools are calculated by reference to the Company's net operating profit, where the underlying revenue is not subject to recovery or downward adjustment. Employees are not encouraged, and the Company's remuneration schemes do not reward, the taking of market or trading risks.

Bonuses at the Company are entirely discretionary. However, the main component used to determine bonuses for the sales team (BSC system):

Formula: $\text{Base} \times \text{Bonus rate} \times \text{Target rate} + \text{discretionary}$

Discretionary:

An additional discretionary bonus may be awarded by management if objectives are exceeded.

Partner's Variable remunerations are calculated separately is determined and paid by the Group's Partners Committee.

The discretion held by the Board of the Company ensures that the Company is able to retain employees in executive positions who are vital to the Company's strategic development. The Company has no obligation to pay variable remuneration other than out of realised profits which are not subject to subsequent reduction (after subtracting all expenses relating to running the business) to allow for a fully flexible policy. Accordingly, the Company's total variable remuneration does not limit its ability to strengthen its capital base.

6.2 Remuneration Objectives

The Company's financial incentives are designed to attract and retain employees with the appropriate skills, knowledge and expertise to enable the Company to deliver its long-term strategic goals, widen its client base and expand into similar areas of business as and when the appropriate opportunities arise, in each case in a manner which is consistent with and which promotes effective risk management and does not expose the Company to excessive risk.

6.3 Remuneration Governance

The Company has in place a Remuneration Policy which is approved by the Board at least annually.

The Company does not meet the criteria to form a remuneration committee under SYSC 19G. In view of the nature and size of the Company, the Board does not believe it is proportionate to have a Remuneration Committee but will periodically monitor the remuneration practices of the Company to determine if the implementation of such a committee would enhance its practices. The Board has oversight of the Company's remuneration policies and refers to its remuneration Terms of Reference and the MIFIDPRU remuneration code. Furthermore, the Company ensures that the Company's standards, fairness, compliance

objectives, corporate governance and maintaining a sound capital base are not compromised by its remuneration incentives. The Company has used external consultants to assist in the development of its remuneration policies and practices.

6.4 Material Risk Takers

As the Company is categorised as a non-SNI MIFIDPRU Investment Firm, staff members whose activities have a material impact on the risk profile of the Company are categorised as material risk takers (MRTs) under SYSC 19G.5.3R.

The Company has identified two material risk takers, both of which are Senior Managers of the Company.

6.5 Total Remuneration

Total Remuneration for the calendar year 2023	Total for Company (£000s)
Total Remuneration	16,222
Of which:	
Fixed Remuneration	14,387
Variable Remuneration	1,835
Total Number of MRTs (including Senior Managers)	30

Within this disclosure, the Company has not disclosed the remuneration split between its Senior Management and other MRTs as this would lead to the disclosure of information about the two Senior Management Functions employed by the Company as of 31st December 2023. As per the exemption set out in MIFIDPRU 8.6.8(7), therefore, the Company is only obliged to disclose aggregated remuneration data for Senior Managers and MRTs. This is set out in the table above.

The Company has paid guaranteed variable remuneration and/or severance payments during the period of this report as set out below:

	Total for Company
Guaranteed Variable Remuneration	£60,000
Severance Payments	0

Appendix 1: COMPOSITION OF REGULATORY OWN FUNDS

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	26,983	
2	TIER 1 CAPITAL	25,704	
3	COMMON EQUITY TIER 1 CAPITAL	24,999	
4	Fully paid up capital instruments	3,815	
5	Share premium	1,092	
6	Retained earnings	19,592	
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	1,505	
21	Fully paid up, directly issued capital instruments	1,505	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	TIER 2 CAPITAL	979	
26	Fully paid up, directly issued capital instruments	979	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

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

Flexible template – rows to be reported in line with the balance sheet included in the audited financial statements of the investment Company.

Columns should be kept fixed, unless the investment Company has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.

Figures should be given in GBP thousands unless noted otherwise.

	a	b	c
	Balance sheet as in published / audited financial statements	Under regulatory scope of consolidation	Cross- reference to template OF1
	As at period end	As at period end	
<i>Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements</i>			
1. Intangible Assets	1,163	1,268	
2. Tangible Assets	245	517	
3. Investments	1,247		
4. Trading book assets	4	4	
5. Non-trade debtors	3,804	7,080	
6. Sundry debtors	30,872	32,351	
7. Cash and Bank – non-segregated	4,417	5,687	
8. Other current assets		44	
Total Assets	41,751	46,951	

Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements

1. Trade Creditors	1,365	2,805
2. Sundry Creditors	10,981	11,344
3. Accruals	3,210	3,420
4. Bank loans (maturity > 1 year)	0	33
5. Subordinated Debt issued and paid	979	979
6. Long Term Liabilities	1,100	1,369
Total Liabilities	16,656	18,970
1. Shareholders' Equity		
2. Ordinary shares issued/fully paid	3,815	3,822
3. Share premium account	1,092	1,221
4. Preference shares issued/fully paid	1,505	1,505
5. Reserves (Profit and Loss)	18,492	18,587
6. Other reserves	0	540
	25,094	27,981

Own funds: main features of own instruments issued by the Company

The Company has issued ordinary shares which count as Common Equity Tier 1 Capital

The Company has issued non-convertible cumulative preference shares which count as Additional Tier 1 Capital

The Company's Tier 1 Capital therefore consists of the above two classes of shares issued, together with verified profit and loss reserves.

The Company has also issued subordinated debt which counts as Tier 2 Capital resources. The issuer call on these instruments are subject to prior regulatory approval

As set out in Appendix 1 above, the aggregate amount of Own Funds of the Company as at the Reporting Date was GBP 26,983 (in thousands).