

**BEAR STEARNS INTERNATIONAL TRADING LIMITED**  
(Registered Number: 02698671)

Annual report for the year ended 31 December 2019



**BEAR STEARNS INTERNATIONAL TRADING LIMITED**  
**Annual report for the year ended 31 December 2019**

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# BEAR STEARNS INTERNATIONAL TRADING LIMITED

## Strategic report

The directors present their strategic report of Bear Stearns International Trading Limited (the "Company") for the year ended 31 December 2019.

### Overview

The Company is incorporated and domiciled in England and Wales. It is an indirect subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). JPMorgan Chase is a financial holding company incorporated under Delaware law in 1968, it is a leading global financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Company had \$50.8 million in assets and \$50.6 million in total shareholders' equity as of 31 December 2019.

### Review of business

#### *Income Statement:*

The results for the year are set out on page 7 and show the Company's profit for the financial year is \$ 1.3 million (2018: loss of \$ 0.4 million).

#### *Balance sheet:*

The balance sheet is set out on page 8. The Company has total assets and total liabilities of \$50.8 million (2018: \$ 51.1 million) and \$0.2 million (2018: \$1.8 million) respectively as at 31 December 2019.

### Future outlook

The U.K.'s departure from the EU, which is commonly referred to as "Brexit," occurred on January 31, 2020.

Following this departure, the U.K. has entered a transition period that is scheduled to expire on December 31, 2020. The purpose of the transition period is to enable the U.K. and the EU to negotiate the terms of their future relationship and both sides agreed in June 2020 not to extend the transition period beyond December 31, 2020. It is not clear whether the terms of the future relationship can be agreed before the end of 2020, and so significant uncertainty remains about the relationship between the U.K. and the EU after the end of the transition period.

In light of the ongoing uncertainty, the Firm continues to execute the relevant elements of its Firmwide Brexit Implementation program with the objective of being able to continue delivering the Firm's capabilities to its EU clients. The program covers strategic implementation across all impacted businesses and functions and includes an ongoing assessment of implementation risks including political, legal and regulatory risks and plans for addressing and mitigating those risks under any scenario, including where the U.K. and the EU fail to reach an agreement on their future relationship by the end of 2020.

The Firm has a long-standing presence in the UK, which currently serves as the regional headquarters of the Firm's operations in over 30 countries across Europe, the Middle East, and Africa ("EMEA"). In the region, the Firm serves clients and customers across its business segments. The Firm has approximately 17,000 employees in the U.K., of which approximately two-thirds are in London, with operational and technology support centers in locations such as Bournemouth, Glasgow and Edinburgh.

The Firm's legal entities in Germany, Luxembourg and Ireland are now prepared and licensed to provide services to the Firm's EU clients, including a branch network covering locations such as Paris, Madrid and Milan.

The impact of Brexit on the Company's business model and risks will continue to be assessed as part of the Firmwide strategy in considering a strategic post-Brexit legal entity structure.

### COVID-19

The Firm is monitoring the Coronavirus Disease 2019 ("COVID-19"), based on the guidance being provided by the relevant health and government authorities, and continues to implement protocols and processes in response to the spread of the virus. The Firm has organised a central team to continue to consider what steps should be taken around the globe to protect our employees, prepare our businesses, and serve our clients and the communities where we live and work. In addition, teams across functions, businesses and regions continue to meet regularly to understand the global situation and to ensure any emerging developments relating to the well-being of our employees or the resiliency of our businesses are addressed quickly. Our business remains operational and senior leaders across the firm continue to monitor operational metrics. The Company is not aware of any material adverse effects on the financial position or operations as a result of the COVID-19 pandemic, refer to post balance sheet events (note 16).

# **BEAR STEARNS INTERNATIONAL TRADING LIMITED**

## **Strategic report (continued)**

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Firm and are not managed separately. The directors do not consider that the company is exposed to significant financial risks. However there is price risk attached to the financial assets held by the entity.

**On behalf of the Board**



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**Name: James Chatters**

**Director**

**Date: 9 September 2020**

# BEAR STEARNS INTERNATIONAL TRADING LIMITED

## Directors' report

The directors present their report and the audited financial statements of Bear Stearns International Trading Limited (the "Company") for the year ended 31 December 2019. The Company is part of JPMorgan Chase & Co. Group and its registration number is 2698671.

