StoneX Financial Ltd Group

Pillar III disclosures
As at 30 September 2021

CONTENTS

1. OVERVIEW ... 3
   1.1. Material Changes ... 3
   1.2 Group structure ... 3
   1.3 Scope of disclosure requirements ... 4
   1.4 Non-material, proprietary or confidential information ... 5
   1.5 Basis and frequency of disclosures ... 5
   1.6 Location and verification ... 5
2. GOVERNANCE STRUCTURE ... 6
3. RISK MANAGEMENT ... 8
   3.1. Risk declaration ... 8
   3.2. Risk management and objectives ... 8
   3.3. Market risk ... 9
   3.4. Credit risk ... 9
   3.5. Wrong-way risk and credit risk mitigation ... 9
   3.6. Liquidity risk ... 10
   3.7. Operational risk ... 10
4. CAPITAL ADEQUACY (including PILLAR I: MINIMUM CAPITAL REQUIREMENT) ... 11
5. OWN FUNDS-CAPITAL RESOURCES ... 12
6. CAPITAL REQUIREMENTS ... 12
   6.1. Credit risk ... 12
   6.2. Market Risk ... 16
   6.3. Credit Valuation Adjustment Risk ("CVA") ... 16
   6.4. Operational risk ... 17
   6.5. Non-trading book exposures in equities ... 17
   6.6. Concentration risk ... 17
   6.7. Regulatory capital buffers ... 18
   6.8. Approach to ICAAP and ILAA ... 18
   6.9. Other exposures ... 18
7. ENCUMBERED ASSETS ... 19
8. LEVERAGE ... 20
9. REMUNERATION ... 21

APPENDIX A ... 24

1 OVERVIEW

1.1 Material Changes

Restructuring of the Group

Since the previous version of this Pillar III document, there has been a group restructure within the European based entities of the StoneX group of companies. This restructure involved the direct parent entity of **StoneX Financial Ltd** ("SFL", "Company" or "Firm") changing from **INTL Netherlands BV** ("NED") to **StoneX Group Inc** ("HCo").

Transfer of GAIN Capital Business to SFL

On 31st July 2020, HCo acquired **GAIN Capital Holdings Inc.** ("GCHI") and its group of companies.

GAIN Capital is a global provider of trading services and solutions, specialising in over the counter and exchange-traded markets. GAIN Capital provides its customers with access to a diverse range of global financial markets, offering spread bet and contracts for difference products. Trading services and solutions are provided to customers through its proprietary platform.

GCHI's UK based operating entity, **GAIN Capital UK Ltd** ("GCUK"), transferred its business into SFL in March 2021. This resulted in SFL including both wholesale and retail businesses.

1.2 Group structure

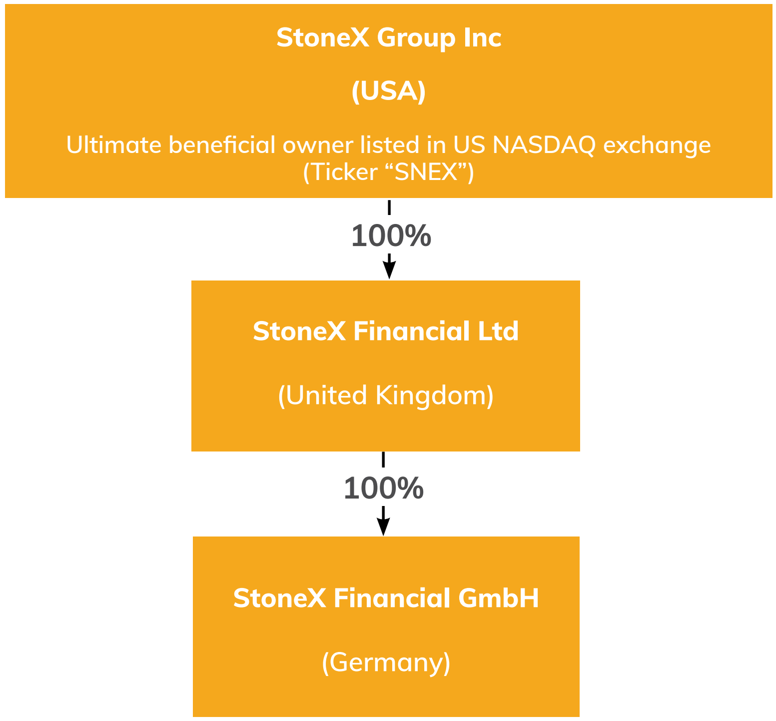
Restructuring of the Group

SFL is a wholly owned subsidiary of HCo, a US corporation quoted on the US NASDAQ exchange. At the 30 September 2021 ("Review Date") the Company owned and controlled (directly and indirectly) 100% of one regulated entity:

- **StoneX Financial GmbH** ("SFG"), formerly known as Giroxx GmbH, incorporated and resident in Germany and regulated by the German Federal Financial Supervisory Authority ("BaFiN") as a payment services firm.

It should be noted that SFL also had a 1% interest in **Exotix Partners LLP** ("EPL") which is an unregulated partnership that is currently being liquidated.

As at the Review Date, for the purposes of this report SFL and SFG constitute the **StoneX Financial Ltd Group** ("SFL Group"), the ownership structure of which is shown below.



1.3 Scope of disclosure requirements

With reference to the Review Date, the SFL Group is required to disclose information under the UK CRR, the UK version of Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms outlined in the EU Capital Requirements Regulations (EU CRR (575/2013)) and Directives (EU CRD (2013/36/EU)), commonly referred to as CRD IV.

