

StoneX[®]



INTL NETHERLANDS BV

**Pillar III disclosures
As at 30 September 2020**

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1 OVERVIEW

1.1 Group Structure

INTL Netherlands BV (“NED” or the “Company”) is a wholly owned subsidiary of StoneX Group Inc., a US corporation (“Group”) quoted on the US NASDAQ exchange. At the 30 September 2020 (“Review Date”) the Company owned and controlled (directly and indirectly) 100% of four regulated entities:

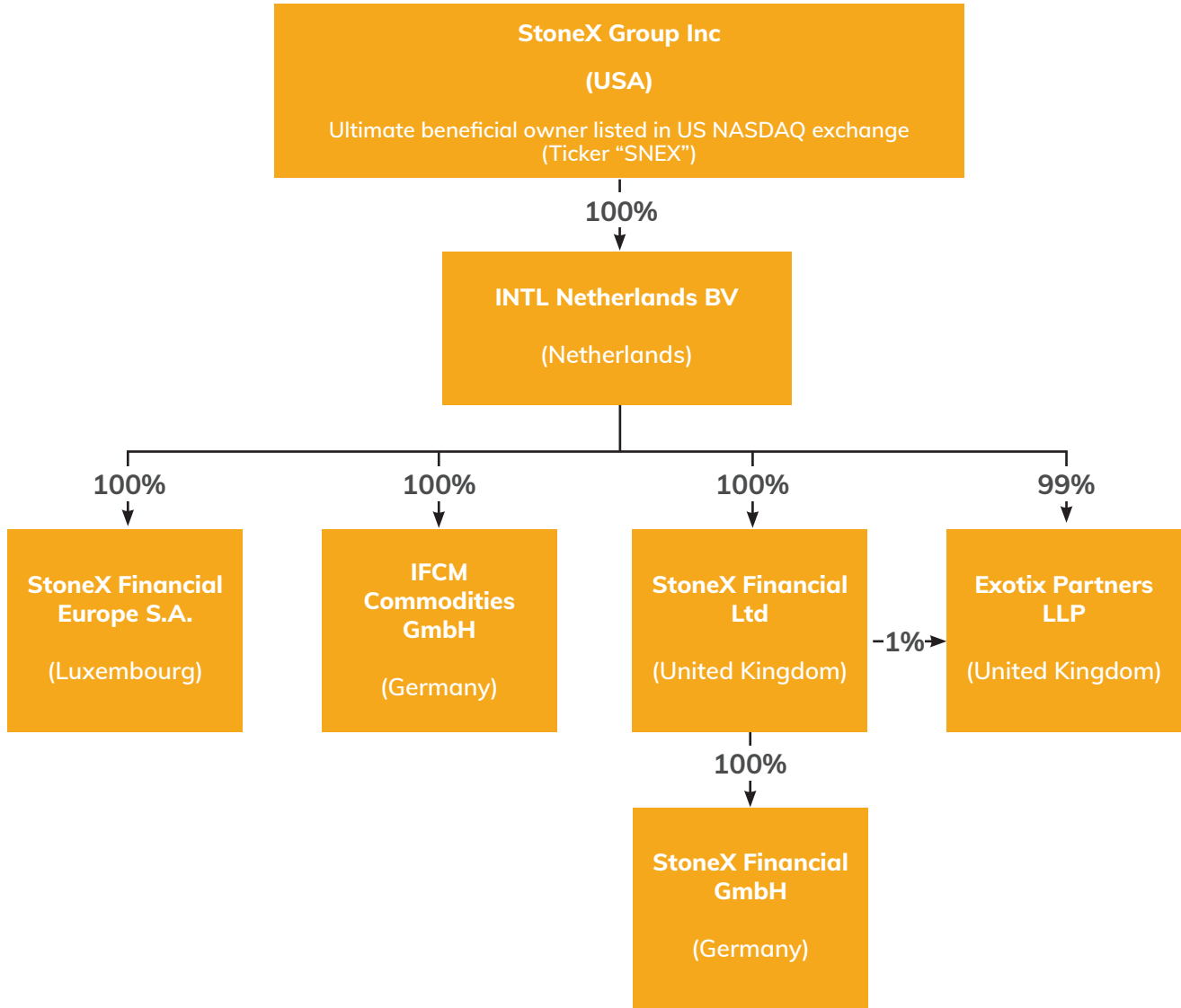
- **StoneX Financial Ltd** (“SFL”), formerly known as INTL FCStone Ltd, full scope IFPRU €730K investment firm, incorporated and resident in the UK and regulated by the UK Financial Conduct Authority (“FCA”);
- **StoneX Financial Europe SA** (“SFE”), formerly known as INTL FCStone Europe S.A., full scope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