Refer to the Strategic Report for future outlook.

### Results and dividends

The results for the year are set out on page 7 and show the Company's profit for the financial year is \$ 1.3 million (2018: loss of \$ 0.4 million).

No dividends were paid or proposed during the year (2018: \$nil).

### Post balance sheet event

Following the outbreak of the COVID-19 pandemic in early 2020, the Company and the Firm are monitoring the development of the pandemic and evaluating its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorised for issue, the Company is not aware of any material adverse effects on the financial position or operations as a result of the COVID-19 pandemic.

### Directors

The directors of the Company who served during the year and up to the date of signing the financial statements were as follows:

J. Chatters

M. Allen

J. Hobson

Resigned 29 March 2019

### Directors' interests

None of the directors have any beneficial interest in the Company. The Company is a subsidiary of a company incorporated in England and Wales. The ultimate holding company is a body corporate incorporated outside England and Wales. The directors are not required to notify the Company of any interests in shares of that or any other body incorporated outside England and Wales.

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

# **BEAR STEARNS INTERNATIONAL TRADING LIMITED**

## **Directors' report (continued)**

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Qualifying third party indemnity provision**

An indemnity is provided to the directors of the Company under the By-laws of JPMorgan Chase & Co. against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnity was in force during the financial year and also at the date of approval of the financial statements. A copy of the by-laws of JPMorgan Chase & Co is available at the registered office address of the Company.

### **Company secretary**

The secretary of the Company who served during the year was as follows:

J.P. Morgan Secretaries (UK) Limited

### **Registered address**

25 Bank Street  
Canary Wharf  
London E14 5JP  
England and Wales

### **Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

### **On behalf of the board**



**Name: James Chatters**

**Director**

**Date: 9 September 2020**

# **Independent auditors' report to the members of Bear Stearns International Trading Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Bear Stearns International Trading Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# Independent auditors' report to the members of Bear Stearns International Trading Limited (continued)

## *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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Sheena Coutinho (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London 9 September 2020

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## BEAR STEARNS INTERNATIONAL TRADING LIMITED

### Income statement

Year ended 31 December		2019	2018
	Note	\$'000	\$'000
Dividend income		—	82
Other operating income	5	77	38
Operating expense	6	—	(1,491)
Administrative expense		(7)	—
<b>Operating profit/(loss)</b>		<b>70</b>	<b>(1,371)</b>
Interest and similar income	8	1,215	949
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>9</b>	<b>1,285</b>	<b>(422)</b>
Tax credit on profit/(loss) on ordinary activities	10	16	69
<b>Profit/(loss) for the financial year</b>		<b>1,301</b>	<b>(353)</b>

### Statement of comprehensive income

There were no other items of comprehensive income or expense other than the profit/(loss) for the financial year shown above (2018: \$nil). As a result, profit (2018: loss) for the financial year represents total comprehensive income (2018: expense) for the year.

The notes on pages 10 - 15 form an integral part of these financial statements.

# BEAR STEARNS INTERNATIONAL TRADING LIMITED

## Balance sheet

31 December		2019	2018
	Note	\$'000	\$'000
<b>Non current assets</b>			
Debtors	11	48,269	47,798
		<b>48,269</b>	<b>47,798</b>
<b>Current assets</b>			
Financial assets held at fair value through profit or loss	12	—	—
Debtors	11	73	47
Cash and cash equivalents	13	2,460	3,258
		<b>2,533</b>	<b>3,305</b>
<b>Total current assets</b>		<b>2,533</b>	<b>3,305</b>
<b>Total assets</b>		<b>50,802</b>	<b>51,103</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	(237)	(1,839)
<b>Net current assets</b>		<b>2,296</b>	<b>1,466</b>
<b>Net assets</b>		<b>50,565</b>	<b>49,264</b>
<b>Equity</b>			
Called up share capital	15	1	1
Share premium account		14,999	14,999
Retained earnings		35,565	34,264
<b>Total equity</b>		<b>50,565</b>	<b>49,264</b>

The financial statements on pages 7 - 15 were approved by the Board of Directors on 9 September 2020 and signed on its behalf by:



\_\_\_\_\_  
Name: James Chatters

Director

Date: 9 September 2020

The notes on pages 10 - 15 form an integral part of these financial statements.

