INTL Netherlands BV
Pillar III disclosures
As at 30 September 2019

Contents

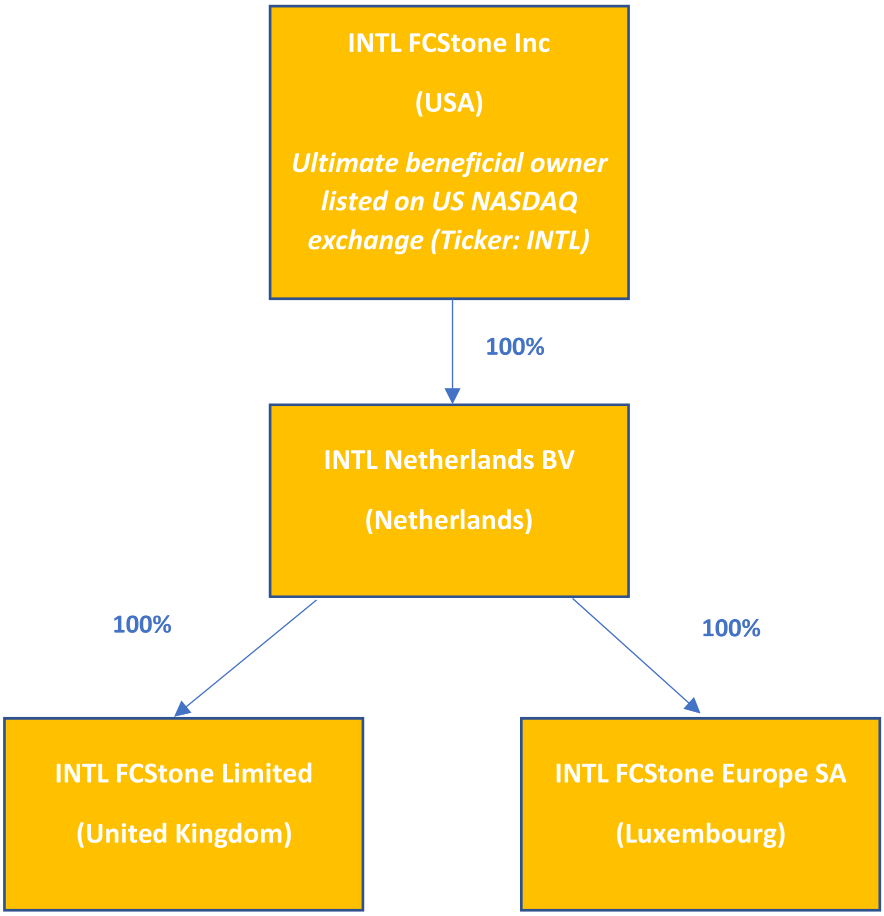
1 OVERVIEW

1.1 Group structure

INTL Netherlands BV (“NED” or the “Company”) is a wholly owned subsidiary of INTL FCStone Inc., a US corporation (“Group”) quoted on the US NASDAQ exchange. At the 30 September 2019 (“Review Date”) the Company owned and controlled 100% two regulated companies:

- **INTL FCStone Ltd** (“IFL”) full scope IFPRU €730K investment firm, incorporated and resident in the UK and regulated by the UK Financial Conduct Authority (“FCA”); and
- **INTL FCStone Europe SA** (“IFE”) limited scope IFPRU €125K investment firm, incorporated and resident in Luxembourg and regulated by the Luxembourg Commission de Surveillance du Secteur Financier (“CSSF”). This entity was formerly known as Carl Kliem SA and was acquired by NED in November 2018.

As at the Review Date, for the purposes of this report, NED, IFL and IFE constitute the **INTL Netherlands BV Group** (“NED Group”), the ownership structure of which is shown below.



On 16 January 2020, IFL agreed to acquire Giroxx GmbH (subject to regulatory approval) which is a German regulated company providing payments and foreign exchange services. Additionally, in April 2020 NED acquired the brokerage business of Exotix Partners LLP (part of the Tellimer Group).

1.2 Scope of disclosure requirements

The NED Group is required to disclose information under the European Parliament's rules outlined in the EU Capital Requirements Regulations (EU CRR (575/2013)) and Directives (EU CRD (2013/36/EU)), commonly referred to as CRD IV.

The Company and its subsidiaries are each subject to the EU CRR rules and those prescribed by their domestic regulators, with CRD IV impacting IFL. The CRD IV introduced a prudential framework for firms with an aim of aligning capital more closely to risks. The prudential framework consists of three components called Pillar I, Pillar II and Pillar III.

- **Pillar I**: The minimum capital requirements the authorised firms are required to hold for credit, market, credit valuation adjustment and operational risks.
- **Pillar II**: Designed to complement Pillar I requirements by assessing the need to hold additional capital to ensure there is no significant risk that liabilities cannot be met as they fall due.
- **Pillar III**: Public disclosures in accordance with the requirements of Part Eight, art 431-455, of the CRR which allows market participants to assess key information on a firm's capital, risk exposure and risk assessment processes. Such disclosures are to be made to the market for the benefit of the market.

1.3 Non-material, proprietary or confidential information

The EU CRR rules governing Pillar III disclosures provide that the NED Group may choose not to disclose information which is not material (Article 432(1)). The NED Group may also choose not to disclose information if it is proprietary or confidential, though it must state if any such items have been omitted (Article 432(2)); it has not availed itself of this exemption. In any event full disclosure is required of Risk Management Objectives and Policy (Article 435(2)(C)), Own Funds (Article 437) and Remuneration Policy (Article 450).

This document focuses on the NED Group and its main subsidiary, IFL, since IFE has a non-material impact for the year under review.

1.4 Basis and frequency of disclosures

The following disclosures apply to the Company's consolidated financial position and are prepared in accordance with the Part Eight of the EU CRR (Articles 431-455). This document was reviewed and approved by the NED, IFL and IFE Boards of Directors in April 2020.

Pillar III disclosures are published at least annually following the publication of annual financial statements.

Unless otherwise stated all figures are as at **30 September 2019** and are in US Dollars which is the NED Group's reporting currency.

