StoneX Financial Europe S.A.

Pillar 3 Disclosures

September 2023

StoneX®

Contents

1. Executive Summary

1.1. Introduction

European Investment firms, such as StoneX Financial Europe S.A. ('SFE' or 'the Firm') have been subject to prudential rules set by the Basel III framework (the Basel Committee on Banking Supervision's recommended measures to regulate the financial services industry), comprising of the Capital Requirements Regulation and Directive ('CRR' and 'CRDIV' respectively). As of 26 June 2021, for non-systemic investment firms such as SFE, these requirements were replaced by the EU Regulation 2019/2033 (the 'Investment Firm Regulation' or 'IFR') and EU Directive 2019/2034 (the 'Investment Firm Directive' or 'IFD'), where the former has been implemented into Luxembourg legislation through Law of 5 April 1993 on the Financial Sector ('LFS'), as amended. The new rules introduce changes in the methodologies that EU investment firms are required to apply for calculating their exposures to risk and their capital adequacy ratio and are considered to reflect better the specific risks faced by investment firms rather than banks, which continue to apply the Basel rules.

The IFR/IFD framework consists of three Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three Pillars, and their applicability to the Firm, are summarised below:

- Pillar 1 - Minimum Capital Requirements - ensures that the Firm always maintains a sufficient amount of capital above the minimum requirement, as calculated using prescribed methods.
- Pillar 2 - Internal Capital Adequacy and Risk Assessment process ('ICARA') and Supervisory Review and Evaluation Process ('SREP') - ensures that the Firm and its supervisor (Commission de Surveillance du Sécteur Financier or 'CSSF') actively assess, control and mitigate the various risks that the Firm faces.
- Pillar 3 - Market Discipline - ensures the promotion of market discipline through the disclosure of the Firm's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Firm and its peers.

The Firm's Pillar 3 disclosure has been prepared in compliance with Part 6 of IFR for the financial year ending on 30 September 2023. The Firm's Pillar 3 disclosure document is reviewed and updated at least annually, with additional updates being made if significant changes to the Firm's business occur.

The Firm publishes its Pillar 3 disclosure document on its website at this location.

1.2. Exclusions

Please note that SFE meets the criteria referred to in Article 32(4)(a) of IFD[1]. Therefore, this Pillar 3 disclosure will not include details regarding the Investment Policy, nor Environmental, Social and Governance Risks outlined in Articles 52 and 53 of the IFR respectively.

[1] IFD Article 32(4)(a) - "an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year".

StoneX®

1.3. Corporate Structure

The Firm is a Class 2 (non-SNI IFR) investment firm registered in the Luxembourg Business Register (Registre de Commerce et des Sociétés) under registration number B10821, authorised by the Ministry of Finance and regulated by the CSSF. The Firm is required to hold €750k of initial capital set in accordance with Article 14 of IFR and Article 9 of IFD.

SFE is a wholly owned subsidiary of StoneX Group Inc., a US corporation ('the StoneX Group') quoted on the NASDAQ stock exchange.

The Firm provides its clients with trade execution, risk advisory and market intelligence services within multiple asset classes such as commodities, securities, foreign exchange, and interest rates products. The Firm, through its memberships with global exchanges, also offers Direct Electronic Access ('DEA') service to its clients. SFE has one tied agent located in Germany, StoneX Financial Europe GmbH, which is a wholly owned subsidiary of StoneX Group.

1.4. The Firm's Governance Structure

The Firm considers that a sound corporate governance framework is essential to facilitate effective, entrepreneurial, and prudent management that can deliver long-term success for the Firm.

As a CSSF regulated firm, SFE shall implement good corporate governance practices, accountability and transparency in its decision-making process and its business activities.

As part of its overall governance and decision-making framework, the Firm has established its trading systems through a clear and formalised governance arrangement, having regard to the nature, scale and complexity of its business and setting out:

a. clear lines of accountability, including procedures to approve the development, deployment and subsequent updates of trading systems and to solve problems identified when monitoring trading;
b. effective procedures for the communication of information within the investment firm, such that instructions can be sought and implemented in an efficient and timely manner; and
c. separation of tasks and responsibilities of trading desks on the one hand and supporting functions, including risk control and compliance functions, on the other, to ensure that unauthorized trading activity cannot be concealed.

During compliance with the abovementioned requirements, the Firm considers the nature, scale and complexity of its business, and the nature and range of investment services and activities undertaken in the course of that business.

Given the global nature of the Firm's business, the aim of the above governance structure is to ensure there is effective communication between the Firm and the wider StoneX Group.

The StoneX Group maintains organisational structures with clear lines of responsibility, effective risk reporting and internal controls that flow to SFE.

The risk management and internal control systems are embedded in the operations of the Firm and are capable of responding quickly to evolving business risks, whether they arise from factors within SFE or from changes in the business environment.