**BEAR STEARNS INTERNATIONAL TRADING LIMITED**  
**Statement of changes in equity**

	Called up share capital	Share premium account	Retained earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 January 2018</b>	<b>1</b>	<b>14,999</b>	<b>34,617</b>	<b>49,617</b>
Loss for the financial year	—	—	(353)	(353)
<b>Balance as at 31 December 2018</b>	<b>1</b>	<b>14,999</b>	<b>34,264</b>	<b>49,264</b>
Profit for the financial year	—	—	1,301	1,301
<b>Balance as at 31 December 2019</b>	<b>1</b>	<b>14,999</b>	<b>35,565</b>	<b>50,565</b>

The notes on pages 10 - 15 form an integral part of these financial statements.

# BEAR STEARNS INTERNATIONAL TRADING LIMITED

## Notes to the financial statements

### 1. General information

The Company is incorporated and domiciled in England and Wales. The Company's immediate parent undertaking is Bear Stearns Holdings Limited, incorporated in England and Wales. The Company's ultimate parent undertaking and the parent undertaking of the only group in which the results of the Company are consolidated, is JPMorgan Chase & Co. (the "Firm" or "JPMorgan Chase"), which is incorporated in the state of Delaware in the United States of America. The consolidated financial statements of the Firm can be obtained from the Company's registered office at 25 Bank Street, Canary Wharf, London, E14 5JP, England and Wales.

#### Principal activity

The Company's principal business is placing surplus cash with other JPMorgan Chase undertakings. The Company previously acted as an investment holding Company.

### 2. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101"). FRS 101 applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union with reduced disclosures.

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS as adopted by the EU have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Comparative information disclosures (paragraph 38 of IAS 1 'Presentation of financial statements' ("IAS 1") for reconciliation of share capital (paragraph 79(a)(iv) of IAS 1);
- Statement of compliance with IFRSs - Paragraph 16, IAS 1;
- Cash flow statement and related notes IAS 7 'Cash flow statements';
- Disclosures in relation to new or revised standards issued but not yet effective (paragraph 30 and 31, IAS 8 'Accounting policies, changes in accounting estimates and errors');
- Key management compensation disclosures (paragraph 17, IAS 24 'Related Party Disclosures' ("IAS 24"));
- Related party transactions with wholly owned Firm undertakings (paragraph 18 and 19, IAS 24);
- Disclosure requirements of IFRS 7 'Financial Instruments: Disclosures'; and
- Disclosure requirement of IFRS 13 'Fair Value Measurement' (paragraph 91 - 99 of IFRS 13).

### 3. Critical accounting estimates and judgements

The preparation of financial statements generally requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. Due to nature of business undertaken by the Company, no significant accounting estimates or judgements were required in preparation of these financial statements.

### 4. Significant accounting policies

The following are the significant accounting policies applied in the preparation of these financial statements. These policies have been applied consistently in each of the years presented, unless otherwise stated.

#### 4.1 Foreign currency translation

Monetary assets and monetary liabilities in foreign currencies are translated into United States ("U.S.") dollars at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the date of the transactions. Any gains or losses arising on translation are taken directly to the income statement.

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into U.S. dollars at the exchange rate ruling at the date of the transaction.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into U.S. dollars at foreign exchange rates ruling at the dates when the fair values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in the income statement

# BEAR STEARNS INTERNATIONAL TRADING LIMITED

## Notes to the financial statements (continued)

### 4. Significant accounting policies (continued)

#### 4.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). U.S. dollars is considered as the functional and presentation currency of the Company.

#### 4.3 Dividend recognition

Dividend income is recognised when the right to receive payment is established.

#### 4.4 Fair value

Financial instruments are initially recognised at fair value on the date of initial recognition and subsequently remeasured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where market prices are unavailable, fair value is based on valuation models that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

#### 4.5 Current and deferred tax

Income tax payable on taxable profits (current tax) is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date, which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right and an intention to settle on a net basis.

#### 4.6 Cash and cash equivalents

Cash and cash equivalents include cash and balances at banks and loans and advances to banks with maturities of three months or less.