1.5 Location and verification

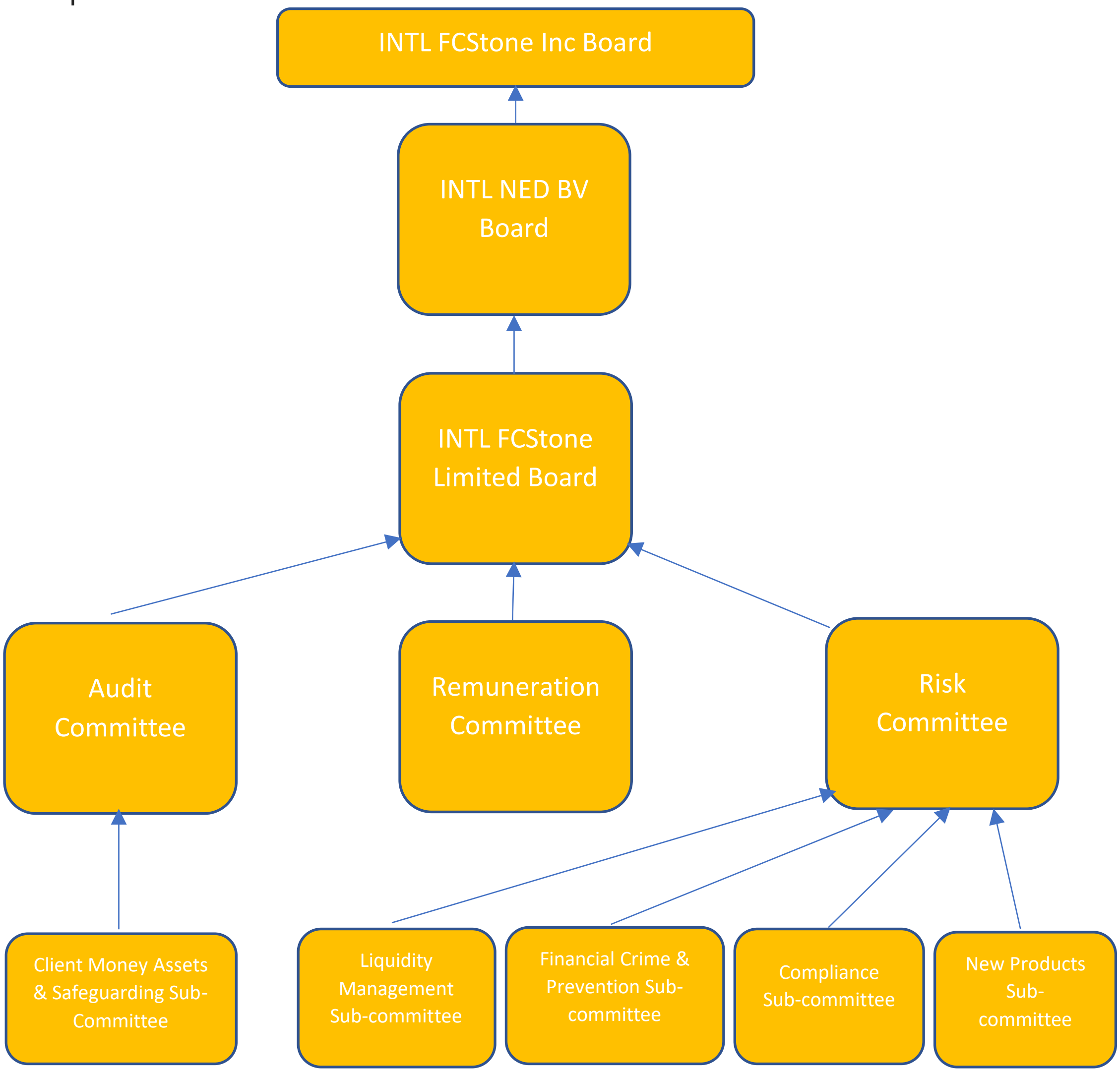
The Pillar III disclosures are published on the Group's corporate website: http://ir.intlfcstone.com/ where information regarding the location of the financial statements of each entity may be found. Disclosure will only be subject to external verification to the extent they are equivalent to those taken from the audited annual financial statements. These disclosures explain how the NED, IFL and IFE Boards have calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about the Group, NED Group, IFL or IFE.

2 GOVERNANCE STRUCTURE

The Group maintains organisational structures with clear lines of responsibility, effective risk reporting and internal controls which flow and add to those operated at the NED Group and subsidiaries' level. This model is under-pinned by the three lines of defence structure as detailed below:

First Line of Defence	Second Line of Defence	Third Line of Defence
Front Office Business	**Risk, Compliance, Legal, Finance, Operations & Other Functions**	**Internal Audit**

Using IFL only as the example for the main regulated subsidiary, the following formal primary committees and sub-committees are shown including their flow to the ultimate Board of the Group.



Each primary (Board) committee is chaired by a non-executive director. In addition, there are sub-committees which are chaired by members of the IFL senior management team which have reporting lines into a main primary (Board) committee. The details of the IFL Board, primary committees and sub-committees may be found at **Appendix A**.

The corporate officers of the Group's Board may be found at the corporate website: http://ir.intlfcstone.com/. For NED, IFL and IFE the corporate officers of their respective Boards are listed below:

NED

Name	Board role	Other information
William Dunaway	Non-executive Chair	Group Chief Financial Officer
Corporay BV	Non-executive Director	-
Philip Smith	Executive Director	Chief Executive Officer - IFL

IFL

Name	Board role	Other information
Lindsay McNeile	Non-executive Chair	Chair of Audit & Remuneration Committees
Sean O'Connor	Non-executive Director	Group Chief Executive
Malcolm Wilde	Non-executive Director	Chair of Risk Committee
Philip Smith	Executive Director	Chief Executive Officer
Stephen Bailey	Executive Director	Chief Financial Officer

IFE

Name	Board role	Other information
Philip Smith	Non-executive Chair	Chief Executive Officer - IFL
Stephen Bailey	Non-executive Director	Chief Financial Officer – IFL
Ramon Martul Franco	Executive Director	(designate)
Mika Valanki	Executive Director	-

3 RISK MANAGEMENT

3.1 Risk declaration

For the purposes of this document, risk is characterised from a downside perspective and as such is defined as the exposure to adverse consequences arising from internal or external changes, actions, events, decisions and/or circumstances which have the potential to reduce shareholder value.

The risk appetite is, therefore, an expression of the volatility in earnings the business is prepared to accept in pursuit of a stated strategy. It is also a critical element in the forward-looking estimate of the capital (and liquidity) needs of the business.

The Group Board provides strategic input for the NED Group in setting its own global risk appetite.

