



StoneX[®]

StoneX Financial Ltd

Disclosures

September 2022

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1. Overview

1.1 Introduction

StoneX Financial Ltd ('SFL' or 'the Firm') is authorised and regulated by the Financial Conduct Authority ('FCA') of the United Kingdom and is a 'MIFIDPRU investment firm' as defined in the FCA Rules. The Firm is a non-SNI firm¹ for the purposes of the rules in the Prudential sourcebook for MiFID Investment Firms ('MIFIDPRU').

This document has been prepared in accordance with MIFIDPRU 8, which requires the Firm to make specific disclosures relating to its:

- Governance Arrangements;
- Own Funds; and
- Remuneration Policy and Practices.

Public disclosures are a core part of market discipline that provides information and transparency to enable markets to function. It allows market participants to assess key information on a firm's capital, risk exposure and risk assessment processes.

1.2 Frequency and Scope

SFL is a wholly owned subsidiary of StoneX Group Inc, a US corporation listed on the US NASDAQ exchange.

The Firm owns and controls StoneX Financial GmbH ('SFG'), incorporated and resident in Germany and regulated by the German Federal Financial Supervisory Authority ('BaFin') as a payment services firm.

The Firm, together with SFG, forms a consolidation group for prudential regulation purposes ('StoneX Financial Ltd Group'). However, in accordance with MIFIDPRU 8.1.7, the Firm is providing these disclosures on a solo basis.

The disclosures are published at least annually following the publication of the annual financial statements. Unless otherwise stated all figures are as at 30 September 2022 and are in US Dollars, which is SFL's reporting currency.

As the financial year ended on a date that was before 31 December 2022, the Firm is not currently required to include in this document disclosures relating to its risk management objectives and policies (MIFIDPRU 8.2) or its investment policy (MIFIDPRU 8.7) in accordance with the transitional provisions laid out in MIFIDPRU TP 12.

¹ If a firm cannot satisfy the conditions set out in [MIFIDPRU 1.2.1](#) for it to be classified as a small and non-Interconnected ('SNI') investment firm, then it is classified as a non-SNI MIFIDPRU investment firm.

2. Risk Management

2.1 Overview

In accordance with MIFIDPRU 8.2, a firm is required to disclose its risk management objectives and policies for the categories of risk addressed by:

- MIFIDPRU 4 – Own funds requirements;
- MIFIDPRU 5 – Concentration risk; and
- MIFIDPRU 6 – Liquidity.

Furthermore, the risk management objectives and policies for each of the items above must include;

- a concise statement approved by the firm's governing body describing the potential for harm associated with the business strategy; and
- a summary of the strategies and processes used to manage each of the categories of risk listed in MIFIDPRU 8.2.1 and how this helps to reduce the potential for harm.

As the Firm's reference date falls before 30 December 2022, the Firm is not required to disclose the information above until 2023 as stipulated in the FCA's MIFIDPRU handbook transitional provisions regarding disclosure requirements².

² [MIFIDPRU TP 12 Disclosure requirements: transitional provisions](#)

3. Governance

3.1 Overview of Governance Arrangements

The Firm, as a MIFIDPRU Investment Firm, is subject to the organisational requirements in 4.3A.1 of the Senior Management Arrangements, Systems and Controls Sourcebook of the FCA Handbook ('SYSC').

Under SYSC 4.3A.1, the Firm must ensure that the Management Body defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of the Firm's clients.

In order to comply with the requirement in SYSC 4.3A.1, the Firm has procedures in place to ensure that members of the Management Body are selected based primarily on the following criteria:

- Their reputation within the market;
- the possession of the necessary knowledge, skills and experience to perform the relevant duties;
- whether their addition will complement the Management Body's collective knowledge, skills and experience in relation to the Firm's activities, including the main risks it faces; and
- consideration of the diversity of viewpoints, backgrounds, experiences, and other demographics.