1.5. Organisational structure

The Firm's latest organisational structure is as follows:

Figure 1 - Organisational Structure

1.6. The Role of the Firm's Board

The Firm's Board is the governing body of the Firm and has the ultimate and overall responsibility for the Firm's affairs. The Board sets the Firm's values and standards and ensures that its obligations are understood and met.

To this end, the role of the Firm's Board is to:

- provide leadership and direction for senior management;
- determine the overall strategic direction of the Firm in line with the StoneX Group strategy, taking into account relevant resource constraints;
- ensure the Firm complies with applicable laws and regulations;
- oversee, challenge and ultimately approve and promote the Firm's ICARA;
- oversee and monitor the overall risk strategy of the Firm;
- monitor the performance of the Firm and the executives, and hold them accountable for the exercise of their delegated powers and delivery against applicable goals;
- select and appoint key function holders;
- promote behaviours consistent with the culture and values of the Firm;
- create a performance culture that drives value creation without exposing the Firm to excessive risk of value destruction;
- promote high standards of governance that command the confidence of the Firm's employees and other stakeholders.

Table 1 below discloses the number of directorships held by members of the management body, as at the year ended 30 September 2023.

Table 1 - Number of Directorships Held

Director Name	Function within the Firm	Number of Executive Directorships	Number of Non-Executive Directorships
Mr. Ramon Jesus Martul Franco	Managing Director – Board Member	1	-
Mr. Mika Valanki	Managing Director – Board member	1	1
Mr. Roy Blom	Executive Director	1	-
Mr. Stephen Bailey[2]	Non-Executive Director	-	1
Mr. Philip Smith	Non-Executive Director	1	1

2 Mr Justin Van Wijngaarden was approved as a new member of the Board on 12 March 2024 by the CSSF, following the untimely death of Mr Stephen Bailey in 2023

Note that the following are out of scope for the analysis in Table 1 above:

- Executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
- Executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.

1.7. Diversity within the Management Body

The StoneX Group has established an Equal Opportunities Policy according to which certain diversity aspects shall be taken into consideration during the selection process of potential members of the management body. Specifically, the educational and professional background, gender, age, nationality and religion or belief are to be taken into consideration for the selection of members of the management body with the aim to promote diversity and equality within the management body.

Diversity in management functions is considered as an instrument that promotes efficiency, increases the independence within the management body and fosters equal opportunities and a socially responsible behaviour at the Firm.

1.8. Governance Committees

Risk Management Committee

The Risk Management Committee ('RMC') is established at Group level. RMC is overall responsible for monitoring and approving the Group's risk management framework and those of its subsidiaries. Additionally, its role is to:

- Advise the Board and the Executive Committee on aspects related to overall risk and risk appetite strategy;
- Assist the Board and the Executive Committee in implementing the risk strategy, the risk management framework, the risk appetite, and the risk mitigation measures for the Group and its subsidiaries.

The framework for the management of operational risk is overseen by the EMEA Operational Risk function, in line with StoneX Group framework.

This committee convenes on a monthly basis. The chairman of the Risk Management Committee is the StoneX Group's Chief Risk Officer. SFE's Risk Officer attends the RMC on an ad-hoc basis.

Considering the risk profile of SFE's operations, the Firm has not established a separate risk committee at entity level.

Product Governance Committee

A Product Governance Committee (New Product Approval Committee) is established at EMEA level. The objective of the committee is to mitigate operational risks that arise with the introduction of new products. The committee ensures that all new initiatives receive the appropriate scrutiny and consideration from the various support departments, such as Risk, Compliance/AML, Finance, Operations, Treasury and Legal. The committee is comprised of Executive Directors of StoneX Financial Ltd. ('SFL'), the Firm's affiliated StoneX Group company, and is chaired by the Chief Operating Officer, EMEA. At least one member of the Authorised Management of SFE is present during the committee meeting to approve a new product on behalf of SFE.

2. Risk Management

2.1. Risk Management and Internal Controls

The Firm's Board is responsible for ensuring that the Firm has a robust and effective internal control system to manage its key risks. The Board sets the tone for risk management and internal controls and puts in place appropriate systems to enable the Firm to meet its responsibilities effectively. This includes consideration of whether the Firm's leadership style and management structures, human resource policies and reward systems support or undermine the risk management and internal control systems. The Board promotes a corporate culture where the identification, measurement and control of risk are embedded. This allows the Firm to determine the risks it is willing to take in achieving its strategic objectives.

In order to exercise its responsibilities effectively, the Firm's Board:

- monitors that appropriate corporate values, behaviours and appropriate risk culture have been communicated and embedded effectively throughout the Firm;
- ensures that there are clear processes for bringing significant issues to its attention promptly, when required;
- ensures that there is adequate discussion at the Board on business strategy and risk and assessment of the impact on the Firm's risk profile of decisions on changes in strategy, major new projects, and other significant commitments; and
- determines how principal risks should be managed or mitigated to reduce the likelihood of their occurrence or their impact.