IFL's Board is required to ensure that its strategy and risk parameters conform to the global boundaries but has the authority to implement a more conservative strategy and set of risk parameters.

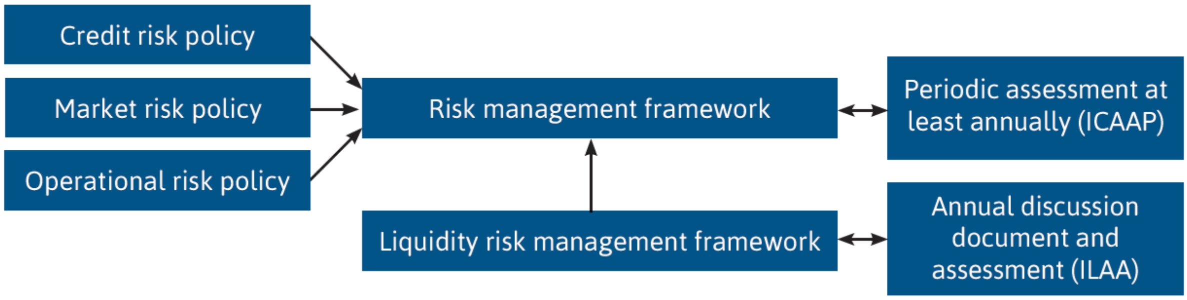
Therefore, IFL's risk appetite aims to:

- Be reflective of current Group strategy, including objectives, business plans and stakeholder expectations;
- Take account of all key risk attributes of the businesses;
- Acknowledge a willingness and capacity to take on specific risks (within appropriate limits);
- Create an environment for a tolerance for loss with respect to "passive" risks; and
- Enable management to determine the necessary processes and employee resourcing required to manage and monitor risk exposure versus the stated risk appetite.

IFL's CEO and Board determine the maximum amount of risk that it may take whilst pursuing its strategy. IFL also has a Risk Committee of the Board of Directors that provides oversight of the Risk function, with meetings on a quarterly basis where various risks faced by IFL are discussed and reviewed. The Risk Committee reports to the IFL Board and may advise it on matters concerning the risk appetite and management of risks by the Risk function.

3.2 Risk management and objectives

IFL describes its risk management through various frameworks:



Periodic reviews of the risk management framework are undertaken by IFL management, and Board as appropriate, and revisions made where appropriate to reflect any changes in the risk appetite. Policies are approved by the IFL Board and are determined by reference to the extent of overall Group appetites. Frameworks describe the internal reporting, monitoring/escalation, and responsibilities for managing risks, and the ICAAP assesses the risk processes and capital required to meet those risks.

IFL faces several key risks in conducting business. Liquidity, credit, market and operational risks are responsible for much of the required capital held within the NED Group and at an individual entity level.

IFL's day-to-day risk management operates under a cycle of identification, assessment, monitoring and mitigation. A dedicated head of the Risk function and risk teams for Market, Credit and Operational Risk provide specialised attention to risk management within IFL, who will escalate any breaches of pre-approved limits appropriately.

IFL does not use credit default swaps or insurance to mitigate credit risk but sometimes obtains ultimate parent company or personal guarantees. None of these methods of credit risk mitigation is applied in reducing Pillar I capital requirements or when assessing the potential cost of a default against its stated risk appetite.

Credit and market risk are managed by operating within limits pre-approved by the IFL Board taking into account the requirements of the Group Risk Management Committee.

Risk reporting generates a suite of daily reports across all risk areas, with reports to line management encompassing the highest level of detail for business or functional areas, whilst reports to committees and the IFL Board contain decreasing detail but increasing breadth to facilitate effective oversight.

MARKET RISK

IFL's business strategy does not entail the deliberate taking of speculative directional risk. It is, however, a market maker, and therefore routinely takes positions, typically overnight. All market risk is subject to agreed parameters and monitored by the Risk function and the limits are set such that the IFL Board expects the company never to make a loss in any day, even if some businesses segments might actually do so. The Pillar I market risk requirement more than covers the capital that IFL requires for this risk.

CREDIT RISK

The objective of IFL's credit risk management is to ensure it operates within a risk appetite that can be described as 'cautious to risk'. Specifically, IFL's credit risk policy sets risk appetite such that no two closely occurring defaults would be expected to exceed a tolerable percentage of its net equity capital at any time. In the case of clients with derivative contracts this is based on 3-day stressed underlying net positions, and after taking account collateral received.

However, this appetite applies only to clients and counterparties: IFL's Board accepts that funds can be placed, and settlement limits set, with established banks and clearing houses in excess of the stated appetite, though always within Pillar I large exposure limits.

The above risk appetite feeds into the parameters that the Risk function applies when granting trading limits to clients and in their continuous monitoring of client balances and positions. Any day-end breaches are reviewed, communicated to senior management and where necessary managed down in cooperation with the relevant department.

WRONG-WAY RISK AND CREDIT RISK MITIGATION

IFL uses industry standard documentation, primarily FIA Terms of Business or ISDA agreements, which contain the relevant netting provisions as appropriate. Collateral is accepted, mainly in the form of cash or, occasionally, bank guarantees to mitigate credit risk, and warrants may also be accepted. In the case of wrong way risk exposures, where the IFL Risk function has concerns in times of market volatility, or ability for clients to pay obligations, increased initial margin levels may be applied to ensure collateral held on account is enough to cover the perceived risk. Position limits are also approved by the Risk function to limit potential exposures.

LIQUIDITY RISK

The objective of IFL's liquidity risk management is for that entity to have enough liquid resources to be able to meet its obligations as they fall due while maintaining the regulatory buffers as required by the FCA's ILAS regime (per BIPRU 12).

The calculation of the maximum potential liquidity available to run the various businesses of IFL may include access to committed bank lines. The total liquid capital available is then passed through various models to set an array of limits for each business which ensure that aggregate liquid capital required does not exceed that which is available. The Treasury and

Risk functions monitor these daily and work with any business to manage them back to within permitted parameters.

OPERATIONAL RISK

Operational risks are assessed quarterly, with key risk indicators ("KRIs") being reported to the IFL Board. These KRIs have been developed with the Group's Operational Risk Management team and a standardised approach has been adopted across the Group.

The Pillar II process includes consideration of events that have not occurred. However, when events do occur operational risk management incidents are logged, regardless of any losses incurred, and analysed to ensure that adequate management action is taken in respect of the cause. The nature of the incidents is considered in IFL's regular assessment of the adequacy of the Pillar II capital requirement.