3.2 Governance Structure

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

To support a clear organisational structure with well-defined, transparent and consistent lines of responsibility, the Firm has established the following governance structure including four Board Committees:

- Risk Committee
- Remuneration Committee
- Nominations Committee
- Audit Committee

In addition to the Board Committees, there are six Executive Committees that report to the Executive Directors of the Board:

- Client Money Assets and Safeguarding Committee
- Liquidity Management Committee
- Financial Crime Prevention Committee
- Compliance Committee
- Best Execution Committee

- EMEA Approvals Committee

3.3 Roles & Responsibilities

The Firm's Board is the governing body of the Firm and oversees the maximum amount of risk that the Firm may take whilst pursuing its strategy. In coordination with the Board and Executive Committee of StoneX Group Inc, 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, oversee and monitor the overall strategic direction of the Firm ensuring appropriate alignment with StoneX Group Inc group strategy;
- Set the risk appetite and ensure it has a risk management framework to identify and manage risk on an ongoing basis;
- Ensure the Firm complies with applicable laws and regulations;
- Oversee, challenge and ultimately approve and promote the Firm's ('Internal Capital Adequacy and Risk Assessment') ICARA;
- Monitor the performance of the Firm and the executives, and hold them accountable for the exercise of their delegated powers and delivery against applicable strategic goals;
- Select and appoint key function holders in consultation with the executive committee of StoneX Group Inc; and
- Promote behaviours consistent with the culture and values of the Firm.

3.4 Directorships

The number of Executive and non-Executive directorships held by the Directors at the year ended 30 September 2022 were as follows:

Table 1 - Number of Directorships

Director	Number of Executive Directorships	Number of Non-Executive Directorships
Philip Smith	1	0
Justin van Wijngaarden	1	0
Stuart Davison	1	0
Lindsay McNeile	0	1
Malcom Wilde	0	1
Sean O'Connor	0	1
Diego Rotsztain	0	1
Stephen Bailey	0	1

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.

3.5 Risk Committee

The Firm is required by MIFIDPRU 7.3 to establish a risk committee and has done so in accordance with this requirement.

3.6 Diversity

The Firm, in relation to equal pay and non-discrimination is committed to maintaining gender neutral Remuneration Practices. This is based on equal pay for male and female workers for equal work or work of equal value.

Year on year SFL continues to see positive impact on its gender ratios. The Firm's 2022 Gender Pay report outlined gender ratios of 71% males and 29% females and more recently SFL reported 69% males and 31% females³. The Firm actively monitors gender ratios on a quarterly basis.

SFL's recruitment processes support equitable hiring practises:

- The Firm consults independent market data to make informed total compensation decisions whilst considering internal peer comparators.
- To promote equal opportunities within the workplace, the Firm invites candidates to share details relating to age, gender, ethnic group, religion and sexual orientation. Such data allows the Firm to critically assess the effectiveness of our hiring practises ensuring they are transparent, fair and equitable.

As a firm, SFL promotes equal opportunities, acknowledging career paths can change and that tertiary education (and the financial pressure thereof) is often not available to all.

Since 2022 SFL has initiated an Apprenticeship Programme within Operations and Data Analytics, hiring nine employees. The Apprenticeship Programme offers an employee the chance to learn and earn simultaneously, with the opportunity to secure a certification and a permanent position with the Firm. SFL is committed to ensuring its selection practices are representative of the communities in which it operates.

³ As at March 2023

4. Own Funds

As at 30 September 2022, SFL's own funds comprised Common Equity Tier 1 ('CET1') capital made up of share capital, retained earnings and other reserves.

The Firm is subject to the disclosure requirements stipulated in MIFIDPRU 8.4.1 R. As such, the tables below set out:

- details of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the Firm (i.e., a composition of regulatory own funds);
- a reconciliation of the Firm's composition of regulatory own funds with the capital in the balance sheet in the audited financial statements of the Firm; and
- a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the Firm.

The table below illustrates the full composition of the Firm's own funds.

Table 2 - Composition of regulatory own funds

	(a) Amounts (\$'000)	(b) Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross reference to Table 3)
1 OWN FUNDS	497,403	
2 TIER 1 CAPITAL	497,403	
3 COMMON EQUITY TIER 1 CAPITAL	497,403	
4 Fully paid-up capital instruments	97,000	Shareholders Equity - 1
5 Share premium	84,000	Shareholders Equity - 2
6 Retained earnings	367,376	Shareholders Equity - 4
7 Accumulated other comprehensive income		
8 Other reserves	(1,330)	Shareholders Equity - 3
9 Adjustments to CET1 due to prudential filters		
10 Other funds		
11 (-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(49,643)	Assets - 1, 4 & 5
19 CET1: Other capital elements, deductions and adjustments		
20 ADDITIONAL TIER 1 CAPITAL	0	
21 Fully paid up, directly issued capital instruments		
22 Share premium		
23 (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24 Additional Tier 1: Other capital elements, deductions and adjustments		
25 TIER 2 CAPITAL	0	
26 Fully paid up, directly issued capital instruments		
27 Share premium		
28 (-) TOTAL DEDUCTIONS FROM TIER 2		
35 Tier 2: Other capital elements, deductions and adjustments		