2.2. Three Lines of Defence

To ensure appropriate responsibility is allocated for the identification, management, control and oversight of the principal risks related to the Firm's business, the Firm has adopted a 'Three Lines of Defence' model that outlines the roles, responsibilities and accountabilities for the overall risk management of the Firm.

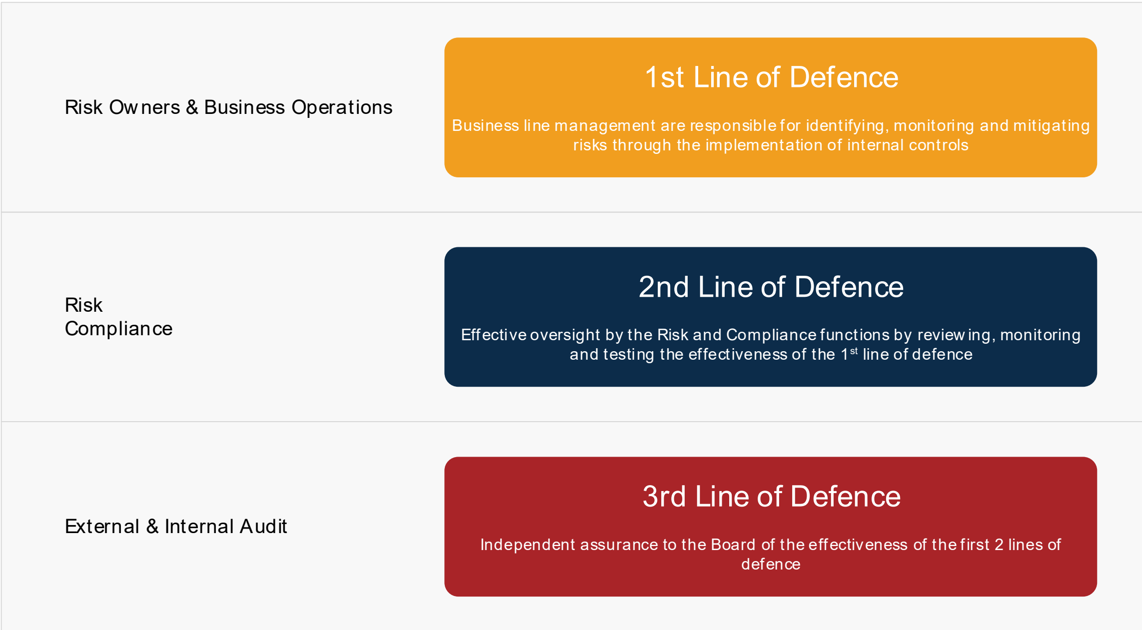

Figure 2 - Three Lines of Defence

First Line of Defence

The head of each business and support function has primary responsibility, accountability and decision-making authority for managing risks, with designated risk owners having responsibility for risks. A risk owner is an individual with the accountability and authority to make decisions that ensure the balance between risk and reward is appropriate for the Firm.

The responsibility of each business line and support function is to identify all relevant risks affecting that line and to put in place processes for monitoring and mitigating any such perceived risks.

Second Line of Defence

The Risk and Compliance teams provide the second line of defence in the Firm's risk management framework by reviewing, monitoring and testing the effectiveness of the first line of defence and the assumptions and estimates that have been made.

Third Line of Defence

As the Firm's third line of defence, Internal Audit provides objective and independent assurance. The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and overall effectiveness of the Firm's governance, risk management, internal processes and controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the Firm's stated goals.

2.3. Risk Management Framework & Objective

The objective of risk management is to ensure that all risks can be effectively identified by the Firm, and that these risks are then mitigated as far as possible. Continued monitoring of the risks identified ensures that the Firm can reduce any potential exposure it has.

The Firm's Risk Management Framework documents the risk policy and processes with which the Firm must comply. The group-wide risk management process seeks to identify, assess, monitor and report risks that could materially influence the Firm's ability to achieve the Board's strategic objectives and obligations.

The objective of the Risk Management Framework is to provide management with a formalised and structured means to:

- understand all the material risks of the Firm;
- assess the potential for losses arising from these risks;
- monitor the significant risks on a continuous basis;
- ensure adequate controls or other mitigation is in place to reduce risks to residual levels that are within an acceptable appetite/tolerance;
- set out the respective risk management roles and responsibilities;
- ensure that business incidents are captured, and remedial action can be taken to prevent recurrence; and
- meet regulatory requirements and guidance.

The framework provides the Firm's Board and Senior Management with tools required to safeguard the Firm's assets, clients, brand, reputation and employees. The Board uses the framework to help it oversee and manage SFE's key risks.

2.4. Risk Monitoring and Reporting

The Firm invests significant resources in its ability to monitor and estimate the severity of all risks that it is subject to. In turn, this is reported to, reviewed, challenged and used by the Board and others throughout the business.

2.5. Risk Appetite

Risk and reward are common factors in the management of any business, including regulated investment firms. It is not realistic to run a business and assume that there is no risk inherent in its activities, even if they are soundly mitigated. However, all businesses should have a good grasp of what these risks are, how to measure them and whether they are acceptable given the rewards expected.