As at the Review Date the SFL Group was subject to the UK CRR. 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: Pillar I, Pillar II and Pillar III.

- **Pillar I**: The minimum capital requirements that 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 sufficient capital overall to cover all risks faced. This is assessed through an Internal Capital Adequacy Process ("ICAAP") which is reviewed by the Financial Conduct Authority ("FCA") through a Supervisory Review and Evaluation Process ("SREP"). It should be noted that on 1 January 2022. The ICAAP was replaced with the Internal Capital and Risk Assessment process ("ICARA"). The ICARA amalgamates the previous Individual Liquidity Adequacy Assessment ("ILAA").
- **Pillar III**: Public disclosures in accordance with the requirements of Part Eight, Articles 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.

1.4 Non-material, proprietary or confidential information

The UK CRR rules governing Pillar III disclosures provide that the SFL Group may choose not to disclose information which is not material (Article 432(1)). The SFL 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 SFL Group and its main entity, SFL, since SFG has a non-material impact for the year under review.

1.5. 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 UK CRR (Articles 431-455). This document was reviewed and approved by the SFL and SFG Boards of Directors in May 2022.

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 2021** and are in US Dollars which is the SFL Group's reporting currency.

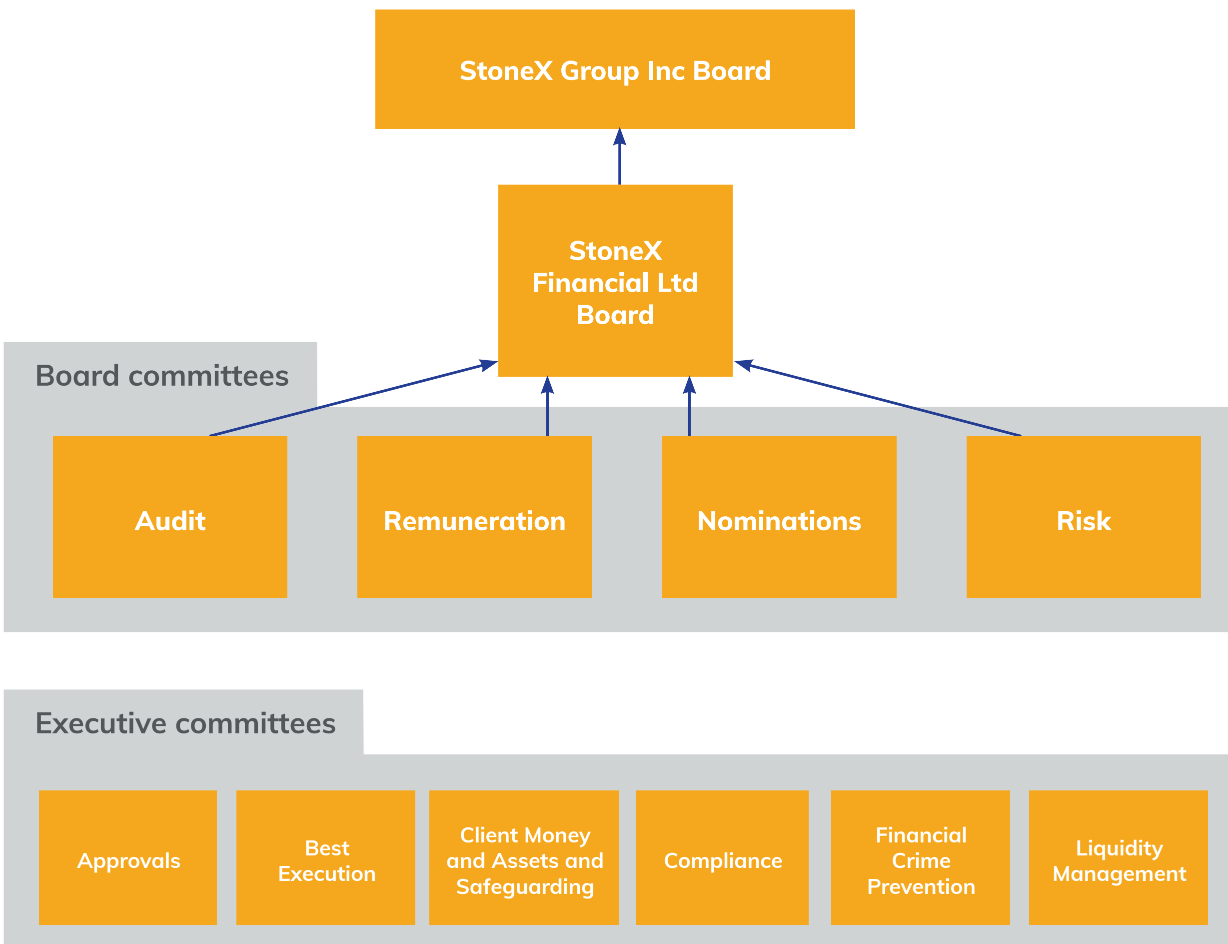
1.6 Location and verification

The Pillar III disclosures are published on the Group's corporate website: https://ir.stonex.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 SFL, and its subsidiary 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 HCo, the SFL Group or its subsidiaries.

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 SFL Group and subsidiary's levels. This model is under-pinned by the three lines of defence structure as detailed below:

Using SFL only as the example for the main regulated entity, the following formal Board committees and executive committees as of 31st March 2022 are shown below including the flow to the ultimate Board of HCo.