#### 4.7 Expense recognition

Expenses are recognised when the underlying contract becomes legally binding or at the agreed due date if later.

#### 4.8 Financial instruments

##### 4.8.1 Financial assets and financial liabilities

###### i. Recognition of financial assets and financial liabilities

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Company commits to purchase or sell an asset.

###### ii. Classification and measurement of financial assets and financial liabilities

On initial recognition, financial assets are classified and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

On initial recognition, financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.

# BEAR STEARNS INTERNATIONAL TRADING LIMITED

## Notes to the financial statements (continued)

### 4. Significant accounting policies(continued)

#### 4.8 Financial instruments (continued)

##### 4.8.1 Financial assets and financial liabilities (continued)

###### a) Financial assets and financial liabilities measured at amortised cost

Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. As a result of the application of these criteria, only debt financial assets are eligible to be measured at amortised cost.

Financial assets measured at amortised cost include debtors and cash and cash equivalents.

Financial liabilities are measured at amortised cost unless they are held for trading or a designated as measured at fair value through profit or loss. Financial liabilities measured at amortised cost include amounts owed to JPMorgan Chase undertakings and certain other liabilities.

Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value including transaction costs. The initial amount recognised is subsequently reduced for principal repayments and for accrued interest using the effective interest method. In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through the profit or loss.

The effective interest method is used to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.

###### b) Financial assets and financial liabilities measured at fair value through profit or loss

Financial assets and financial liabilities are measured at fair value through profit or loss (FVTPL) if they are held for trading. Under IFRS 9, a financial asset or a financial liability is defined as "held for trading" if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or it is a derivative. However, such financial instruments are used by the Company predominantly in connection with its client-driven market-making and/or for hedging certain assets, liabilities, positions, cash flows or anticipated transactions (i.e. risk management activities).

In addition, certain financial assets that are not held for trading are measured at FVTPL if they do not meet the criteria to be measured at amortised cost or FVOCI. For example, if the financial assets are managed on a fair value basis, have contractual cash flows that are not SPPI or are equity securities.

Financial instruments measured at FVTPL are initially recognised at fair value in the balance sheet. Transaction costs and any subsequent fair value gains or losses are recognised in profit or loss as they arise.

##### 4.8.2 Interest income

Unless a financial asset is credit-impaired, interest income is recognised by applying the effective interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the effective interest rate to the carrying amount of the financial asset including any allowance for expected credit losses.

# BEAR STEARNS INTERNATIONAL TRADING LIMITED

## Notes to the financial statements (continued)

### 4. Significant accounting policies(continued)

#### 4.8 Financial instruments (continued)

##### 4.8.3 Impairment of financial assets

The Company recognises Expected Credit Loss ("ECL") for financial assets that are measured at amortised cost.

Provisions for ECL are recognised on initial recognition of the financial instrument based on expectations of credit losses at that time. The credit loss allowance includes ECLs for financial instruments that may default in the next 12-month period for financial instruments that have not observed a significant increase in credit risk since initial recognition ("stage 1") or over a lifetime period for financial instruments that have observed a significant increase in credit risk since initial recognition ("stage 2"). The allowance also includes lifetime ECLs for financial instruments where there is objective evidence of credit-impairment at the reporting date ("stage 3"). In determining the appropriate stage for a financial instrument, the Company applies the definition of default consistent with the Basel definition of default to maintain uniformity of the definition across the Firm.

The determination of the stage for credit losses under the ECL model is dependent on the measurement of a significant increase in credit risk ('SICR'). In determining SICR, the Company has conducted quantitative tests, which considers, but is not limited to, existing risk management indicators, credit rating changes and reasonable and supportable forward-looking information. Forward-looking information reflects a range of scenarios that incorporate macro-economic factors that are composed and monitored by JPMorgan Chase's firm-wide specialised economic forecasting team.

The key input components for the quantification of expected credit loss through the ECL model includes the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Company seeks to efficiently and effectively leverage as much as possible existing regulatory and capital frameworks where overlap is present for IFRS 9. Differences observed between content in existing frameworks and requirements under IFRS 9 have been identified and are adjusted accordingly. The inputs to the ECL model capture historical datasets and a reasonable and supportable forecasting horizon to estimate expected credit losses.