Assessments are continuous but four specific operational risks are generally identified with a potential for the material adverse financial impact after mitigation. These are:

- Business continuity (failure of data lines, server centres, systems failure, inability to access offices)
- Regulatory changes (remaining current around many regulatory changes and their implementation)
- Failure of controls in the safeguarding of client assets and third party payments
- Client and firm data loss or compromise from external, third party, action including cyber attacks

Each of these risks has received and continues to receive the full attention of management, with effective and ongoing mitigation implemented and continually being enhanced to reduce the potential to incur material financial cost (pre-mitigation). Each of the above risks forms a standing agenda item at quarterly Board meetings.

New products and initiatives are approved or modified/rejected by formal meetings of senior members of management drawn from each area of IFL's second line of defence, who form the New Products subcommittee.

All identified risks are reviewed by the Operational Risk department and at least once a year the whole management team is invited to challenge the impact and effectiveness of mitigation, in a process overseen by IFL's Board. Management of IFE and NED are involved in this process.

In the approach to finalising this document the impact including mitigation of the COVID-19 pandemic was under constant review and assessment.

4 OWN FUNDS-CAPITAL RESOURCES

The NED Group's and IFL's capital are fully in the form of the Common Equity Tier-1 (CET-1), the highest-ranking form of capital, which comprises ordinary shares and audited retained earnings. These amounts may be reconciled to the financial statements of each legal entity. Shown below is the capital of the NED Group and IFL:

	NED Group		IFL	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Common Equity Tier 1 (CET1) capital:				
Permanent share capital	30,000	30,000	90,000	90,000
Previous years' retained earnings	214,934	167,297	152,336	107,640
Profit for the year	53,447	47,712	55,751	47,696
CET1 Sub-total	**298,381**	**245,009**	**298,087**	**245,336**
Deductions from capital:				
Intangible assets	(3,749)	(3,431)	(3,738)	(3,431)
Free deliveries	(5,984)	(521)	(5,984)	(521)
Goodwill	(376)	(376)	-	-
Deferred tax assets	(882)	(616)	(882)	(616)
Capital deductions sub-total	**(10,991)**	**(4,945)**	**(10,604)**	**(4,568)**
Total CET1 Capital after deductions	**287,390**	**240,064**	**287,482**	**240,768**
Total Tier 1 Capital after deductions	287,390	240,064	287,482	240,768
Own Funds	**287,390**	**240,064**	**287,482**	**240,768**

5 CAPITAL REQUIREMENTS

5.1 Credit risk

Credit risk is defined as the risk of clients, counterparties or other parties failing to meet or perform their obligations at all or in a timely manner, causing a loss to the NED Group.

Specifically, credit risks can be mitigated by counterparties providing margin against their open positions on derivative contracts held with IFL. Cash is accepted in the major convertible currencies.

In the case of the Global Payments business of IFL the customers consist mainly of well-established aid agencies, NGOs, supranational bodies and banks, mainly trading in spot FX. Formal margining is not undertaken in this business.

Credit and settlement limits are set in accordance with the financial strength of the counterparty but with ceilings such that stressed potential exposures are expected to be within the risk appetite limits, as described above.

Both credit and counterparty risk exposures are monitored daily by the Risk function which reports to the executive directors and the full IFL Board. Any historic charges for bad debts have been well within the IFL's risk appetite.

Exposures are shown below after deducting cash collateral received (where netting is permitted in all relevant jurisdictions) subject to the required reduction for cash received in currencies other than used in the close-out computation provisions of the governing master agreements.

IFL considers the effect of netting agreements with the counterparties incorporated in the jurisdictions for which IFL has a positive netting opinion.

5.1.1 External Credit Assessment Institutions ("ECAI")

The NED Group has chosen to utilise Standard and Poor's credit ratings to map its counterparties to the required credit steps, where a rating is available. Such credit rating is available for approximately 2.96% of the exposures to Corporates and 42.55% of the exposure to Institutions. Institutions are weighted at between 20% and 100%, while qualifying central counterparties are weighted at 2%.

Credit Quality Step	S&P Credit Rating	Exposure – NED Group	
		2019 USD '000	2018 USD '000
1	AAA to AA-	139,573	75,072
2	A+ to A-	432,081	346,922
3	BBB+ to BBB-	16,684	28,307
4	BB+ to BB-	4,682	701
5	B+ to B-	5,222	2,124
6	CCC+ and below	-	-
Rated Exposure Total		**598,242**	**453,126**
Unrated		1,376,288	1,234,014
Total		**1,974,530**	**1,687,140**

5.1.2 Methods of calculation of own funds requirement

The NED Group has adopted the Standardised Approach to calculating credit risk exposure for Pillar I purposes (EU CRR Part-3, Title II, Chapter 2), which sets out how risk weighting is to be applied to all credit risks, such as amounts held at banks.

With regard to derivative contracts with brokers, clearing houses and clients, the calculation of capital required for 'Counterparty Credit Risk' ("CCR"), which takes account of underlying instruments, follows the mark-to-market method, as outlined in EU CRR Part-3, Title II - Chapter 6-Section 3.
Credit risk mitigation methods are applied as set out in EU CRR Part-3, Title II - Chapter 4 to the extent permitted.

IFL includes within the counterparty risk component the client balances which are segregated within the client money regulations. Although these balances are not included in its balance sheet under IFRS accounting. Nonetheless a client may be under-margined on moving into default and therefore this represents an exposure.

5.1.3 Credit and counterparty credit risk capital requirements

The Pillar I Risk Weighted Exposure ("RWE") and the Capital Requirement for credit and counterparty credit risks under **Standardised Approach** (excluding capital requirements for contributions to the default fund of a central counterparty), after applying risk weighting, at 8% risk capital charge was:

	NED Group		**IFL**	
	2019 **USD '000**	**2018** **USD '000**	**2019** **USD '000**	**2018** **USD '000**
RWE-Credit risk (excluding CCR)	143,284	149,944	142,382	149,834
RWE-Counterparty Credit risk (CCR)	717,348	601,961	717,348	601,961
Total RWE- Credit Risk (incl. CCR)	**860,632**	**751,905**	**859,730**	**751,795**
Credit and CCR Capital requirement under Pillar I	**68,851**	**60,152**	**68,778**	**60,144**