The risk appetite is 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.

SFE's Board is required to ensure that its strategy and risk parameters are aligned with those of the Group. Therefore, SFE's risk appetite aims to:

- be reflective of current StoneX 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); and
- enable management to determine the necessary processes and employee resourcing required to manage and monitor risk exposure versus the stated risk appetite.

StoneX®

3. Principal Risks

The Firm faces several key risks in conducting business. These are assessed further below.

3.1. Risk to Client

Risk to Client ('RtC') is the risk that an investment firm can generate harm to clients if it fails to carry out its services or operations correctly.

There are four K-factors under RtC:

- K-AUM (Assets Under Management). Correspond to the risk associated with discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature. As the Firm does not provide such services, this does not apply.
- K-CMH (Client Money Held) – Captures the risk of an investment firm causing potential harm to clients where it holds client money. The risk is not applicable to SFE.
- K-ASA (Assets Safeguarded and Administered) – The risk of harm associated with the safeguarding and administering clients' financial instruments. The Firm does not undertake activities that relate to asset safeguarding or administration, therefore, this does not apply.
- K-COH (Client Orders Handled) – Captures the potential risk to clients of an investment firm which executes orders in the name of the client. The Firm executes clients' orders on a reception and transmission basis, therefore this risk applies to SFE.

K-COH

Potential RtC can arise from failures to provide best execution under MiFID obligations. Also, the risk to clients can potentially arise from trading errors and associated client compensation, or from IT disruptions preventing clients to appropriately manage their transactions (for example, with DEA access).

The Firm has policies and processes in place to ensure that best execution obligations under MiFID are followed in respect of the category of clients to which they apply. The management and issue resolution in relation to DEA client access is managed by SFE's affiliated group company, SFL.

3.2. Risk to Markets

Risk to Markets ('RtM') is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with.

There are two K-factors under RtM:

- K-NPR (Net Position Risk). SFE is subject to market risk (foreign exchange risk) as a result of its operations with Group companies from transfer pricing arrangements and balances held with local financial institutions in foreign currency, falling under the category of non-trading book activities. The RtM is nevertheless considered limited in this sense.
- K-CMG (Clearing Margin Given). This is an alternative to K-NPR to capture market risk for trades that are subject to clearing as set out in Article 23 of IFR. K-CMG does not apply to SFE.

K-NPR

SFE is subject to foreign exchange risk as a result of its operations with StoneX Group companies from transfer pricing arrangements and balances held with local financial institutions in foreign currency, falling under the category of non-trading book activities.

StoneX®

Foreign exchange exposures from trading book activities can result from cash equities transactions done in currencies other than euro and where the commission earned is paid in a currency other than euro. The positions are nevertheless matched and settled within the same day. The exposure to foreign exchange risk is deemed limited and, therefore, it is not actively monitored.

3.3. Risk to Firm

Risk to Firm ('RtF') is the risk that an investment firm faces through its trading activity and market participation.

There are three K-factors under RtF:

- K-TCD (Trading Counterparty Default). Captures the risk of losses arising from the default of a counterparty.
- K-DTF (Daily Trading Flow). Captures operational risk related to the value of trading activity that the investment firm conducts.
- K-CON (Concentration Risk). Captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have exposures above 25% of their own funds.

K-TCD

K-TCD captures the risk of a client or a liquidity provider from defaulting.

SFE is exposed to K-TCD from the securities trading business: the risk that the counterparty to a transaction could default before the final settlement. Consequently, the Firm might need to purchase/sell the security from/to a different counterpart at an unfavourable price resulting in a loss for SFE.

To mitigate the risk, all transactions are conducted on a delivery-versus payment basis: the Firm will only match the selling instructions from the security seller, once the buyer instructions from the security buyer have been previously matched. Risk approved daily notional limits are in place for all counterparties to govern the amount of acceptable risk. Authorised Management sign off is required for onboarding of all new counterparts. SFE has delegated the authority to approve and monitor limits to SFL.

K-TCD which arises from deposits and cash held with banks and financial institutions is mitigated by the fact the banks, are well established financial institutions rated between A-and A+ by S&P.

SFE does not have exposure in relation to the commodity business, as it does not hold positions in these transactions; the risk in relation to these positions is borne by the Group entities.

K-DTF

Operational risk management forms part of the day-to-day responsibilities of management at all levels. In line with the wider StoneX Group, SFE has implemented systems and controls to manage and mitigate operational risks. This includes Board and Authorised Management oversight, a Group Operational Risk function, Compliance and AML ongoing monitoring function, Internal Audit function, departmental supervisory functions, as well as IT and business continuity planning arrangements.

The Operational risk framework includes a qualitative and quantitative methodology and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures. The framework is based around risk and control self-assessments (RCSA) and incident management.

All incidents are reported to the Authorised Management and to the EMEA Operational Risk department. In addition, the Risk will escalate any high severity incidents, limits breaches where appropriate.