Each Board committee is chaired by a non-executive director. In addition, there are executive committees which are chaired by members of the SFL senior executive management team. The details of the SFL Board, Board committees and executive committees may be found at **Appendix A.**

The corporate officers of the HCo's Board may be found at the corporate website: https://ir.stonex.com/. For each of the regulated legal entities within the SFL Group the corporate officers of their respective Boards are listed below:

SFL

Name	Board role	Other Information
Lindsay McNeile	Non-executive Chair	Chair of Audit, Remuneration & Nominations Committees
Sean O'Connor	Non-executive Director	HCo Chief Executive
Malcolm Wilde	Non-executive Director	Chair of Risk Committee
Stephen Bailey	Non-executive Director	-
Diego Rotsztain	Non-executive Director	-
Philip Smith	Executive Director	Chief Executive Officer
Justin van Wijngaarden	Executive Director	Chief Financial Officer
Stuart Davison	Executive Director	Chief Operating Officer

SFG

Name	Board role	Other Information
Philip Smith	Director	Non-executive Director
Klaus Hoffman	Director	Chief Executive Officer

StoneX

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 HCo Board provides strategic input for the SFL Group in setting its own global risk appetite.

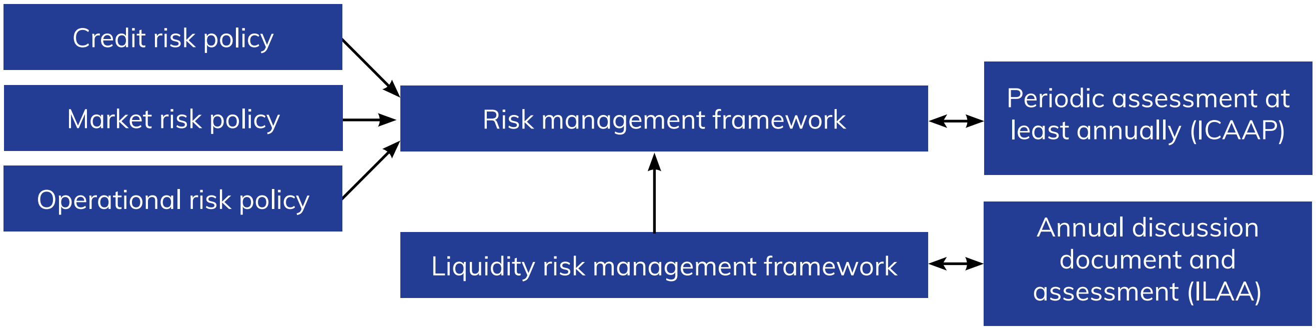
SFL's Board is required to ensure that its strategy and risk parameters operate within the boundaries set by HCo but has the authority to implement a more conservative strategy and set of risk parameters. Therefore, SFL's risk appetite aims to:

- Be reflective of current HCo 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.

SFL's Board determine the maximum amount of risk that it may take whilst pursuing its strategy. SFL 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 SFL are discussed and reviewed. The Risk Committee reports to the SFL Board and assists the SFL Board in setting the Company's overall risk strategy and tolerance and to assist the SFL Board in overseeing the implementation of that strategy by executive management.

3.2 Risk management and objectives

SFL describes its risk management through various frameworks and policies:



Periodic reviews of the risk management framework are undertaken by SFL management, and Board as appropriate, and revisions made where appropriate to reflect any changes in the risk appetite. Policies are approved by the SFL 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.

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

SFL'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 SFL, who will escalate any breaches of pre-approved limits appropriately. Liquidity risk management is carried out by the Treasury team in coordination with the Risk function.

SFL does not use credit default swaps or insurance to mitigate credit risk but sometimes obtains ultimate parent company or personal guarantees to support relationships with counterparties. 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 SFL Board taking into account the requirements of HCo's 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 SFL Board contain decreasing detail but increasing breadth to facilitate effective oversight.

3.3 Market risk

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

3.4 Credit risk

The objective of SFL's credit risk management is to ensure it operates within a risk appetite that can be described as 'cautious to risk'. Specifically, SFL's risk appetite such that no default 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 a on a 4-day stress, or 4th level of price severity movement, of the underlying net positions, and after taking account collateral received.

However, this appetite applies only to clients and counterparties: SFL'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.

3.5 Wrong-way risk and credit risk mitigation

SFL 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, warrants. Bank guarantees may also be accepted to mitigate credit risk. In the case of wrong way risk exposures, where the SFL 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.

3.6 Liquidity risk

The objective of SFL'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 Individual Liquidity Adequacy Standards ("ILAS") regime according to Banks, Building Societies and Investment Firms sourcebook chapter 12 ("BIPRU 12").

The calculation of the maximum potential liquidity available to run the various businesses of SFL 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 each business managing them within permitted parameters.

3.7 Operational risk

Operational risks are assessed quarterly, with key risk indicators ("KRIs") and changes to the Risk and Controls Self-Assessment ("RCSA") being reported to the SFL Board. These have been developed with the HCo's Operational Risk Management team and a standardised approach has been adopted.

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 SFL'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 and/or system platforms);
- Regulatory changes (remaining current around many regulatory changes and their implementation) including any restrictions imposed on trading in the EU post-Brexit;
- Failure of controls in the safeguarding of client assets and third party payments; and
- Client and firm data loss or compromise from external, third party, action including cyberattacks.

Each of these risks has received and continues to receive the full attention of management, with effective and ongoing mitigation implemented and is continually being enhanced to reduce the potential to incur material financial cost (pre-mitigation). Each of the above risks is ultimately considered by the SFL Board.