Table 3 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

\$'000	Balance sheet as in published/audited financial statements As at period end	Under regulatory scope of consolidation	Cross reference to Table 2
Non-Current Assets			
1 Intangible assets	31,179		Ref 11
2 Property plant and equipment	42,212		
3 Equity investments at FVOCI	2,740		
4 Investment in group undertakings	9,097		Ref 11
5 Deferred taxation	9,367		Ref 11
Current Assets			
6 Inventory	139,974		
7 Derivative financial instruments	644,402		
8 Trade and other receivables	2,081,316		
9 Financial instruments	39,503		
10 Cash at bank	358,136		
Total Assets	3,357,926		
Current Liabilities			
1 Derivative financial instruments	720,199		
2 Trade and other payables	2,060,336		
Non-Current Liabilities			
1 Lease liabilities	30,345		
Total Liabilities	2,810,880		
Shareholders' Equity			
1 Called up share capital	97,000		Ref 4
2 Share premium	84,000		Ref 5
3 Other reserves	(1,330)		Ref 8
4 Retained earnings	367,376		Ref 6
Total Shareholder's Equity	547,046		

Table 4 - Main features of own instruments issued by the Firm

Issuer	StoneX Financial Ltd
Instrument type	Common Ordinary Shares
Amount recognised in regulatory capital	\$97,000,000
Nominal amount of instrument	1
Issue price	\$1.00
Accounting classification	Shareholder's equity
Original date of issuance	09 November 2005
Perpetual or dated	Perpetual

5. Own Funds Requirement

5.1 The Firm's Own Funds Requirement

At 30 September 2022, SFL's Own Funds Requirement is determined by the applicable regulatory K-factors at \$92m, outlined in Table 5 below.

Table 5 - Own Funds Requirement as at 30 September 2022

	\$'000
K-factor Requirement	
Sum of K-AUM, K-CMH & K-ASA	4,767
Sum of K-COH & K-DTF	2,175
Sum of K-NPR, K-CMG, K-TCD & K-CON	85,023
Total K-factor	91,965
Fixed Overhead Requirement	74,588

5.2 The Firm's ICARA Process

The systems, controls and procedures operated by a firm that complies with MIFIDPRU requirements is known as the ICARA process, which encompasses all business that a firm is engaged in, MiFID or non-MiFID.

A firm's ICARA process must be proportionate to the nature, scale and complexity of the business carried on by the firm. This assessment determines how much capital and liquidity are required to ensure that the Firm can continue to meet all its obligations as they fall due, given the risks and stresses to which it may be exposed.

The Firm reviews its ICARA process

- (i) at least once every 12 months; and
- (ii) irrespective of any review carried out under (i), following any material change in the Firm's business or operating model.

The Firm's Board is the ultimate owner of the ICARA, and the Firm intends to ensure full compliance with FCA standards concerning its ICARA requirements as a non-SNI⁴ MIFIDPRU Investment Firm.

As part of its ICARA process, the Firm assesses the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7. In particular, the Firm assesses the own funds it requires to:

- address any potential harm it has identified which it has not been able to mitigate;
- address any residual harm remaining after mitigation; and

⁴ If a firm cannot satisfy the conditions to be classified as a small and non-Interconnected ('SNI') under [MIFIDPRU 1.2.1](#), then it must be a Non-SNI.

- ensure an orderly wind down of its business.

As the Firm is not an SNI firm, it is required to use its K-factor requirement as a starting point for determining the appropriate amount of own funds to cover risks of harm to the business as a going concern, to the extent that such risks have not or cannot be mitigated.

The Firm assesses whether, and to what extent, a K-factor requirement covers each risk of harm identified during the ICARA process.

For this purpose, each risk of harm that is not adequately mitigated is mapped to the corresponding K-factor requirement. If the corresponding K-factor requirement is insufficient to cover the internally assessed post mitigation risk of harm, or there is no corresponding K-factor requirement, the Firm will calculate a suitable amount of additional own funds that it must maintain.

As part of its ICARA, the Firm also assesses the level of own funds that it would need in order to effect an orderly wind down, taking into account any additional risks of harm it identifies and whether the Firm's fixed overheads requirement adequately covers such risks.