K-CON

K-CON captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have exposures above 25% of their own funds.

SFE mainly generates its income through the brokerage business, it has a very wide customer base. The Firm has established new business areas to diversify its business model.

Operational Risk other than DTF

Based on the sources of risk information, the SFE risk control function noted the following existing and emerging risks:

- Risk of failure of IT controls (inc. Cyber Risk);
- Risk of failure to adequately protect personal data and/or adhere to GDPR regulations;
- Risk of AML compliance failures;
- Risk of trade errors;
- Risk of failure of systems and/or applications;
- Risk to comply with tax rules and failure to meet obligations regarding tax reporting;
- Risk of failure to adhere to various exchange and over-the-counter (OTC) rules;
- Risk of failure to comply with all regulatory requirements (including change in requirements);

The firm has ongoing Risk and Control Self Assessment, to assess the operational risk that might impact SFE. The purpose of the project is to identify and quantify the operational risk and assess the control in place effectiveness.

Anticipation and identification of material and emerging risks occurs through regular gathering and analysis of information from a variety of internal and external sources. Sources of risk information may include:

- Operational risk incident reports and operational key risk indicators;
- Reviews or audits that result in control weaknesses identified by regulators, external auditors, Internal Audit, Compliance, or other internal control functions;
- Input from Authorised Management or Board of Directors;
- Information on changes that could give rise to emerging risks (addition of new products, changes in systems and processes);
- Requirements and/or requests from regulators;
- External sources (external databases).

Credit Risk

The Firm is exposed to credit risk in various forms, one of which is Counterparty Credit Risk. The Firm has set limits per counterparty following an internal credit review and the understood ability to protect funds.

Risks related with Geopolitical condition, catastrophic events and crises

The Firm's financial position and results of operations may be adversely affected by unfavourable economic and financial market conditions as well as catastrophic events and crises such as the recent COVID-19 pandemic, wars and geopolitical tensions.

Economic and financial market conditions, including conditions impacted by public health emergencies, such as the recent COVID-19 pandemic, and geopolitical events such as terrorism, the Israel-Hamas war and escalating tensions in the Middle East, the ongoing war between Ukraine and Russia and related sanctions imposed by the governments and other governing bodies in countries in which the Firm conducts business, have created significant market volatility, uncertainty and economic disruption. While increased volatility is typically a driver of increased client activity and growth in the Firm's operating revenues, longer periods of extreme volatility and dislocation in global securities, foreign exchange and commodity markets may affect its ability to establish effective offsetting positions in its principal trading and market-making activities which may expose it to trading losses. In addition, in the event that a global recession or slowdown occurs, this could lead to extended periods of low short-term interest rates and decreased volatility which could adversely affect its profitability.

In addition, the recent COVID-19 pandemic led to increased operational and cybersecurity risks and may again do so in the future. These risks have included, among others, increased demand on its information technology resources and systems and the increased risk of phishing and other cybersecurity attacks. In the event of a significant COVID-19 resurgence, any failure to effectively manage these increased operational and cybersecurity demands and risks may materially adversely affect the Firm's results of operations and the ability to conduct its business.

To the extent that the Firm's business, financial condition, liquidity or results of operations are adversely affected by catastrophic events and crises, including public health emergencies such as the recent COVID-19 pandemic and conflicts such as the wars in Ukraine and Israel, these events may also have the effect of heightening many of the other risks.

The Middle East impact may take time to become clear and would depend on how long the conflict lasts, how intense it becomes, and whether it spreads to other parts of the region. The firm’s direct exposure to Middle East is very limited, so it’s not expected to have a significant impact on the Firm's performance.

As a result of there being no material impacts to revenue, costs, liquidity, reputation and regulatory capital, the directors are satisfied that the business has not been significantly impacted by the COVID-19 pandemic, Middle East conflict or the conflict between Ukraine and Russia.

4. Own Funds

4.1. Composition of Own Funds

The Firm’s capital is fully in the form of Common Equity Tier 1 (‘CET1’). This is the highest-ranking form of capital that comprises of ordinary shares and audited retained earnings.

Table 2 below shows an extract from the own funds templates EU IF CC1, which was compiled in line with Article 49(1)(a) and (c) of IFR. The full EU IF CC1 can be found in Appendix 1, Composition of Regulatory Own Funds.

Table 2 – Own Funds as of 30 September 2023

EU IF CC1 Reference	EU IF CC1 Reference	Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross reference to EU IF CC2)
4	Fully paid-up capital instruments	8,376	Ref 1 (Shareholder’s Equity)
6	Retained earnings	3,411	Ref 2 (Shareholder’s Equity)
19	(-) Goodwill	(277)	Ref 1 (Fixed Assets)
20	(-) Other intangible assets	(10)	Ref 3 (Fixed Assets)
3	**COMMON EQUITY TIER 1 CAPITAL**	**11,500**	
2	**TIER 1 CAPITAL**	**11,500**	
1	**OWN FUNDS**	**11,500**	

Appendix 2, Own Funds Main Features, provides a detailed breakdown of the main features of the Firm’s Own Funds in accordance with Article 49(1)(b) of IFR.