5.1.4 Capital requirement on default funds with CCPs

	NED Group		**IFL**	
	2019 **USD '000**	**2018** **USD '000**	**2019** **USD '000**	**2018** **USD '000**
Risk Exposure for contributions to the default fund of CCPs	2,048	6,771	2,048	6,771
Contributions to the default fund of CCPs capital requirement under Pillar I	**164**	**542**	**164**	**542**

5.1.5 NED Group -The risk exposure amounts by geographic location

Geographic Location	Exposure		Risk Weighted Exposure	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Europe	1,157,846	1,008,306	437,927	425,790
Asia	176,096	157,924	168,245	157,461
North America	503,574	457,412	116,981	104,805
Latin America	76,631	43,510	76,000	43,373
Africa	56,085	18,848	59,194	19,738
Australasia	4,298	1,140	2,285	738
Total	**1,974,530**	**1,687,140**	**860,632**	**751,905**

5.1.6 NED Group - The exposure amounts by standardised credit risk exposure classes

Exposure Class	Exposure USD '000	RW Exposure Allocation							Total RW Exposure USD '000	Capital requirement USD '000
		0%	2%	4%	20%	50%	100%	150%		
Central Banks or Central Government	**108,240**	108,240	0	0	0	0	0	0	0	**0**
Institutions	**1,160,487**	0	529,869	51,932	501,221	75,520	1,945	0	152,624	**12,210**
Corporates	**690,591**	0	0	0	0	2,023	682,136	6,432	692,796	**55,424**
Equity	**3,742**	0	0	0	0	0	3,742	0	3,742	**299**
Other items	**11,470**	0	0	0	0	0	11,470	0	11,470	**918**
Total	**1,974,530**	108,240	529,869	51,932	501,221	77,543	699,293	6,432	**860,632**	**68,851**

5.1.7 Exposures by residual maturity

No long-term loans are extended by the NED Group. All of the NED Group's material risk weighted assets are on-demand and therefore a detailed residual maturity breakdown of all exposures as required by the CRR has not been deemed necessary. All of the exposures are considered as being current in short dated liquid products with the following exceptions:

- Tangible and intangible assets and goodwill were USD 6,945,301
- The following non-trading book exposures in equities:

- IFL owns B shares in LME Holdings Limited as a requirement to become a Category 1 ring dealing and clearing member of the London Metal Exchange ("LME"). The Balance Sheet value of these shares as of Review Date was USD 3,401,121.

- IFL also holds shares in Society for Worldwide Interbank Financial Telecommunication ("SWIFT") as required to access the secure financial messaging service (see non-trading book exposures in equities). The Balance Sheet value of the shares at the Review Date was USD 341,183.

5.2 Market Risk

Market risk is the potential loss that could occur as a result of an adverse change in market conditions on a market position. The NED Group has adopted the Maturity Ladder Approach to calculate its commodity position risk requirement (PRR) (EU CRR - Part 3 - Title IV - Chapter 4), and the Standardised Approach for both a) position risk in equities held in the trading book (EU CRR- Part 3 - Title IV - Chapter 2 - Section 3) and b) Foreign Exchange Risk (EU CRR-Part 3 - Title IV - Chapter 3). The market risk capital requirement for the NED Group and IFL are as shown below:

	NED Group		IFL	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Commodity position risk reqmt	399,878	211,550	399,878	211,550
FX position risk requiremen	18,637	14,384	17,733	14,384
Market risk - Total risk exposure	**418,515**	**225,934**	**417,611**	**225,934**
Total market risk capital requirement	**33,481**	**18,075**	**33,409**	**18,075**

5.3 Credit Valuation Adjustment Risk ("CVA")

For Over-the-Counter ("OTC") derivatives, in addition to the default risk capital requirements for counterparty credit risk, the NED Group has calculated an additional capital charge to cover the risk of mark-to-market losses associated with deterioration in the creditworthiness of the counterparty. As the counterparty's financial position worsens, the market value of its derivatives obligation declines, even though there might not be an actual default. The CVA risk was calculated using the Standardised method as per the rules outlines in EU CRR Part 3 - Title VI. The CVA risk capital requirement for the NED Group and its subsidiary (IFL) are as shown below:

	NED Group		IFL	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
CVA total risk exposure	15,289	7,466	15,289	7,466
CVA risk capital requirement	**1,223**	**597**	**1,223**	**597**

5.4 Operational risk

Operational Risk is the risk that losses with be suffered due to inadequate or failed internal processes, employee errors and fraud, system failure or from external events. Reputational risk is a subset of Operational Risk.

It is not possible to eliminate operational risk completely, but with experienced and skilled staff in key roles, the use of a robust internal audit process and appropriate insurance policies reduce these risks where possible. The NED Group has adopted the Basic Indicator Approach when calculating Pillar I Operational Risk Capital Requirement ("ORCR"), as outlined in EU CRR Part 3-Title III-Chapter 2. Under the Basic Indicator Approach, the own funds requirement for operational risk is equal to 15% of the average over three years of the relevant indicator as set out in Article 316 of EU CRR.

	NED Group		IFL	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Operational risk - Total Risk Exposure	256,739	207,127	246,861	207,060
Operational risk capital requirement	**20,539**	**16,570**	**19,749**	**16,565**

5.5 Non-trading book exposures in equities

These exposures are discussed at **5.1.7 Exposures by residual maturity**.

5.6 Concentration risk

IFL has a concentration risk through its exposures to LME Clear Ltd, ICE Clear Europe, Banque Centrale de Compensation SA (also known as LCH Clearnet SA) and European Commodities Clearing AG as well as to major international regulated banks which hold cash, provide payment services and provide market liquidity for certain products. IFL has a margined account with its US affiliate, INTL FCStone Financial Inc., which acts as clearer in markets to which the IFL has no direct access. This is held under the CFTC's rules governing the segregation of client money.

The company places most of its working capital and funds with two banks, Bank of America NA and Barclays Bank Plc. Cash in excess of large exposure limits as laid down by regulations is transferred between the banks at the end of each day to balance risks.

All these risks are considered acceptable by the Boards of all the companies in the NED Group. The calculation of concentration risk for the purposes of Pillar I capital requirement follows EU CRR Article 397. There were no concentration risk capital requirements for the NED Group and IFL at the Review Date.

5.7 Regulatory capital buffers

5.7.1 Combined buffers

The NED Group calculates both a Capital Conservation Buffer and Countercyclical Capital Buffer as per requirement of EU CRD, Title VII, Chapter 4: Capital Buffers.