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

During 2020, the Group carried out a re-branding exercise where many of the legal entity names were re-titled with the caption.

On 31 July 2020, StoneX Group Inc. completed its acquisition of GAIN Capital Holdings, Inc., an online provider of retail foreign exchange trading and related services serving over 130,000 retail and institutional investors through its FOREX.com and City Index platforms, among other channels.

As part of the global integration of this acquisition, during 2021 the business activities from GAIN’s UK legal entity, GAIN Capital UK Limited, were transferred to SFL.



In October 2019 the SFL’s Irish branch was transferred to SFE, to enable that office to continue to introduce EU business to the SFL taking advantage of SFE’s EU passport. SFE currently has branches based in Germany and Ireland.

IFCM Commodities GmbH (“IFCM”), based in Germany, was acquired by NED in January 2020 and had previously acted as an introducing broker to the SFL commodities business.

During April 2020, SFL acquired 1% of the brokerage business of Exotix Partners LLP (formerly part of the Tellimer Group) with the other 99% being acquired by NED. The firm is an executing broker in emerging markets fixed income and equities securities. As at 30 September 2020 Exotix Partners LLP had an active branch in the United Arab Emirates. In December 2020 the transfer of the business of Exotix Partners LLP over to SFL was completed and the process of liquidating the legal partnership commenced.

In May 2020, SFL acquired 100% of the payment services business formerly known as Giroxx GmbH, now named StoneX Financial GmbH. This is a Germany based firm that provides payment services to its predominantly EU customer base, including those across the Group.

1.2 Scope of disclosure requirements

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

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

- **Pillar I:** The minimum capital requirements the authorised firms are required to hold for credit, market, credit valuation adjustment and operational risks.
- **Pillar II:** Designed to complement Pillar I requirements by assessing the need to hold additional capital to ensure there is sufficient capital overall to cover all risks faced. This is assessed through an Internal Capital Adequacy Process ("ICAAP") which is reviewed by the FCA through a Supervisory Review and Evaluation Process ("SREP").
- **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.

1.3 Non-material, proprietary or confidential information

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

This document focuses on the NED Group and its main subsidiary, SFL, since SFE, SFG, IFCM and EPL have non-material impacts for the year under review.

1.4 Basis and frequency of disclosures

The following disclosures apply to the Company's consolidated financial position and are prepared in accordance with the Part Eight of the EU CRR (Articles 431-455). This document was reviewed and approved by the NED, SFL and SFE Boards of Directors in March 2021.

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

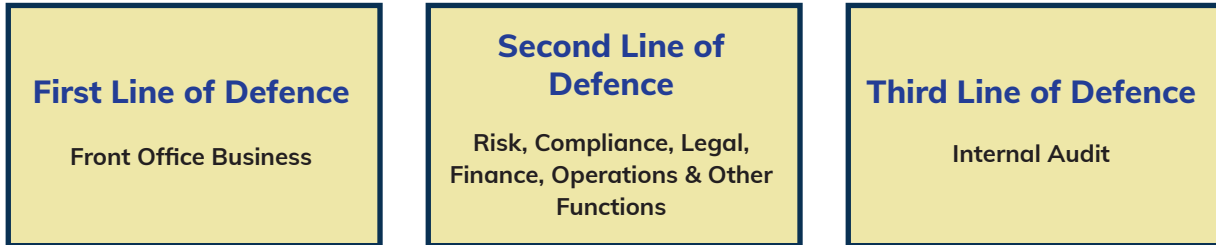
Unless otherwise stated all figures are as at **30 September 2020** and are in US Dollars which is the NED Group's reporting currency.