4.2. Own Funds Reconciliation with Financial Statement

The amounts referenced in Table 2 can be reconciled back to the financial statements.

Table 3 below shows SFE's audited balance sheet as of 30 September 2023 along with cross reference to Table 2.

Table 3 - Reconciliation of Audited Balance Sheet to Own Funds

Ref	€'000	Balance sheet as in published/audited financial statements As at period end	Cross reference to Table 2
	Fixed Assets		
1	Intangible assets	277	Ref 19
2	Tangible assets	44	
3	Financial assets	10	Ref 20
	Current Assets		
1	Account receivables	11,026	
2	Prepayments	201	
3	Cash at bank	26,027	
	Total Assets	**37,585**	
	Liabilities		
1	Trade payables	22,080	
2	Provisions	3,784	
3	Differed income	0	
	Total Liabilities	**25,798**	
	Shareholder's Equity		
1	Share capital	8,376	Ref 4
2	Reserves	200	
3	Accumulated profits	3,211	Ref 6
	Total Shareholder's equity	**11,787**	

Note that

Table 3 above is the own funds template EU IF CC2, which was compiled in accordance with Article 49(1)(a) of IFR. This can also be seen in **Error! Reference source not found.**, **Error! Reference source not found.**.

5. Own Funds Requirement

5.1. Internal Capital and Risk Assessment Process

The Internal Capital and Risk Assessment ('ICARA') process focuses on the assessment of risks that a firm is exposed. SFE is currently documenting the process that identifies, measures, manages, and monitors the risks it faces. This will form the basis of the Firm's Pillar 2 requirements that SFE views as the additional amount of capital and liquidity it needs to hold against any risks that are not covered by Pillar 1. This would be reviewed on an annual basis, with updates being made if there are any significant changes to the Firm's business.

5.2. Own Funds Requirement

Table 4 - Own Funds Requirement

€'000	30 September 2023
K-factor Requirement	
Risk to Client	712
Risk to Market	769
Risk to Firm	8
Total K-factor Requirement	1,489
Fixed Overhead Requirement ('FOR')	
FOR	2,055
Permanent Minimum Capital Requirement ('PMCR')	
PMCR for SFE	750

Table 4 above breaks down the Pillar 1 minimum capital requirement that the Firm is required to hold as of 30 September 2023.

The Firm's K-factor requirement is calculated in accordance with Articles 16 through to 33 of IFR.

FOR is calculated in accordance with Article 13 of IFR where the Firm assesses the fixed costs within its audited financial statement. FOR is equal to one quarter of the fixed costs.

As stated in Article 11(1) of IFR, SFE is required to hold the higher of its K-factor requirement, fixed overhead requirement and permanent minimum capital requirement.

For SFE, the FOR of €2,055k is the highest amount of minimum capital that it must hold at all times.

5.3. Capital Excess/Ratio

Table 5 - Capital Excess/Ratio

€'000	30 September 2023	Reference
Capital		
Common Equity Tier 1	11,500	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	11,500	a
Own Funds Requirement		
K-factor Requirement	1,489	b
Fixed Overhead Requirement	2,055	c
Permanent Minimum Capital Requirement	750	d
Minimum Own Funds Requirement	2,055	c = (higher of b, c and d)
Capital Excess/Ratio		
Capital Excess	9,445	a-c
Capital Ratio	560%	a/c

Table 5 above shows that SFE has excess capital of €9,445k above the minimum it is required to hold. This equates to a capital ratio of 559, which is above the minimum threshold of 100% set out in Article 9(1)(c) of IFR.

StoneX®

6. Remuneration Policy & Practices

6.1. Overview

The Firm has established a Remuneration Policy ('the Policy'), the purpose of which is to set out the remuneration practices of the Firm, taking into consideration the salaries and benefits of the employees in accordance with the provisions of IFD, as well as the requirements of the Law on the Financial sector, CSSF Circulars 10/437 and 10/497, and the Guidelines of the EBA on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) (the 'EBA Guidelines') on remuneration policies and practices, where these comply with specific principles in a way and to the extent that is appropriate to the Firm's size, internal organisation and the nature, scope and complexity of its activities.

The Remuneration Policy is based on the Firm's values and aims to support the long-term business and risk strategy while balancing the interests of different stakeholders (i.e., staff, clients and shareholder). The Policy has general provisions which apply to all SFE staff on a firm-wide basis as well as specific provisions, set out below, which apply only to the Firm's Material Risk Takers (or 'MRTs').

The Firm uses remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Firm's short- and long-term success.

The Firm's remuneration system considers the highly competitive sector in which SFE operates, and the resources the Firm invests in each member of the staff.

The remuneration that employees receive for their activities at the Firm must be stipulated definitively in their employment contracts. The employment contract and any subsequent amendments must be in written form.