6. Remuneration

For the purpose of this Disclosure SFL is subject to the requirements of SYSC 19G MIFIDPRU Remuneration Code. This disclosure meets the requirements as set out in MIFIDPRU 8.6.

The Firm complies with the MIFIDPRU Code in a manner that is appropriate to the size and internal organisation and to the nature, scope and complexity of its activities.

Any staff member identified as a SFL Material Risk Taker ('MRT') (inclusive of overseas employees) has been included for reporting purposes.

6.1 Remuneration Governance

The SFL Remuneration Committee comprises Non-Executive Directors with regular standing attendance from the Executive Directors, Head of HR, EMEA and the Chief Compliance Officer, EMEA.

The Remuneration Committee has the responsibility to maintain a robust Remuneration Policy in adherence with the MIFIDPRU Code and the Group's remuneration practises.

The Remuneration Committee is charged with overseeing the implementation of the remuneration practices and as part of this responsibility, approves and, no less than annually, reviews the provisions of the Remuneration Policy to ensure:

- compliance with the MIFIDPRU Code and any other applicable regulation or Group policy and procedures;
- consideration of the Group's remuneration practices and policies as determined from time to time by the Group Compensation Committee;
- that any proposed or existing remuneration structures are consistent with the Firm's risk appetite; and
- that any proposed or existing remuneration packages do not reward poor conduct or performance, or conflict with the principles and spirit of this Policy.

6.2 Remuneration Policy

The Firm's remuneration policy aims to support the execution of the Firm's strategy, rewarding sustained performance and growth that is aligned with the StoneX group's values:

6.2.1 Performance Aligned

The Firm's Remuneration practices and policy 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:

- the individual;
- the business line concerned; and
- the overall financial performance of the Firm and StoneX group.

6.2.2 Competitive

The Firm looks at the total reward package ensuring that this is in line with the market, which enables the attraction, motivation and retention of high-quality employees.

6.2.3 Fair

The reward programmes support the Firm's commitment in creating a diverse and inclusive organisation, ensuring that all colleagues are rewarded fairly in view of the results achieved and individual contributions. Our reward approach is designed to attract, motivate and retain high quality colleagues, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance, contribution or experience.

6.3 Structure of Remuneration

Remuneration and associated benefits are paid consistently, fairly and equitably across the business and in accordance with individual skills and performance levels referring to local industry and/or market conditions.

6.3.1 Fixed Remuneration

Basic Salary

The fixed element is an individual's permanent and pre-determined annual salary and reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment.

Benefits

Standard benefits are provided that are appropriate to the market, compliant with all legal requirements and intended to provide choice and flexibility to meet individual needs.

6.3.2 Variable Remuneration

Annual Bonus

A discretionary annual bonus payment is paid typically to support administrative staff. Bonuses are calculated with consideration given to business and individual performance and require sign off from Executive Committee member with the approach approved by the SFL remuneration committee

All bonus awards are assessed within business divisions. Individuals are assessed against their peers to ensure allocation of the bonus pool reflects relative performance within teams.

Quarterly bonus (including commission payments, limited to the Retail High Net Worth Segment)

This is calculated as a portion of trading contribution earned by the respective business group after deducting certain direct costs, including any charges for bad debts. Payments are made quarterly after assessment of individual performance in the business group.

Material Risk Takers (MRTs)

Staff classified as MRTs, save those to whom exemptions apply and including those who may be working for overseas affiliates, will receive at least 50% of variable compensation in restricted Group shares.

Where an MRT is not exempt from the MIFIDPRU code, the Firm complies with the Pay-out Rules utilising the variable remuneration arrangements as per the remuneration policy, any deferred remuneration is in the form of restricted Group shares.

Restricted Group shares awarded to MRTs vest equally over three years on the award date with a one-month retention period at the end of each vesting, thereafter the shares (less of associated payroll taxes) will be available to employees.

Restricted Stock Plan ('RSP')

All employees are offered the opportunity, annually, to exchange up to 30% of their variable compensation for restricted Group stock, known as the Restricted Share Plan. This is an entirely voluntary election, made at the beginning of each financial (and performance period) 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 over three years on the anniversary of the award date.

6.4 Malus and Clawback

The Firm applies malus (adjustment) and clawback (recovery) to MRT variable remuneration in accordance with the MIFIDPRU Code.