1.5 Location and verification

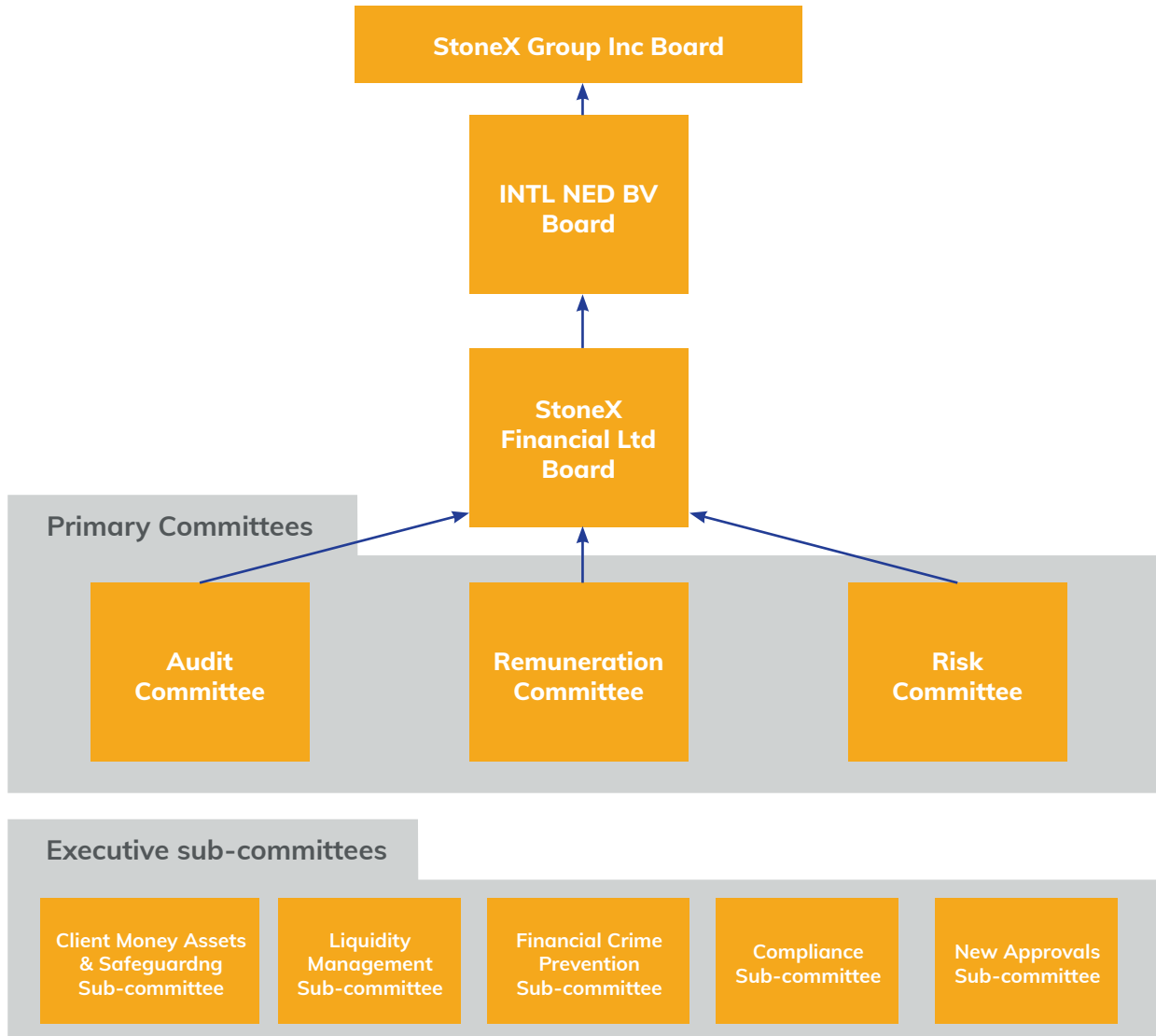
The Pillar III disclosures are published on the Group's corporate website: <https://ir.stonex.com/> where information regarding the location of the financial statements of each entity may be found. Disclosure will only be subject to external verification to the extent they are equivalent to those taken from the audited annual financial statements. These disclosures explain how the NED and its subsidiaries' Boards have calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about the Group, NED Group 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 NED Group and subsidiaries' 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 subsidiary, the following formal primary committees and executive sub-committees are shown including the flow to the ultimate Board of the Group.