The Capital Conservation Buffer of CET1 Capital in 2018 was calculated as 1.875%, which was a Transitional rate as per article 160 of EU CRD. A full rate of 2.5% has been applicable in Capital Conservation Buffer calculations since 1 Jan 2019. A Countercyclical Capital Buffer of CET1 Capital is calculated as the Company's Total Risk Exposure Amount multiplied by the weighted average of the Countercyclical Buffer Rates that apply to Exposures in the jurisdictions where the Company's relevant credit exposures are located. The company uses CCyB rates published by Bank of England. The countercyclical buffer is designed to capture the risks associated with exposures to counterparties that reside in jurisdictions considered to be at a point in their economic cycle that draw additional risks. The combined buffer requirements were:

	NED Group		IFL	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Capital Conservation Buffer (2018 transitional rate of 1.875%)	-	22,485	-	22,482
Countercyclical Capital Buffer	-	1,491	-	1,490
Combined Buffer-transitional period	**-**	**23,976**	**-**	**23,972**
Capital Conservation Buffer- full implementation rate of 2.5%	38,831	29,980	38,539	29,976
Countercyclical Capital Buffer	1,890	1,491	1,876	1,490
Combined Buffer-full implementation	**40,721**	**31,471**	**40,415**	**31,466**

5.7.2 G-SII buffer

Financial institutions that are considered to represent a higher risk to the global financial system, based on a number of key factors, are defined as globally systemically important institutions (G-SIIs). The NED Group is not a G-SII and hence this buffer is not applicable.

5.8 Approach to ICAAP and ILAA

The evaluation of Pillar I and Pillar II capital requirements are carried out for the NED Group as part of the Internal Capital Adequacy Assessment Process ("ICAAP"). The aim is to calculate the capital that will be additionally required, over and above the requirement calculated under Pillar I after "stress-testing" risks and uncertainties that are not included in, or inadequately covered by, the Pillar I capital requirement. This process is reviewed annually and described in a report prepared for the NED Group Board and includes an assessment of capital required for liquidity purposes. Notably the liquidity risk is included with operational risk within the ICAAP by reference to the Internal Liquidity Adequacy Assessment (ILAA).

5.9 Other exposures

- **Exposure to interest rate risk positions not included in the trading book** - The main sources of interest rate risk is in the interest it receives from its treasury investments, time deposits, demand deposits at institutions and from exchanges based on the cash deposits to cover initial margins. This exposure is not material.
- **Analysis of impaired and past due exposures and allowance for impairment** - In the overall context of the NED Group's credit exposure, past due exposures and credit risk adjustments are immaterial.
- **Exposure to securitisation positions** – there are no such exposures.

6 CAPITAL ADEQUACY (PILLAR I: MINIMUM CAPITAL REQUIREMENT)

The minimum capital requirement and total risk exposure amount for the NED Group and its main subsidiary (IFL) are shown below:

		NED Group		IFL	
		2019	2018	2019	2018
A	**COMMON EQUITY TIER 1 CAPITAL**	**287,390**	**240,064**	**287,482**	**240,768**
B	TIER 1 CAPITAL	287,390	240,064	287,482	240,768
C	**TOTAL CAPITAL RESOURCES-OWN FUNDS**	**287,390**	**240,064**	**287,482**	**240,768**
	Credit and Counterparty Risks- RWE	862,680	758,676	861,779	758,566
	Of which Standardised Approach	860,632	751,905	859,731	751,795
	Of which Default fund of a CCP	2,048	6,771	2,048	6,771
	Settlement/Delivery	24	-	24	-
	Market risk	418,516	225,934	417,611	225,934
	Operational risk	256,739	207,127	246,861	207,060
	Credit Valuation Adjustment	15,289	7,466	15,289	7,466
	Large exposures	-	-	-	-
D	**Total Risk Exposure Amount**	**1,553,247**	**1,199,204**	**1,541,564**	**1,199,027**
E=D*8%	**Total (Pillar I) Capital Requirement**	**124,260**	**95,936**	**123,325**	**95,922**
F=C-E	**Surplus (+)/Deficit (-) of Total capital**	**163,130**	**144,128**	**164,157**	**144,846**
G	Combined Buffer-transitional period	-	23,976	-	23,972
H	Combined Buffer-full implementation	40,721	31,471	40,415	31,466
I=K*D	Add Individual capital guidance (ICG) ($)	32,618	-	-	-
J=C/D	**Total Capital Ratio (min. required 8%)**	**18.50%**	**20.02%**	**18.65%**	**20.08%**
K	ICG (%)	2.1%	-	-	-
L=8%+(G/D)%	Overall Capital Req. ratio (OCR)-trans. period	-	10.00%	-	10.00%
M=8%+(H/D)%	**Overall capital Req. ratio (OCR)-full implem.**	**10.62%**	**10.62%**	**10.62%**	**10.62%**
N=K+M	**Overall capital requirement (OCR) and Pillar 2 Guidance (P2G) ratio**	**12.71%**	**10.62%**	**10.62%**	**10.62%**

7 ENCUMBERED ASSETS

Encumbered assets are those that have been pledged or are subject to any form of arrangement to secure, collateralise or credit enhance, any transaction from which it cannot be freely withdrawn.

The definition is not based on an explicit legal definition, such as title transfer, but rather on economic principles.

	NED Group		IFL	
	2019 USD '000	2018 USD '000	2019 USD '000	2018 USD '000
Loans on demand	-	-	-	-
Equity instruments	3,742	3,742	3,742	3,742
Debt securities	43,733	35,746	43,733	35,746
of which: issued by general governments	43,733	35,746	43,733	35,746
Other assets	336,647	215,554	336,647	215,554
Encumbered Assets	**384,122**	**255,042**	**384,122**	**255,042**
Loans on demand	273,069	174,795	271,658	174,247
Equity instruments	-	-	-	-
Debt securities	54,674	31,776	54,674	31,776
of which: issued by general governments	54,674	31,776	54,674	31,776
Other assets	203,953	269,753	202,764	269,377
Unencumbered Assets	**531,696**	**476,323**	**529,095**	**475,400**
Total Assets	**915,818**	**731,366**	**913,218**	**730,442**

8 LEVERAGE

The NED Group calculates its Leverage ratio as per Article 429 of EU CRR. It is calculated as the Capital Measure (Tier 1 Capital) divided by the Total Exposure Measure, expressed as a percentage.