Since the onset of the COVID-19 pandemic all businesses have been proactive in managing the change in the resulting risks. Because of the robust IT infrastructure and strong client relationships the business has continued to operate without issue whilst ensuring that all staff remained safe and well at all times by working away from the offices.

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

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

4 CAPITAL ADEQUACY (INCLUDING PILLAR I: MINIMUM CAPITAL REQUIREMENT)

The minimum capital requirement and total risk exposure amount for the SFL Group in 2021 and NED Group* in 2020 and that of SFL are shown below:

	Section		SFL Group/ NED Group 2021/2020		SFL	
			2021	**2020**	**2021**	**2020**
			USD '000	**USD '000**	**USD '000**	**USD '000**
A		**COMMON EQUITY TIER 1 CAPITAL**	**400,454**	**307,785**	**405,177**	**308,159**
B		TIER 1 CAPITAL	400,454	307,785	308,159	308,159
C	5	**TOTAL CAPITAL RESOURCES-OWN FUNDS**	**400,454**	**307,785**	**405,177**	**308,159**
		Credit and Counterparty Risks- RWE	1,370,830	1,189,971	1,354,750	1,184,138
	6.1.4	*Of which Standardised Approach*	1,353,718	1,183,663	1,337,638	1,177,830
	6.1.6	*Of which Default fund of a CCP*	17,112	6,308	17,112	6,308
		Settlement/Delivery	13	199	13	199
	6.2	Market risk	756,092	257,757	756,092	253,615
	6.3	Credit Valuation Adjustment	50,231	24,515	50,230	24,515
	6.4	Operational risk	570,848	304,256	568,341	266,053
	6.6	Concentration Risk	0	66,629	0	66,443
D		**Total Risk Exposure Amount**	**2,748,014**	**1,843,327**	**2,729,426**	**1,794,963**
E=D*8%		**Total (Pillar I) Capital Requirement**	**219,841**	**147,466**	**218,354**	**143,597**
F=C-E		**Pillar I Surplus of Total capital**	**180,613**	**160,319**	**186,823**	**164,561**
G = C/D		**Pillar I Capital Ratio**	**14.57%**	**16.70%**	**14.84%**	**17.17%**

Section 5 analyses the Total Capital Resources - Own Funds in the table above and Section 6 details the main components of the Total Risk Exposure Amount.

**In prior years the NED Group was the regulatory group examined in this document which included the current SFL Group, NED and StoneX Financial SA.*

5 OWN FUNDS-CAPITAL RESOURCES

The SFL Group's and SFL's capital are the Common Equity Tier-1 ("CET1"), 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 SFL Group in 2021 and NED Group in 2020 and that of SFL:

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	**2020 USD '000**	**2021 USD '000**	**2020 USD '000**
Common Equity Tier 1 (CET1) capital:				
Permanent share capital	95,000	30,597	95,000	90,000
Share Premium	60,000	0	60,000	0
Previous years' retained earnings	233,182	248,794	231,931	186,750
Profit for the year	34,919	41,234	36,647	45,181
CET1 Sub-total	**423,101**	**320,624**	**423,578**	**321,931**
Deductions from capital:				
Significant Inv. in a Financial Entity	-	-	-	(5,522)
Intangible assets	(15,924)	(2,717)	(15,891)	(939)
Free deliveries	(2,533)	(6,281)	(2,510)	(6,281)
Goodwill	(4,190)	(2,811)	-	-
Capital deductions sub-total	**(22,647)**	**(12,839)**	**(18,401)**	**(13,773)**
Total CET1 Capital after deductions	**400,454**	**307,785**	**405,177**	**308,159**
Total Tier 1 Capital after deductions	400,454	307,785	405,177	308,159
Own Funds	**400,454**	**307,785**	**405,177**	**308,159**

6 CAPITAL REQUIREMENTS

6.1 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 SFL Group.

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

In the case of the Global Payments business of SFL 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 Risk Committee of the SFL Board. Any historic charges for bad debts have been well within the SFL'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. SFL applies the effect of netting agreements with the counterparties incorporated in the jurisdictions for which SFL has a positive netting opinion.

6.1.1 External Credit Assessment Institutions ("ECAI")

The SFL Group has chosen to utilise market accepted credit ratings to map its counterparties to the required credit steps, where a rating is available. Such credit rating is available for approximately 1.69% of the exposures to Corporates and 59.16% of the exposure to Institutions. Institutions are weighted at between 20% and 100%, while qualifying central counterparties are weighted at 2%.

Credit Quality Step	Credit Rating	SFL Group/ NED Group 2021/2020	
		2021 USD '000	2020 USD '000
1	AAA to AA-	235,334	181,976
2	A+ to A-	989,786	640,232
3	BBB+ to BBB-	29,809	11,620
4	BB+ to BB-	3,300	3,575
5	B+ to B-	3,716	1,397
6	CCC+ and below	0	0
Rated Exposure Total		**1,261,945**	**838,801**
Unrated		1,778,599	1,719,223
Total		**3,040,544**	**2,558,024**

6.1.2 Methods of calculation of own funds requirement

The SFL Group has adopted the Standardised Approach to calculating credit risk exposure for Pillar I purposes (UK 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 UK CRR Part-3, Title II - Chapter 6-Section 3. Credit risk mitigation methods are applied as set out in UK CRR Part-3, Title II - Chapter 4 to the extent permitted.

SFL includes within the counterparty risk component the client balances which are segregated within the client money regulations. 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.