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

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

NED

Name	Board role	Other Information
William Dunaway	Executive Director	Group Chief Financial Officer
Corporay BV	Executive Director	-
Philip Smith	Executive Director	Chief Executive Officer - SFL

SFL

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

SFE

Name	Board role	Other Information
Philip Smith	Executive Director	Chief Executive Officer - SFL
Stephen Bailey	Executive Director	-
Ramon Martul Franco	Executive Director	Chief Executive Officer - IFCM
Mika Valanki	Executive Director	-

SFG

Name	Board role	Other Information
Philip Smith	Executive Director	Chief Executive Officer - SFL
Stephen Bailey	Executive Director	-
Ramon Martul Franco	Executive Director	Chief Executive Officer - IFCM
Klaus Hoffman	Executive Director	Chief Executive Officer
Joerg Sonnenschein	Executive Director	-

EPL

Name	Board role	Other Information
Philip Smith	Board Member	Chief Executive Officer - SFL
Stephen Bailey	Board Member	-

IFCM

Name	Board role	Other Information
Ramon Martul Franco	Executive Director	Chief Executive Officer
Wolfgang Gebert	Executive Director	-
Mark Wendt	Executive Director	-

3 RISK MANAGEMENT

3.1 Risk declaration

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

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

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

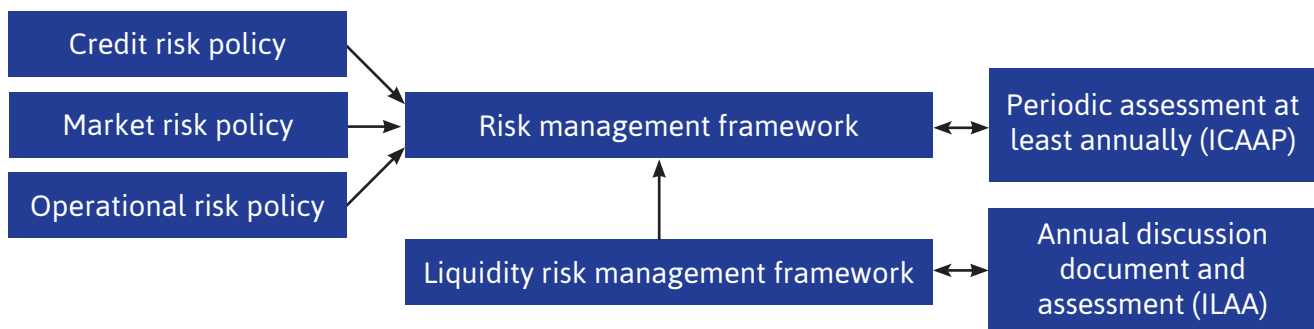
SFL’s Board is required to ensure that its strategy and risk parameters operate within the boundaries set by the Group but has the authority to implement a more conservative strategy and set of risk parameters. Therefore, SFL’s risk appetite aims to:

- Be reflective of current 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.

SFL’s CEO and 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 may advise it on matters concerning the risk appetite and management of risks by the Risk function.

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 NED 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 the Group Risk Management Committee.