Malus will apply to MRT variable remuneration in the following circumstances:

- where the MRT participated in or was responsible for conduct which resulted in significant losses to the Firm or relevant business line;
- where the MRT failed to meet appropriate standards of fitness and propriety; and/or
- where the MRT participated in or was responsible for conduct which resulted in a material failure of risk management at the level of the Firm or relevant business line.

Clawback will apply to MRT variable remuneration in the following circumstances:

- where the MRT participated in or was responsible for conduct which resulted in significant losses to the firm;
- where the MRT failed to meet appropriate standards of fitness and propriety; and/or
- in cases of fraud or other conduct with intent or severe negligence by the MRT which lead to significant losses to the Firm.

Malus will apply in the period prior to the vesting of any equity-based compensation awards. The Firm applies a three-year clawback period from the vesting of any equity-based compensation awards, and from the payment any cash awards.

Malus and clawback terms are set out or referred to in the MRT variable remuneration award documents and are subject to compliance with applicable laws.

6.5 Material Risk Takers Identification

SFL has identified MRTs in accordance with the FCA MIFIDPRU Remuneration Code and guidance set out in SYSC 19G.5. In addition, the Firm undertakes additional qualitative assessment to identify any further individuals whose activities:

- Could have a material impact to the balance sheet of SFL.
- Could have a material impact to the revenue or net profit of SFL.
- Could have a material impact to the reputation of SFL.

The Firm is prudent in its approach and may apply proportionality to MRTs who perform a global role, which is reviewed annually.

The groups of employees that have been identified as meeting the criteria for MRT include:

- Individuals of the sales team.
- Individuals of the marketing team.
- Traders.
- FCA-designated senior management function individuals.
- Individuals identified by the additional qualitative assessment within SFL outlined above.

6.6 Quantitative Remuneration Disclosures

This submission includes StoneX Financial Ltd employees and any identified overseas MRT for year ending September 2022 and outlines the aggregate total remuneration (both fixed and variable pay).

Table 6 - Total Remuneration Awarded

\$'000	Senior Management	Other MRTs	Other Staff	Total
Total Fixed Remuneration	5,605	2,406	48,264	56,275
Total Variable Remuneration	19,971	14,652	39,062	73,685
Total Remuneration	25,576	17,058	87,326	129,960

Table 7 - The Amount of Guaranteed Variable Remuneration Awarded to MRTs

\$'000	Senior Management	Other MRT's	Total
Number of MRTs	0	0	0
Guaranteed Variable Remuneration	0	0	0

Table 8 - Total Amount of Severance Payments Awarded to MRTs

\$'000	Senior Management	Other MRT's	Total
Number of MRTs	0	0	0
Total Amount of Severance Payment	0	0	0

Table 9 - The Amount and Forms of Remuneration Awarded to MRTs

\$'000	Senior Management	Other MRT's	Total
Number of MRTs	29	12	41
Total Variable Remuneration	19,971	14,652	34,623
Of which is cash based			
Non-deferred	16,802	10,285	27,087
Deferred	0	0	0
	16,802	10,285	27,087
Of which is shares			
Non-deferred	0	0	0
Deferred	2,255	4,367	6,622
	2,255	4,367	6,622
Of which is share linked instruments			
Non-deferred	0	0	0
Deferred	914	0	914
	914	0	914
Of which is other form			
Non-deferred	0	0	0
Deferred	0	0	0
	0	0	0

Table 10 - The Amount of Deferred Remuneration Awarded to MRTs

\$'000	Senior Management	Other MRT's	Total
Amount of deferred remuneration awarded for previous performance periods			
Of which: due to vest in the financial year in which the disclosure is made	0	0	0
Of which; due to vest in subsequent years	0	0	0
	0	0	0
Amount of deferred remuneration due to vest in the financial year in which the disclosure is made			
Of which: is or will be paid out	30	322	352
Of which: the amount was due to vest but withheld as a result of performance adjustment	0	0	0
	30	322	352

Within the applicable reporting period, it is confirmed that no severance pay was awarded to an individual MRT.

7. Investment Policy

As the most recent financial year ended on a date which was before 31 December 2022, the Firm is not currently required to include in this document disclosures relating to its investment policy (MIFIDPRU 8.7).

A disclosure relating to the Firm's investment policy may be included in future versions of these disclosures in respect of later financial years, to the extent that MIFIDPRU 8.7 applies to the Firm.