6.1.3 SFL Group-2021/NED Group-2020 -The risk exposure amounts by geographic location

Geographic Location	Exposure		Risk Weighted Exposure	
	2021 USD '000	2020 USD '000	2021 USD '000	2020 USD '000
Europe	1,804,359	1,487,091	802,567	638,862
Asia	214,080	262,919	186,895	256,657
North America	821,371	648,382	178,949	131,064
Latin America	114,707	28,931	114,557	28,932
Africa	64,870	124,053	66,105	124,724
Australasia	21,157	6,648	4,646	3,424
Total	**3,040,544**	**2,558,024**	**1,353,718**	**1,183,663**

6.1.4 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 the **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:

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	2020 USD '000	2021 USD '000	2020 USD '000
RWE-Credit risk (excluding CCR)	440,727	286,916	425,536	281,322
RWE-Counterparty Credit risk (CCR)	912,991	896,747	912,102	896,508
Total RWE- Credit Risk (incl. CCR)	**1,353,718**	**1,183,663**	**1,337,638**	**1,177,830**
Credit and CCR Capital requirement under Pillar I (at 8%)	**108,297**	**94,693**	**107,011**	**94,226**

6.1.5 SFL Group - The exposure amounts by standardised credit risk exposure classes

Exposure Class	Exposure USD Mil.	RWE Allocation									Total RWE USD Mil.	Capital requirement USD Mil.
		0%	2%	4%	20%	50%	75%	100%	150%	250%		
Central Banks or Central Government	**138**	132	0	0	0	0	0	0	0	6	15	**1**
Institutions	**1,873**	0	528	122	1,110	103	0	10	0	0	299	**24**
Corporates	**906**	0	0	0	0	4	0	893	9	0	908	**73**
Equity	**3**	0	0	0	0	0	0	3	0	0	3	**0**
Retail	**22**	0	0	0	0	0	22	0	0	0	17	**1**
Other items	**98**	0	0	0	0	0	0	89	0	9	112	**9**
Total	**3,041**	**132**	**528**	**122**	**1,110**	**107**	**22**	**995**	**9**	**15**	**1,354**	**108**

6.1.6 Capital requirement on default funds with CCPs

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	2020 USD '000	2021 USD '000	2020 USD '000
Risk Exposure for contributions to the default fund of CCPs	17,112	6,308	17,112	6,308
Contributions to the default fund of CCPs capital requirement under Pillar I (at 8%)	**1,369**	**505**	**1,369**	**505**

6.1.7 Exposures by residual maturity

No long-term loans are extended by the SFL Group. All of the SFL 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:

- Certain non-current assets such as tangible and intangible assets, noting the following non-trading book exposures in equities:
    - SFL owns B shares in LME Holdings Limited as a required 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 2.06mil
    - SFL 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 0.67mil.

6.2 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 SFL Group has adopted the Maturity Ladder Approach to calculate its commodity position risk requirement ("PRR") (UK CRR - Part 3 - Title IV - Chapter 4), and the Standardised Approach for

a) position risk in Equities held in the trading book (UK CRR- Part 3 - Title IV - Chapter 2 - Section 3)

b) Foreign Exchange Risk (UK CRR- Part 3 - Title IV - Chapter 3)

c) position risk in Debt instruments (UK CRR- Part 3 - Title IV - Chapter 2 - Section 2)

The market risk capital requirement for the SFL Group in 2021 and NED Group in 2020 and that of SFL are shown below:

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	**2020 USD '000**	**2021 USD '000**	**2020 USD '000**
Commodity position risk exposure	348,073	210,067	348,073	210,067
FX position risk exposure	125,800	47,690	125,800	43,549
Equities risk exposure	281,886		281,886	
Interest Rates risk exposure	334		334	
Market risk - Total risk exposure	**756,092**	**257,757**	**756,092**	**253,615**
Total market risk capital requirement (at 8%)	**60,487**	**20,621**	**60,487**	**20,289**

6.3 Credit Valuation Adjustment Risk ("CVA")

For over the counter ('OTC') derivatives, in addition to the default risk capital requirements for counterparty credit risk, the SFL Group has calculated a further 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 UK CRR Part 3 - Title VI.

The CVA risk capital requirement for the SFL Group in 2021 and NED Group in 2020 and that of SFL, are as shown below:

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	**2020 USD '000**	**2021 USD '000**	**2020 USD '000**
CVA total risk exposure	50,231	24,515	50,230	24,515
CVA risk capital requirement (at 8%)	**4,018**	**1,961**	**4,018**	**1,961**

6.4 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 SFL Group has adopted the Basic Indicator Approach when calculating Pillar I Operational Risk Capital Requirement ("ORCR"), as outlined in UK 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 UK CRR.

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	**2020 USD '000**	**2021 USD '000**	**2020 USD '000**
Operational risk - Total Risk Exposure	570,848	304,256	568,341	266,053
Operational risk capital requirement (at 8%)	**45,668**	**24,340**	**45,467**	**21,284**

6.5 Non-trading book exposures in equities

These exposures are discussed at **6.1.7 Exposures by residual maturity**.

6.6 Concentration risk

SFL 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. SFL has a margined account with its US affiliate, StoneX Financial Inc., which acts as clearer in markets to which the SFL has no direct access. This is held under the CFTC's rules governing the segregation of client money.

SFL places most of its working capital and funds with two banks. Cash in excess of large exposure limits as laid down by regulations is reviewed and transferred between the banks at the end of each day to balance risks where appropriate.