Risk reporting generates a suite of daily reports across all risk areas, with reports to line management encompassing the highest level of detail for business or functional areas, whilst reports to committees and the 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, typically overnight. 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 credit risk policy sets risk appetite such that no two closely occurring defaults would be expected to exceed a tolerable percentage of its net equity capital at any time. In the case of clients with derivative contracts this is based on 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, bank guarantees to mitigate credit risk, and warrants may also be accepted. 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 ILAS regime (per 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") being reported to the SFL Board. These KRIs have been developed with the Group's Operational Risk Management team and a standardised approach has been adopted across the Group.

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

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

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 New Products subcommittee.

All identified risks are reviewed by the Operational Risk department and at least once a year the whole management team is invited to challenge the impact and effectiveness of mitigation, in a process overseen by 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 NED Group and its main subsidiary (SFL) are shown below:

Section		NED Group		SFL	
		2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
A	COMMON EQUITY TIER 1 CAPITAL	307,785	287,390	308,159	287,482
B	TIER 1 CAPITAL	307,785	287,390	308,159	287,482
C	5 TOTAL CAPITAL RESOURCES-OWN FUNDS	307,785	287,390	308,159	287,482
	Credit and Counterparty Risks- RWE	1,189,971	862,680	1,184,138	861,779
6.1.4	Of which Standardised Approach	1,183,663	860,632	1,177,830	859,731
6.1.6	Of which Default fund of a CCP	6,308	2,048	6,308	2,048
	Settlement/Delivery	199	24	199	24
6.2	Market risk	257,757	418,516	253,615	417,611
6.4	Operational risk	304,256	256,739	266,053	246,861
6.3	Credit Valuation Adjustment	24,515	15,289	24,515	15,289
6.6	Concentration Risk	66,629	-	66,443	-
D	Total Risk Exposure Amount	1,843,327	1,553,247	1,794,963	1,541,564
E=D*8%	Total (Pillar I) Capital Requirement	147,466	124,260	143,597	123,325
F=C-E	Pillar I Surplus (+)/Deficit (-) of Total capital	160,319	163,130	164,561	164,157
G = C/D	Pillar I Capital Ratio	16.70%	18.50%	17.17%	18.65%

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

5 OWN FUNDS-CAPITAL RESOURCES

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

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Common Equity Tier 1 (CET1) capital:				
Permanent share capital	30,597	30,000	90,000	90,000
Previous years' retained earnings	248,794	214,934	186,750	152,336
Profit for the year	41,234	53,447	45,181	55,751
CET1 Sub-total	320,624	298,381	321,931	298,087
Deductions from capital:				
Significant Inv. in a Financial Entity			(5,522)	
Intangible assets	(2,717)	(3,749)	(939)	(3,738)
Free deliveries	(6,281)	(5,984)	(6,281)	(5,984)
Goodwill	(2,811)	(376)	-	-
Deferred tax assets	(1,030)	(882)	(1,030)	(882)
Capital deductions sub-total	(12,839)	(10,991)	(13,773)	(10,604)
Total CET1 Capital after deductions	307,785	287,390	308,159	287,482
Total Tier 1 Capital after deductions	307,785	287,390	308,159	287,482
Own Funds	307,785	287,390	308,159	287,482

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 NED 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 NED 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 0.97% of the exposures to Corporates and 50.35% 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	Exposure – NED Group	
		2020 USD '000	2019 USD '000
1	AAA to AA-	181,976	139,573
2	A+ to A-	640,232	432,081
3	BBB+ to BBB-	11,620	16,684
4	BB+ to BB-	3,575	4,682
5	B+ to B-	1,397	5,222
6	CCC+ and below	0	0
Rated Exposure Total		838,801	598,242
Unrated		1,719,223	1,376,288
Total		2,558,024	1,974,530

6.1.2 Methods of calculation of own funds requirement

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

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

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 NED Group -The risk exposure amounts by geographic location

Geographic Location	Exposure		Risk Weighted Exposure	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Europe	1,487,091	1,157,846	638,862	437,927
Asia	262,919	176,096	256,657	168,245
North America	648,382	503,574	131,064	116,981
Latin America	28,931	76,631	28,932	76,000
Africa	124,053	56,085	124,724	59,194
Australasia	6,648	4,298	3,424	2,285
Total	2,558,024	1,974,530	1,183,663	860,632