### 5. Other operating income

	2019	2018
	\$'000	\$'000
Foreign exchange translation gain	77	38

### 6. Operating expense

	2019	2018
	\$'000	\$'000
Loss from disposal of financial assets	—	1,491

### 7. Directors emoluments

	2019	2018
	\$'000	\$'000
Emoluments*	—	3
Number of directors to whom defined contribution pension rights accrued	2	3
Number of directors with shares received or receivable under LTIPs	1	2

\*The amounts shown above in respect of emoluments paid to directors exclude amounts paid or due to directors under long term incentive plans, the value of share options granted or exercised and benefits to which directors are entitled under any pension schemes.

In accordance with the Companies Act 2006, the directors' emoluments above represent the proportion paid or payable in respect of qualifying services only. Directors also received emoluments fo

The emoluments of the highest paid director is under £200,000 which is not required to be disclosed under the requirements of the Companies Act 2006.

**BEAR STEARNS INTERNATIONAL TRADING LIMITED**  
**Notes to the financial statements (continued)**

**7. Directors emoluments (continued)**

The directors are employees of other companies in the Firm and all expenses, including remuneration, are paid by those companies and not recharged.

The Company had no employees during the year (2018: none).

**8. Interest and similar income**

	2019	2018
	\$'000	\$'000
Interest and similar income from other JPMorgan Chase undertakings	1,215	949

**9. Profit/(loss) on ordinary activities before taxation**

The auditors' remuneration of \$7,946 (2018: \$7,260) is met by another JPMorgan Chase undertakings and is not recharged.

**10. Tax on profit/(loss) on ordinary activities**

	2019	2018
	\$'000	\$'000
<b>(a) Analysis of tax charge for the year</b>		
<b>Current taxation</b>		
Current tax profits/(loss) for the year	229	(81)
Adjustment in respect of prior years	(245)	—
Overseas taxation	—	12
<b>Total tax credit for the year</b>	<b>(16)</b>	<b>(69)</b>

**(b) Factors affecting the current tax charge for the year**

The tax credit for the year differs as the standard rate of corporation tax in the UK 19.00% (2018: 19.00%). The differences are explained below:

	2019	2018
	\$'000	\$'000
Profit/(loss) on ordinary activities before taxation	1,285	(422)
Tax on ordinary activities before taxation multiplied by standard rate of corporation tax in UK 19.00% (2018: 19.00%)	244	(80)
Adjustment in respect of prior years	(245)	—
Non deductible expenditure	—	279
Income not taxable	(15)	(16)
Tax rate changes	—	39
Gain on investment	—	(303)
Effects of overseas tax rates	—	12
<b>Total tax credit for the year</b>	<b>(16)</b>	<b>(69)</b>



**BEAR STEARNS INTERNATIONAL TRADING LIMITED**  
**Notes to the financial statements (continued)**

**11. Debtors**

	2019	2018
	\$'000	\$'000
<b>Non current</b>		
Amounts owed by JPMorgan Chase undertakings	48,269	47,798
	<b>48,269</b>	<b>47,798</b>
<b>Current</b>		
Overseas tax	47	47
Amounts owed by JPMorgan Chase undertakings	26	—
	<b>73</b>	<b>47</b>

**12. Financial assets at fair value through profit or loss**

	2019	2018
	\$'000	\$'000
At 1 January	—	4,027
Disposals during the year	—	(4,027)
At 31 December	—	—

**13. Cash and cash equivalents**

All bank balances are held with another JPMorgan Chase undertakings.

**14. Creditors: amounts falling due within one year**

	2019	2018
	\$'000	\$'000
Tax liability	237	330
Amounts owed to JPMorgan Chase undertakings	—	1,509
	<b>237</b>	<b>1,839</b>

**15. Called up share capital**

	2019	2018
	\$'000	\$'000
<b>Issued and fully paid share capital</b>		
60,000 (2018: 60,000) Ordinary shares of £0.01 each, fully paid	1	1

**16. Post balance sheet event**

Following the outbreak of the COVID-19 pandemic in early 2020, the Company and the Firm are monitoring the development of the pandemic and evaluating its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorised for issue, the Company is not aware of any material adverse effects on the financial position or operations as a result of the COVID-19 pandemic.