6.2. Governance

The design of the Policy is approved by the Board of Directors of the Firm. This board will periodically review the Policy and has overall responsibility for overseeing its implementation. In line with the proportionality principle, the Firm has not established a Remuneration Committee. In the performance of its duty in relation to the Policy, the Board seeks the input of many areas including the Risk, Compliance, Finance, Internal Audit and Human Resources ("HR") functions, particularly where there is concern about behaviour of staff or the levels of risk taken by staff.

Authorised Management is responsible for the implementing the remuneration policy and practices.

Furthermore, the Policy also benefits from the full support of senior management or, where appropriate, the supervisory function so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures.

Finally, the Policy also adopts and maintains measures enabling senior management to effectively identify where the relevant person fails to act in the best interest of the client and to take remedial action.

6.3. Conflict of Interest

To avoid situations with conflict of interest, and to encourage responsible business conduct, the Firm ensures that staff engaged in control functions:

a) are independent from the business lines they oversee;
b) have appropriate authority; and

c) are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they oversee.

The Firm does not pay variable remuneration to members of the Board who do not perform any executive function in the Firm. The remuneration of the senior officers in the Firm's risk management and compliance functions is independently reviewed by the Board.

6.4. Remuneration System

Material Risk Takers ('MRTs')

The Firm annually assesses which of its staff are MRTs, meaning staff members whose professional activities have a material impact on the risk profile of the Firm, as well as members of the Authorised Management, members of the Board, members of senior management and holders of key functions as defined by the Law of 5 April 1993 on the financial sector, as amended(" LFS").

Fixed and Variable Remuneration

The Firm ensures that the fixed and variable components of total remuneration are appropriately balanced and that the remuneration practices provide the firm with sufficient flexibility to structure compensation packages with appropriate proportions of fixed and variable remuneration, including, if appropriate, paying no variable remuneration.

Decisions on these matters are taken on a Board of Directors level while the Remuneration Policy is periodically reviewed. The total remuneration of staff currently consists of a fixed and a variable component. The remuneration varies for different positions/roles depending on each position's actual functional requirements, obligations and liabilities and it is set at levels that reflect the educational level, knowledge, and expertise.

SFE has set an appropriate ratio between the variable and fixed components of total remuneration for each of its MRTs.

The fixed salary is reviewed annually, considering individual and collective performances, local legislation as well as market information.

Fringe benefits are part of the fixed component of the remuneration as they are granted on a periodic basis and are not linked to the employee's periodical performance.

The Firm's Remuneration Practices relating to the payment of variable remuneration are discretionary. This means that the timing of the payment of variable remuneration, the basis for the calculation of variable remuneration, the eligibility for receipt of variable remuneration and the amount of any variable remuneration that is paid are all at the absolute discretion of the Firm.

The Firm's Remuneration Practices are designed such that any performance-related variable remuneration that is paid to staff is based on a combination of the assessment of the performance of:

a) the individual;
b) the business line concerned; and
c) the overall financial performance of the Firm.

With due regard taken to its size and internal organisation as well as to the nature, scope and complexity of its activities under LFS, SFE claims for the application of the proportionality principle as laid down in the EBA Guidelines. As such, in relation to the EBA guidelines to which both CSSF Circular 10/497 and the repealed Circular 11/505 refer, SFE:

a) will not apply the deferral principles (minimum 40%) nor the retention policy required initially in CSSF Circular 10/497;

b) will not apply the principle under which at least 50% of the variable remuneration must be paid in shares or other instruments reflecting the credit quality of the institution;
c) will not apply the retention policy on financial instrument;
d) will not create a Remuneration Committee.

However, to ensure that the Remuneration Policy of the Firm is consistent and promotes sound and effective risk management, the Firm implemented some safeguards for the payment of the variable remuneration. These safeguards should allow the Firm to operate a fully flexible policy on variable remuneration policy and are described here below.

Guaranteed variable remuneration

The Firm will not award, pay or provide guaranteed variable remuneration (for example, a sign-on bonus, "golden handshake" or lost opportunity award) to a staff member unless:

a) It occurs in the context of hiring a new staff member;
b) It is limited to the first year of service;
c) the Firm has an appropriately strong capital base, determined by the member of the Authorised Management in charge of the administrative, accounting and IT organisation at the relevant time; and
d) the payment of such variable remuneration is approved by the Board.

Clawback

The Board will be able to require current and former staff members to repay retroactively all or part of the variable remuneration, which has been awarded for the preceding three years for performance based on data which was subsequently proven to be fraudulent or was enhanced by unauthorised and/or unlawful business practices.

The Board will also be able to require that staff members pay back proportionally their welcome package in case of an early termination of their contract (e.g., if the staff member has a probation period of 6 months and he/she leaves or is made redundant after three months, then the staff member has to pay half of his/her welcome package back to the Firm).

6.5. Equality and Diversity

The Firm acknowledges that it has statutory duties in relation to equal pay and non-discrimination and is committed to complying with those duties in relation to the Remuneration Policy and its general Remuneration Practices. In particular, the Firm has established, implemented, and maintains gender neutral Remuneration Practices in accordance with the requirements of the LFS.