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:

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
RWE-Credit risk (excluding CCR)	286,916	143,284	281,322	142,382
RWE-Counterparty Credit	896,747	717,348	896,508	717,348
Total RWE- Credit Risk (incl. CCR)	1,183,663	860,632	1,177,830	859,730
Credit and CCR Capital requirement under Pillar I (at 8%)	94,693	68,851	94,226	68,778

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

Exposure Class	Exposure USD '000	RW Exposure Allocation							Total RW Exposure USD '000	Capital requirement USD '000
		0%	2%	4%	20%	50%	100%	150%		
Central Banks or Central Government	118,169	118,169	0	0	0	0	0	0	0	0
Institutions	1,476,803	0	535,127	166,124	645,063	111,813	18,676	0	220,943	17,675
Corporates	939,703	0	0	0	0	2,777	934,815	2,112	939,371	75,150
Equity	2,405	0	0	0	0	0	2,405	0	2,405	192
Other items	20,944	0	0	0	0	0	20,944	0	20,944	1,676
Total	2,558,024	118,169	535,127	166,124	645,063	114,590	976,840	2,112	1,183,663	94,693

6.1.6 Capital requirement on default funds with CCPs

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Risk Exposure for contributions to the default fund of CCPs	6,308	2,048	6,308	2,048
Contributions to the default fund of CCPs capital requirement under Pillar I (at 8%)	505	164	505	164

6.1.7 Exposures by residual maturity

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

- 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 2,064,249.
 - 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 341,183.

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 NED Group has adopted the Maturity Ladder Approach to calculate its commodity

position risk requirement (“PRR”) (EU CRR - Part 3 - Title IV - Chapter 4), and the Standardised Approach for both a) position risk in equities held in the trading book (EU CRR- Part 3 - Title IV - Chapter 2 - Section 3) and b) Foreign Exchange Risk (EU CRR- Part 3 - Title IV - Chapter 3). The market risk capital requirement for the NED Group and SFL are as shown below:

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Commodity position risk exposure	210,067	399,878	210,067	399,878
FX position risk exposure	47,690	18,637	43,549	17,733
Market risk - Total risk exposure	257,757	418,515	253,615	417,611
Total market risk capital requirement (at 8%)	20,621	33,481	20,289	33,409

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 NED Group has calculated an additional capital charge to cover the risk of mark-to-market losses associated with deterioration in the creditworthiness of the counterparty. As the counterparty’s financial position worsens, the market value of its derivatives obligation declines, even though there might not be an actual default. The CVA risk was calculated using the Standardised method as per the rules outlines in EU CRR Part 3 - Title VI.

The CVA risk capital requirement for the NED Group and its subsidiary, SFL, are as shown below:

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
CVA total risk exposure	24,515	15,289	24,515	15,289
CVA risk capital requirement (at 8%)	1,961	1,223	1,961	1,223

6.4 Operational risk

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

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

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Operational risk - Total Risk Exposure	304,256	256,739	266,053	246,861
Operational risk capital requirement	24,340	20,539	21,284	19,749

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 its two banks. Cash in excess of large exposure limits as laid down by regulations is transferred between the banks at the end of each day to balance risks.

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

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Concentration risk - Total Risk Exposure	66,629	-	66,443	-
Concentration risk capital requirement (at 8%)	5,330	-	5,315	-

6.7 Regulatory capital buffers

6.7.1 Combined buffers

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

The Capital Conservation Buffer'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:

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Capital Conservation Buffer- full implementation rate of 2.5%	46,083	38,831	44,874	38,539
Countercyclical Capital Buffer	1,380	1,890	1,344	1,876
Combined Buffer-full implementation	47,463	40,721	46,218	40,415

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 NED 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 NED 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 NED Group Board and includes an assessment of capital required for liquidity purposes. Notably the liquidity risk is included with operational risk within the ICAAP by reference to the Internal Liquidity Adequacy Assessment (“ILAA”).