All these risks are considered acceptable by the Boards of all the companies in the SFL Group. The calculation of concentration risk for the purposes of Pillar I capital requirement follows UK CRR Article 397. The concentration risk capital requirements for the SFL Group in 2021 and NED Group in 2020 and that of SFL at the Review Date.

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	**2020 USD '000**	**2021 USD '000**	**2020 USD '000**
Concentration risk - Total Risk Exposure	0	66,629	0	66,443
Concentration risk capital requirement (at 8%)	**0**	**5,330**	**0**	**5,315**

6.7 Regulatory capital buffers

6.7.1 Combined buffers

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

The Capital Conservation Buffer's 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 Total Risk Exposure Amount multiplied by the weighted average of the Countercyclical Buffer Rates that apply to Exposures in the jurisdictions where the relevant credit exposures are located. CCyB rates published by Bank of England are used. 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:

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD '000	2020 USD '000	2021 USD '000	2020 USD '000
Capital Conservation Buffer- full implementation rate of 2.5%	68,700	46,083	68,236	44,874
Countercyclical Capital Buffer	444	1,380	445	1,344
Combined Buffer-full implementation	**69,144**	**47,463**	**68,681**	**46,218**

6.7.2 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 SFL Group is not a G-SII and hence this buffer is not applicable.

6.8 Approach to ICAAP and ILAA

The evaluation of Pillar I and Pillar II capital requirements are carried out for the SFL Group as part of the 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 SFL 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 ILAA.

6.9 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 SFL Group's credit exposure, past due exposures and credit risk adjustments are immaterial.
- **Exposure to securitisation positions** – there are no such exposures.

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.

	SFL Group/ NED Group 2021/2020		SFL	
	2021 USD ’000	**2020 USD ’000**	**2021 USD ’000**	**2020 USD ’000**
Loans on demand	-	-	-	-
Equity instruments	2,733	2,405	2,733	2,405
Debt securities	43,993	35,985	43,993	35,985
of which: issued by general governments	43,993	35,985	43,993	35,985
Other assets	388,931	335,056	388,931	335,056
Encumbered Assets	**435,657**	**373,447**	**435,657**	**373,447**
Loans on demand	674,978	359,006	668,120	350,659
Equity instruments	-	-	-	-
Debt securities	64,990	49,979	64,990	49,979
of which: issued by general governments	64,990	49,979	64,990	49,979
Other assets	451,728	491,349	434,500	487,270
Unencumbered Assets	**1,191,696**	**900,333**	**1,167,610**	**887,908**
Total Assets	**1,627,353**	**1,273,780**	**1,603,267**	**1,261,356**

8 LEVERAGE

The SFL Group calculates its Leverage ratio as per Article 429 of UK 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 UK CRR in accordance with Article 274 of UK 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.

		SFL Group/ NED Group 2021/2020		SFL	
		2021 USD '000	**2020 USD '000**	**2021 USD '000**	**2020 USD '000**
	Derivatives: Current replacement cost	1,937,552	413,441	1,937,425	412,592
	Derivatives: Add-on	792,087	1,530,806	791,904	1,530,691
	Other assets	1,724,182	1,324,357	1,691,662	1,310,955
	(-) Asset amount deducted - Tier 1	(24,852)	(12,839)	(18,401)	(13,773)
A	**Exposure Measure**	**4,428,968**	**3,255,765**	**4,402,591**	**3,240,465**
B	**Capital Measure-Tier 1 Capital**	**400,454**	**307,785**	**405,177**	**308,159**
C=B/A	**Leverage ratio**	**9.04%**	**9.45%**	**9.20%**	**9.51%**

9 REMUNERATION

SFL falls into Tier 3 for proportionality under the FCA's Remuneration Code ("the Code") and the following disclosures are made on this basis. Thus, in accordance with the requirements of the Code the remuneration disclosures outlined below apply to those subsidiaries.

The SFL Board has formed a Remuneration Committee comprised solely of the non-executive directors of the Firm. The Remuneration Committee has the responsibility to maintain a robust remuneration policy in adherence with the Code and the Group's remuneration practices. The Remuneration Committees is also charged with overseeing the implementation of the Renumeration Practices as part of this responsibility, approves and no less than annually, reviews the provisions of this Policy to ensure:

- Compliance with the Code;
- Consideration of the SFL Group's remuneration practices and policies with reference from time to time by the HCo Compensation Committee;
- That any proposed or existing remuneration structures are consistent with the Firm's risk appetite; and
- That any proposed or existing remuneration practices do not reward poor conduct or performance, or conflict with the principles and spirit of the Code.

For the period 1 October 2020 to 30 September 2021, SFL's remuneration system consisted of both fixed and variable remuneration. The Firm ensured that the fixed and variable components of total remuneration were appropriately balanced. 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. The Firm rewards experience, performance relative to others doing similar work and performance against the market and utilises an approach to remuneration that is designed to enable the Firm to attract, motivate and retain high-calibre people at all levels 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:

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

Variable remuneration at SFL 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 remuneration policies. Bonuses are computed by reference to profitability and other relevant performance indicators, adjusted on recommendation from divisional heads in accordance with assessments of each individual.
- All bonus remuneration consists solely of cash payments, except for senior management who may be required to take a proportion in deferred shares in HCo, such deferral to be between three and five years.