6.6. Remuneration Breakdown

SFE has identified four members of senior management staff including Executive Directors and five members of other staff who have a material impact on the risk profile of SFE. The aggregate remuneration for all relevant staff and members of the senior management for the year ended 30 September 2023 was as follows:

Table 6 - Remuneration Breakdown

Position/Role	Number of Beneficiaries	Fixed Remuneration €'000	Variable Remuneration €'000	Aggregate Remuneration €'000
Senior Management	4	1.825,22	953,12	2.778,34
Other Staff	4	1.668,20	624,57	2.292,77
Total	**8**	3.493,42	1.577,69	5.071,11

StoneX®

Note: The 'Senior Management' category includes members of the Authorized Management and Executive Directors. The 'Other Staff' category includes Heads of the Risk, Compliance, and IT Functions, the Heads of the Dairy and Food Group, EU Dairy and OTC & Advisory.

During the abovementioned period, the Firm did not pay or award any deferred remuneration, any severance payments or any guaranteed variable remuneration. The Firm also did not award any deferred remuneration or severance payments for/in previous performance periods.

Moreover, the Firm benefits for the derogation in points (a) and (b) of Article 32(4) of the IFD in relation to the remuneration principles set by points (j) and (l) of paragraph 1 and the third subparagraph of paragraph 3 of IFD Article 32. This derogation applies to all staff employed by the Firm.

Name: Mika Valanki
Title: Managing Director
Signature:

Name: Ramon Martul
Title: Chief Executive, Europe
Signature:

Name: Philip Smith
Title: CEO, EMEA
Signature:

Name: Justin Van Wijngaarden
Title: CFO, EMEA
Signature:

StoneX®

Appendix 1. Composition of Regulatory Own Funds

Template EU IF CC1.01

		(a) Amounts (€'000)	(b) Source based on reference numbers/letters of the balance sheet in the audited financial statements (EU IF CC2)
1	**OWN FUNDS**	**11,500**	
2	**TIER 1 CAPITAL**	**11,500**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**11,500**	
4	Fully paid-up capital instruments	8,376	Ref 1 (Shareholder's Equity)
5	Share premium		
6	Retained earnings	3,411	Ref 2 (Shareholder's Equity)
7	Accumulated other comprehensive income		
8	Other reserves		
9	Minority interest given recognition in CET1 capital		
10	Adjustments to CET1 due to prudential filters		
11	Other funds		
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(277)	
13	(-) Own CET1 instruments		
14	(-) Direct holdings of CET1 instruments		
15	(-) Indirect holdings of CET1 instruments		
16	(-) Synthetic holdings of CET1 instruments		
17	(-) Losses for the current financial period		Ref 3 (Shareholder's Equity)
18	(-) Goodwill	(277)	Ref 1 (Fixed Assets)
19	(-) Other intangible assets	(10)	Ref 3 (Fixed Assets)
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment		
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment		
25	(-)Defined benefit pension fund assets		
26	(-) Other deductions		
27	CET1: Other capital elements, deductions and adjustments		
28	**ADDITIONAL TIER 1 CAPITAL**	**0**	
29	Fully paid up, directly issued capital instruments		
30	Share premium		
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
32	(-) Own AT1 instruments		
33	(-) Direct holdings of AT1 instruments		
34	(-) Indirect holdings of AT1 instruments		
35	(-) Synthetic holdings of AT1 instruments		
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment		
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment		
38	(-) Other deductions		
39	Additional Tier 1: Other capital elements, deductions and adjustments		
40	**TIER 2 CAPITAL**	**0**	
41	Fully paid up, directly issued capital instruments		
42	Share premium		
43	(-) TOTAL DEDUCTIONS FROM TIER 2		
44	(-) Own T2 instruments		
45	(-) Direct holdings of T2 instruments		
46	(-) Indirect holdings of T2 instruments		
47	(-) Synthetic holdings of T2 instruments		
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment		
49	(-) T2 instruments of financial sector entities where the institution has a significant investment		
50	Tier 2: Other capital elements, deductions and adjustments		

StoneX®

Appendix 2. Own Funds Main Features

Template EU IF CCA

	Common Equity Shares	a
1	Issuer	StoneX Financial Europe SA
2	Unique identifier *(Legal Entity Identifier)*	5493009FOGEUTR4HFR55
3	Public or private placement	Private
4	Governing law(s) of the instrument	Grand Duchy of Luxembourg
5	Instrument type (types to be specified by each jurisdiction)	Common ordinary shares
	Regulatory Treatment	
6	Amount recognised in regulatory capital	€8,375,950
7	Nominal amount of instrument	1,675,190
8	Issue price	€ 5.00
9	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Date of last issuance	28/09/2020
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory *(in terms of timing)*	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory *(in terms of amount)*	Fully discretionary
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument *(signposting)*	N/A