The value of exposure to derivative contracts is calculated per Annex II of EU CRR in accordance with Article 274 of EU CRR, called the 'Mark-to-Market Method'. In doing so it takes into account the effect of netting agreements where there is a purchased legal opinion as to the effectiveness of netting in the jurisdiction of the counterparty.

		NED Group		**IFL**	
		2019 **USD '000**	**2018** **USD '000**	**2019** **USD '000**	**2018** **USD '000**
	Derivatives: Current replacement cost	339,533	301,848	339,533	301,848
	Derivatives: Add-on	1,390,702	1,275,760	1,390,702	1,275,760
	Other assets	999,863	764,401	997,833	763,853
	(-) Asset amount deducted - Tier 1	(10,992)	(4,945)	(10,604)	(4,568)
A	**Exposure Measure**	**2,719,107**	**2,337,064**	**2,717,464**	**2,336,893**
B	**Capital Measure-Tier 1 Capital**	**287,390**	**240,064**	**287,482**	**240,768**
C=B/A	**Leverage ratio**	**10.57%**	**10.27%**	**10.58%**	**10.30%**

9 REMUNERATION

IFL falls into Tier 3 for proportionality under the FCA's Remuneration Code (the Code) and the following disclosures are made on this basis. Within the NED group only IFL and IFE actively engage in business activities and have employed staff. Thus, in accordance with the requirements of the Remuneration Code the remuneration disclosures outlined below apply to those subsidiaries.

For IFL, the IFL's non-executive directors oversee the annual review of the provisions of IFL's remuneration policy to ensure:

- compliance with the Remuneration Code;
- consideration of the Group's remuneration practices and policies as determined from time to time by the Group Compensation Committee and reference by the IFL Remuneration Committee;
- that any proposed or fixed remuneration structures are consistent with the firm's risk appetite; and
- that any proposed or fixed remuneration packages do not reward poor conduct.

The IFL's remuneration system consists of both fixed and variable remuneration. The fixed element is an individual's annual salary. All remuneration arrangements are linked in various degrees to the financial performance of a) the entire group, b) at business group and c) at individual employee levels.

Variable remuneration at IFL consists of the following elements:

- Discretionary quarterly bonus (commission sharing) - this is calculated as a proportion of trading revenue earned by the respective business group after deducting certain direct costs, including any charges for bad debts. Payments are made quarterly in cash from such variable compensation pools and apportioned to employees after assessment of individual performance in the business group.
- Discretionary annual bonus payments - these payments are made generally to support staff in accordance with Group policies. Bonuses are computed by reference to profitability and other performance indicators relevant to the Group, adjusted on recommendation from divisional heads in accordance with assessments of each individual and reviewed by the Remuneration Committee and Board of IFL.

Based on the assessment of the performance of the business group and the individual, share options in the ultimate parent may occasionally be awarded to encourage employees to participate in the growth of the business, with a vesting period of three years.

All employees are offered the opportunity, annually, to exchange up to 30% of their variable compensation for restricted stock in the Group. This is an entirely voluntary election, made at the beginning of each financial year, and binding once made. The restricted stock is purchased at a 25% discount to market value on the relevant award date and vests in three equal tranches on each of the first, second and third anniversaries of the award date. The bonus remuneration consists solely of cash payments, except for senior management who may be required to take a proportion in deferred shares in the ultimate parent, such deferral to be between three and five years.

As a policy, IFL does not implement guaranteed bonus arrangements for individual members of staff, other than for newly hired staff in exceptional circumstances, limited to a short period whilst businesses are allowed to grow.

The NED Group has identified 24 members of senior management staff (IFL and IFE), and 24 members of staff, who have a material impact on the risk profile of IFL as Remuneration Code Staff (Code Staff) across IFL and IFE. In the year ended 30 September 2019, two newly hired Code staff were granted guaranteed bonuses, which was limited to their first year of employment. The aggregate remuneration for all relevant Code Staff and senior management in the year ended 30 September 2019 of IFL and IFE was as follows:

	No. of Code Staff	Fixed USD '000	Variable USD'000	Deferred Share Options USD '000	Restricted Stock USD '000	**Total USD '000**
Senior Management	24	4,659	11,252	4,619	282	**20,812**
Members of Staff who have a material impact on the risk profile of the firm	24	2,911	7,188	40	20	**10,159**

The aggregate remuneration for all Code staff in the year ended 30 September 2019 of IFL and IFE, split by business area, was as follows:

	No. of code staff	Fixed USD '000	Variable USD'000	Deferred Share Options USD '000	Restricted Stock USD '000	**Total USD '000**
Sales, marketing and trading ("Front-Office")	**29**	4,454	16,618	-	20	**21,093**
Support	**19**	3,116	1,822	4,659	282	**9,879**

Note: *30/09/2019 GBP/USD rate 1.229*
30/09/2019 EUR/USD rate 1.0899

The members of each Board within the NED Group are recruited using a thorough process which considers amongst other things all aspects of diversity, understanding of environmental, societal and governance matters, skills and balance required for the long-term success for the NED Group and other competing directorships (number and nature) and potential conflicts. The senior executive for each of the relevant business or support areas, together with stakeholders within the NED Group, evaluate each candidate's suitability for the role.

APPENDIX A

INTL FCStone Ltd		
Body	**Frequency and membership**	**Purpose and Remit**
Board	Formal meetings of the Board are held quarterly per financial year. The Board comprises non-executive (including its chair) and executive directors.	The primary purpose of the Board is to provide entrepreneurial, commercial and strategic leadership of the Company by implementing a framework of prudent and effective controls which enables risk to be assessed and appropriately managed. The summary of matters within the remit of the Board are summarised as follows: - Business strategy - Regulatory matters - Financial matters - Risk management, internal control and audit - Compliance - Legal and governance - Management and remuneration
	Committees	
Audit Committee	Meetings are held every quarter scheduled to immediately precede each formal quarterly Board meeting of the Board. The membership of this committee comprises non-executive directors only. Executive directors and other members of the senior management team will be in attendance as appropriate.	The primary purpose of the Audit Committee is to manage the Company's audit framework in compliance with the legal and regulatory requirements of the Company. The remit of the Audit Committee includes the following: - Ensure the Company's financial, tax and regulatory reporting are done with integrity and in accordance with best practice; - Consideration and approval of the suitability, independence and performance of the internal auditors; - Review effectiveness of internal control systems (including financial, operational and compliance controls and risk management) of the Company with the assistance of the Company's Internal Audit and Operational Risk functions, respectively; - Preparation of the audit committee report to the Board; and - Review and approval of Internal Audit Annual Report.