Based on the assessment of the performance of the business group and the individual, share options in HCo 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 HCo, known as the Restricted Share Plan. 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 Firm will not award, pay or provide guaranteed variable remuneration (a sign-on bonus, "golden handshake" or lost opportunity award) to a staff member unless:

- It occurs in the context of hiring a new staff member;
- It is limited to the first year of service;
- The Firm has the appropriately strong capital base, determined by the CFO at the relevant time; and
- The payment of such variable remuneration is approved by the Firm's CFO.

With effect from 1 January 2022, SFL implemented the requirements of SYSC9G of the FCA manual on Senior Management Arrangements, Systems and Controls, also known as the MIFIDPRU Remuneration Code. Staff classified as Material Risk Takers ("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 eligible instruments, such as HCo shares.

The SFL Board has identified 23 members of senior management staff, and 44 members of staff, who have a material impact on the risk profile of SFL as Remuneration Code Staff ("Code Staff"). The aggregate remuneration for all relevant Code Staff and senior management in the year ended 30 September 2021 was as follows:

	No. of Code Staff	Fixed USD '000	Variable USD'000	Deferred Share Options USD '000	Total USD '000
Senior Management	23	6,429	24,454	486	**31,369**
Members of Staff who have a material impact on the risk profile of the firm	44	7,602	23,369	-	**30,971**

The aggregate remuneration for all Code Staff in the year ended 30 September 2021 of the SFL Group, split by business area, was as follows:

	No. of code staff	Fixed USD '000	Variable USD'000	Deferred Share Options USD '000	Total USD '000
Sales, marketing and trading ("Front-Office")	36	7,493	42,581	486	**50,560**
Support	31	6,538	5,242	-	**11,780**

Note: GBP/USD rate 1.3535687
EUR/USD rate 1.14383

The members of each Board within the SFL Group are recruited using a thorough process which considers amongst other things all aspects of diversity, understanding of environmental, society and governance matters, skills and balance required for the long-term success for the SFL 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 SFL Group, evaluate each candidate's suitability for each role.

APPENDIX A

StoneX Financial 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 SFL 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 • Financial crime and anti-money laundering • Legal and governance • Management and remuneration
Primary (Board) Committees		
Audit Committee	Meetings are held every quarter scheduled to 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	The primary purpose of the Audit Committee is to assist the Board in overseeing SFL's audit framework in compliance with the requirements of SFL. The remit of the Audit Committee includes the following: • review internal audit plans; • review, at least twice a year, the tax risk matters and ancillary matters thereto of SFL; • meet with SFL's external auditors at least once a year; • review internal and external audit reports; and • report to the SFL Board on relevant findings and reports described above.

StoneX Financial Ltd		
Body	**Frequency and membership**	**Purpose and remit**
Remuneration Committee	Meetings are held every quarter scheduled to 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 purpose of the Remuneration Committee is to oversee SFL's compliance with the 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 SFL's remuneration policy. The objective of such policy shall be to ensure that members of the executive management and employees of SFL 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 SFL; • 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.
Nominations Committee	Meetings are held at least twice within SFL's financial year to precede the formal quarterly meetings 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 purpose of the Nominations Committee is to oversee SFL's nominations framework in compliance with the requirements of SFL. The remint of the Nominations Committee includes the following: • regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the SFL Board and make recommendations to the Board with regard to any changes; • ensure plans are in place for orderly succession to the Board and senior management positions, in particular staff registered with the FCA as holding Senior Management Functions ("SMFs") as well as the Client Champion Role as required in accordance with the FCA's guidance on the protection of vulnerable customers and to oversee the development of a diverse pipeline for succession; • keep under review the leadership needs of SFL, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;

StoneX

StoneX Financial Ltd	
Body	**Purpose and remit**
Nominations Committee (Continued)	• keep up-to-date and fully informed about strategic issues and commercial changes affecting SFL and the market in which it operates; • be responsible for identifying and nominating for the approval of the board, candidates to fill Board vacancies as and when they arise or ratifying such appointments post facto; • in the context of any appointment made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and amongst the SMF's and, in the light of this evaluation, consider the description of the role and capabilities required for a particular appointment and the time commitment expected; • consider any other significant time commitments and other business interests which may result in a conflict of interest and which should be disclosed prior to the appointment of a director; • ensure that, on appointment to the Board, independent non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings; • review the results of the Board performance evaluation process that relate to the composition of the Board and succession planning; • review periodically the time required from independent non-executive directors. Performance evaluation should be used to assess whether independent the non-executive directors are spending enough time to fulfil their duties; • work and liaise as necessary with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly; and • make recommendations to the Board concerning: a. any changes needed to the succession planning process if its periodic assessment indicates the desired outcomes have not been achieved; b. suitable candidates as new directors and succession for existing directors; c. membership of the risk, audit and remuneration committees, and any other Board committees as appropriate, in consultation with the chair of those committees; d. the re-appointment of independent non-executive directors at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required; and e. any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of applicable law and their service contract.

StoneX Financial Ltd		
Body	**Frequency and membership**	**Purpose and remit**
Risk Committee	Meetings are held every quarter scheduled to 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 purpose of the Risk Committee is to oversee the risk policy of SFL. The remit of the Risk Committee includes the following: • oversee and report to the SFL Board on the current risk exposures of SFL 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 SFL arising directly or indirectly from the immediate parent company or the StoneX group; • consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards; and • review promptly all reports on SFL from the Head of Risk.
Executive Committees		
Approvals Committee	Meetings are held monthly in SFL's financial year and as otherwise required. Membership of this Committee shall be senior management members and an executive director who has the appropriate knowledge, skills expertise and experience required by the Committee to fulfil its purpose and remit.	The Approvals Committee oversees the consideration and approval of new products and new business initiatives as defined in both the Product Governance Policy and the New Business Initiative Policy in compliance with the requirements of SFL. The remit of this Committee includes the following: • review of proposals for new products and new business initiatives as received from relevant members of the SFL's commercial teams; and • monitor and review performance of approved new products and business initiatives, where necessary, for a reasonable period immediately following approval.