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 NED 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.

	NED Group		SFL	
	2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
Loans on demand	-	-	-	-
Equity instruments	2,405	3,742	2,405	3,742
Debt securities	35,985	43,733	35,985	43,733
of which: issued by general governments	35,985	43,733	35,985	43,733
Other assets	335,056	336,647	335,056	336,647
Encumbered Assets	373,447	384,122	373,447	384,122
Loans on demand	359,006	273,069	350,659	271,658
Equity instruments	-	-	-	-
Debt securities	49,979	54,674	49,979	54,674
of which: issued by general governments	49,979	54,674	49,979	54,674
Other assets	491,349	203,953	487,270	202,764
Unencumbered Assets	900,333	531,696	475,400	529,095
Total Assets	1,273,780	915,818	730,442	913,218

8 LEVERAGE

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

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

		NED Group		SFL	
		2020 USD '000	2019 USD '000	2020 USD '000	2019 USD '000
	Derivatives: Current replacement cost	413,441	339,533	412,592	339,533
	Derivatives: Add-on	1,530,806	1,390,702	1,530,691	1,390,702
	Other assets	1,324,357	999,863	1,310,955	997,833
	(-) Asset amount deducted - Tier 1	(12,839)	(10,992)	(13,773)	(10,604)
A	Exposure Measure	3,255,765	2,719,107	3,240,465	2,717,464
B	Capital Measure-Tier 1 Capital	307,785	287,390	308,159	287,482
C=B/A	Leverage ratio	9.45%	10.57%	9.51%	10.58%

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. Within the NED group all entities actively engage in business activities and have employed staff. Thus, in accordance with the requirements of the Remuneration Code the remuneration disclosures outlined below apply to those subsidiaries.

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

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

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

Variable remuneration at 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 Group policies. Bonuses are computed by reference to profitability and other performance indicators relevant to the Group, adjusted on recommendation from divisional heads in accordance with assessments of each individual and reviewed by the Remuneration Committee and Board of SFL.

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

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

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

The NED Group has identified 21 members of senior management staff, and 40 members of staff, who have a material impact on the risk profile of SFL as Remuneration Code Staff (Code Staff). In the year ended 30 September 2020, one newly hired Code staff was granted a guaranteed bonus, which was limited to their first year of employment. The aggregate remuneration for all relevant Code Staff and senior management in the year ended 30 September 2020 in the NED Group was as follows:

	No. of Code Staff	Fixed USD '000	Variable USD'000	Deferred Share Options USD '000	Restricted Stock USD '000	Total USD '000
Senior Management	21	3,689	10,550	5,009	400	19,648
Members of Staff who have a material impact on the risk profile of the firm	40	5,579	18,071	48	2	23,700

The aggregate remuneration for all Code staff in the year ended 30 September 2020 of the NED Group, split by business area, was as follows:

	No. of code staff	Fixed USD '000	Variable USD'000	Deferred Share Options USD '000	Restricted Stock USD '000	Total USD '000
Sales, marketing and trading ("Front-Office")	38	5,696	26,521	-	104	32,321
Support	23	3,571	2,100	5,057	298	11,026

Note: 30/09/2020 GBP/USD rate 1.2919
30/09/2020 EUR/USD rate 1.1721

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

APPENDIX A

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.	<p>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.</p> <p>The summary of matters within the remit of the Board are summarised as follows:</p> <ul style="list-style-type: none"> • Business strategy • Regulatory matters • Financial matters • Risk management, internal control and audit • Compliance • Legal and governance • Management and remuneration
Primary (Board) Committees		
Audit Committee	Meetings are held every quarter scheduled to immediately precede each formal quarterly Board meeting of the Board. The membership of this committee comprises non-executive directors only. Executive directors and other members of the senior management team will be in attendance as appropriate.	<p>The primary purpose of the Audit Committee is to assist the Board in managing SFL's internal and external audit framework (as well as any specific subject matter audits such as Client Money/Assets audits) in compliance with the requirements of SFL.</p> <p>The remit of the Audit Committee includes the following:</p> <ul style="list-style-type: none"> • 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; • report to the Board on relevant findings and reports described above; and • consider relevant reports, findings and/or recommendations from the Sub-Committees.