<table>
<tr><th colspan="3">INTL FCStone Ltd</th></tr>
<tr><th>Body</th><th>Frequency and membership</th><th>Purpose and Remit</th></tr>
<tr><td>Remuneration Committee</td><td>Meetings are held every quarter scheduled to immediately precede each formal quarterly Board meeting of the Board. The membership of this committee comprises non-executive directors only. Executive directors and other members of the senior management team will be in attendance as appropriate.</td><td>The purpose of the Remuneration Committee is to assist the Board in its oversight of the Company’s compliance with the Financial Conduct Authority (“FCA”)’s applicable regulatory requirements, particularly relating to the maintenance of a legally and regulatory compliant remuneration policy.
The remit of the Remuneration Committee includes the following:
- Periodically review the Company’s remuneration policy. The objective of such policy shall be to ensure that members of the executive management and employees of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded in a manner that can reflect their conduct and their individual contributions to the success of the Company;
- Review the on-going appropriateness and relevance of the remuneration policy; and
- Monitor the continuing appropriateness of the remuneration of the chair and non-executive directors.</td></tr>
<tr><td>Risk Committee</td><td>Meetings are held every quarter scheduled to immediately precede each formal quarterly Board meeting of the Board. The membership of this committee comprises non-executive directors only. Executive directors and other members of the senior management team will be in attendance as appropriate.</td><td>The purpose of the Risk Committee is to assist the Board in setting the Company’s overall risk strategy and tolerance and assist the Board in overseeing the implementation of that strategy by executive management.
The remit of the Risk Committee includes the following:
- oversee and report to the Board on the current risk exposures of the Company and future risk strategy;
- review reports on any material breaches of risk limits and the adequacy of proposed action;
- review reports on any material breaches in operational procedures and the adequacy of mitigation effected or proposed;
- consider any risk exposure to the Company arising directly or indirectly from the immediate parent company or the INTL FCStone group;
- consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to</td></tr>
</table>

INTL FCStone Ltd		
Body	**Frequency and membership**	**Purpose and Remit**
		information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions; - review promptly all reports on the Company from the Head of Risk; and - consider reports, findings and/or recommendations from the Committee's Sub-Committees.
Sub-Committees		
Client Money Assets and Safeguarding Sub-Committee.	Meetings are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit. Meetings are held every calendar month. In addition, the Sub-Committee may conduct ad-hoc meetings where necessary.	The purpose of the Sub-Committee is to provide a high-level overview and supervision of the Company's management and controls surrounding client money and safeguarding matters in accordance with the FCA CASS Rules and the Payment Services Regulations ("**PSRs**") 2017 ("**Rules**") in support of the relevant Senior Manager in accordance with the Rules. The remit of the Sub-Committee assists the SM in the following: - review of the CASS and PSRs breach registers; - review regulatory filings required by the Rules; - approve measures proposed by the Compliance department to comply with the Rules; - review of the internal and external Auditors' CASS and safeguarding audit reports; - report to the Audit Committee on CASS and safeguarding measures, initiatives, and decisions taken at the Sub-Committee's meetings; - ensuring all employees are trained on CASS and safeguarding compliance procedures, policies and measures of the Company with the assistance of the Compliance department; - review and approve updates to the CASS Policy and safeguarding policies and procedures with any material changes to be reported to the Audit Committee; and - review any changes, if applicable, to the current Lockbox arrangements.

INTL FCStone Ltd		
Body	**Frequency and membership**	**Purpose and Remit**
Liquidity Management Sub-Committee	Meeting are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit. Meetings are held on an ad-hoc basis when required with members.	The purpose of the Sub-Committee is to assist the Board in setting the Company's overall risk strategy and tolerance and assist the Board in overseeing the implementation of that strategy by executive. Management. The remit of this Sub-Committee includes the following: - reviewing the current liquidity stress testing model; - reviewing the applicability of such stress testing model and recent liquidity "squeezes"; and - reviewing and assess the "balance" of the trading book.
Financial Crime and Prevention Sub-Committee	Meetings are held once a calendar month and are attended by the members (including the Compliance Officer and Money Laundering Officer as well as any other senior member of the Compliance department and the IFL's executive management) and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit. In addition, the Sub-Committee may conduct ad-hoc meetings where necessary.	The purpose of the Sub-Committee is to oversee and supervise IFL's management and controls in accordance with applicable Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) laws and regulations and support the registered Compliance Officer in the fulfilment of the regulatory obligations. The remit of this Sub-Committee includes the following: - reviewing IFL's AML & CTF Policy & Procedures; - reviewing the AML/CTF risk profile of the Company; - reviewing incidents related to AML matters which require exceptional approval; - review of the Internal and External Audit reports, respectively on AML & CTF matters - reviewing of regulatory developments/fines on matters related to the subject matter in the industry and their potential relevance; and - ensuring all employees are trained on compliance with the AML policy and procedures.
Compliance Sub-Committee	Meetings are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit.	The purpose of the Sub-Committee is to assist the Board in setting the Company's overall risk strategy and tolerance and assist the Board in overseeing the implementation of that strategy by executive management. The remit of this Sub-Committee includes the following: - reviewing the breaches registers;

INTL FCStone Ltd		
Body	**Frequency and membership**	**Purpose and Remit**
	Meetings are held every calendar month. In addition, the Sub-Committee may conduct ad-hoc meetings where necessary.	- reviewing and approving relevant policies including the Compliance Monitoring Programme with any material changes to be reported to the Risk Committee, and ultimately the Board; - reviewing and monitoring regulatory developments and any implementation requirements; - monitoring trade reporting and other reporting obligations - reviewing rejecting financial promotions - monitoring conflicts of interest; - reviewing performance against best execution obligations; - ensuring anti-market abuse initiatives are deployed and followed; and - ensuring, with the assistance of the Compliance department, all employees are trained on Compliance matters including reviewing training records/attendance lists.
New Products Sub-Committee	Meetings are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit. The Sub-Committee may conduct ad-hoc meetings where necessary.	The purpose of the Sub-Committee is to facilitate the Sub-Committee in the fulfilment of its duties and responsibilities to the Risk Committee and ultimately the Board. The remit of this Sub-Committee includes the following: - review of proposals for new products, services and activities as received from relevant members of the Company's commercial teams; and - monitor and review performance of approved new products and services, where necessary, for a reasonable period immediately following approval to ensure continued viability.