StoneX Financial Ltd		
Body	**Frequency and membership**	**Purpose and remit**
Best Execution Committee	Meetings are held at least once every quarter in SFL's financial year. Membership of this Committee shall be senior management members and an executive director who has the appropriate knowledge, skills expertise and experience required by the Committee to fulfil its purpose and remit.	The purpose of the Committee is to assist the SFL Board with the management of SFL's Best Execution Framework in compliance with the requirements of SFL. The remit of the Committee includes the following: • record the assessment, conclusions and actions arising from the meetings in relation to SFL's adherence to the best execution requirements; • ensure that the actions arising are implemented; • track current developments tasks and expected completion dates; • define requirements for future development and raise Business Change Requests; • manage development priorities; and • ensure the Pricing Development Team is adequately resourced after taking into account Committee priorities and budgets.
Client Money Assets and Safeguarding Committee	Meetings are held at least once every two calendar months and as otherwise required. Membership of this Committee shall be senior management member and an executive director who has the appropriate knowledge, skills expertise and experience required by the Committee to fulfil its purpose and remit.	The purpose of the Committee is to provide a high-level overview and supervision of SFL's management and controls surrounding client money and safeguarding matters in accordance with the FCA's CASS Rules and the Payment Services Regulations ("PSRs") 2017 ("Rules"). The remit of the Committee covers the following: • review of the CASS and PSRs breach registers; • review of regulatory filings required by the Rules; • review of measures or changes proposed by the business to comply with the Rules; • review of the internal and external auditors' CASS and safeguarding audit reports; • report to the executive directors of the SFL Board on CASS and safeguarding measures, initiatives, and decisions taken at the Committee's meetings;

StoneX Financial Ltd		
Body	**Frequency and membership**	**Purpose and remit**
Client Money Assets and Safeguarding Committee (Continued)		• ensuring all employees are trained on CASS and safeguarding compliance procedures, policies and measures of SFL 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 executive directors of the SFL Board; • review any changes, if applicable, to the current Lockbox arrangements; and • review service levels of any third party providers of outsourcing arrangements and banks and other custodians.
Compliance Committee	Meetings are held at least once every calendar month and as otherwise required. Membership of this Committee shall be senior management members and executive directors who have the appropriate knowledge, skills expertise and experience required by the Committee to fulfil its purpose and remit.	The purpose of the Committee is to provide a high-level overview and supervision of SFL's management and controls surrounding regulatory matters. The remit of this Committee includes the following: • review breaches; • review and approve relevant policies including the Compliance Monitoring Programme with any material changes to be reported to the SFL Board; • review monitoring results and follow up actions/tracking mitigation; • monitor any regulatory developments and any implementation requirements; • monitor compliance with trade reporting and other reporting obligations; • review progress on compliance projects and the Management Information pack; • monitor any conflicts of interest across SFL; • review the performance against best execution obligations; • ensure anti market abuse initiatives are deployed and followed; and • ensure all employees are trained on compliance matters with the assistance of the Compliance department, including reviewing training records/attendance lists.

StoneX Financial Ltd		
Body	**Frequency and membership**	**Purpose and remit**
Financial Crime Prevention Committee	Meetings are held at least monthly or more frequently as required by the Money Laundering Reporting Officer ("MLRO"). Membership of this Committee shall be senior management members and executive directors who have the appropriate knowledge, skills expertise and experience required by the Committee to fulfil its purpose and remit.	The purpose of the Committee is to oversee and supervise SFL's management and controls in accordance with applicable laws and regulations in relation to anti-money laundering and Counter Terrorist Financing, anti-bribery and corruption, modern slavery, responsible sourcing and tax evasion and support the Chief Money Laundering Reporting Officer and Head of Financial Crime Prevention, EMEA in the fulfilment of their regulatory obligations. The remit of this Committee includes the following: • review of SFL's suite of Financial Crime policies & procedures; • review of Financial Crime Risk Profile of SFL; • review of the audit reports on Financial Crime matters; • review of regulatory developments/fines in the industry and their potential relevance to SFL; • approve proposed business lines/customers with respect to their effect on the Financial Crime risk profile of SFL as determined by the MLRO; • review of the number and nature of business relationships that were terminated due to Financial Crime concerns; • review of details of any true sanction hits; • consider information about suspicious activity where required by any applicable law or regulation; and • ensure all employees are trained effectively on an appropriate range of Financial Crime risks, and their obligations in relation to those risks within SFL.
Liquidity Management Committee	Meetings are held on an ad-hoc basis at the request of a member of the Committee. Membership of this Committee shall be senior management members and an executive director who has the appropriate knowledge, skills expertise and experience required by the Committee to fulfil its purpose and remit.	The purpose of the Committee is to assist the SFL Board in setting SFL's overall risk strategy and tolerance and assist the SFL Board in overseeing the implementation of that strategy by executive management and to monitor SFL's liquidity. The remit of this Committee includes the following: • review the current liquidity stress testing model of SFL; • review the applicability of the stress testing models and recent liquidity "squeezes"; and • review and assess the "balance" of the trading book of SFL.

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