StoneX Financial Ltd

Body	Frequency and membership	Purpose and remit
Remuneration Committee	Meetings are held every quarter scheduled to immediately precede each formal quarterly Board meeting of the Board. The membership of this committee comprises non-executive directors only. Executive directors and other members of the senior management team will be in attendance as appropriate.	<p>The purpose of the Remuneration Committee is to assist the Board in its oversight of SFL’s compliance with the FCA’s applicable regulatory requirements, particularly relating to the maintenance of a legally and regulatory compliant remuneration policy.</p> <p>The remit of the Remuneration Committee includes the following:</p> <ul style="list-style-type: none"> • 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.

StoneX Financial Ltd

Body	Frequency and membership	Purpose and remit
Risk Committee	<p>Meetings are held every quarter scheduled to immediately precede each formal quarterly Board meeting of the Board. The membership of this committee comprises non-executive directors only. Executive directors and other members of the senior management team will be in attendance as appropriate.</p>	<p>The purpose of the Risk Committee is to assist the Board in setting the SFL's overall risk strategy and tolerance and assist the Board in overseeing the implementation of that strategy by executive management.</p> <p>The remit of the Risk Committee includes the following:</p> <ul style="list-style-type: none"> • oversee and report to the 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; • review promptly all reports on SFL from the Head of Risk; and • consider reports, findings and/or recommendations from the Sub-Committees.

StoneX Financial Ltd		
Body	Frequency and membership	Purpose and remit
Executive Sub-Committees		
Client Money Assets and Safeguarding Sub-Committee	<p>Meetings are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit.</p> <p>Meetings are held every monthly. In addition, the Sub-Committee may conduct ad-hoc meetings where necessary.</p>	<p>The purpose of the Sub-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") in support of the relevant Senior Manager in accordance with the Rules.</p> <p>The remit of the Sub-Committee covers the following:</p> <ul style="list-style-type: none"> • 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; • update the Audit Committee on CASS and safeguarding measures, initiatives, and decisions taken at the Sub-Committee's meetings; • ensuring all employees are trained on CASS and safeguarding compliance procedures, policies and measures of 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 Audit Committee; • 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.

StoneX Financial Ltd		
Body	Frequency and membership	Purpose and remit
Liquidity Management Sub-Committee	<p>Meetings are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit.</p> <p>Meetings are held on an ad-hoc basis when required with members.</p>	<p>The purpose of the Sub-Committee is to assist in setting the SFL's overall risk strategy and tolerance and report on the implementation of that strategy.</p> <p>The remit of this Sub-Committee includes the following:</p> <ul style="list-style-type: none"> • review the current liquidity stress testing models; • review the applicability of the stress testing models and recent liquidity “squeezes”; and • review and assess the “balance” of the trading book.

StoneX Financial Ltd		
Body	Frequency and membership	Purpose and remit
<p>Financial Crime Prevention Sub-Committee</p>	<p>Meetings are held once a calendar month and are attended by the members (including the Compliance Officer and Money Laundering Officer (“MLRO”) as well as any other senior member of the Compliance department and the SFL’s executive management) and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit. In addition, the Sub-Committee may conduct ad-hoc meetings where necessary.</p>	<p>The purpose of the Sub-Committee is to oversee and supervise SFL’s management and controls in accordance with applicable Anti-Money Laundering (“AML”) and Counter Terrorist Financing (“CTF”) laws and regulations and support the Chief Money Laundering Reporting Officer in the fulfilment of their regulatory obligations.</p> <p>The remit of this Sub-Committee includes the following:</p> <ul style="list-style-type: none"> • Review of SFL’s suite of Financial Crime policies & procedures; • Review of Financial Crime Risk Profile of SFL; • Review of the internal and external Auditors’ reports on Financial Crime matters; • Review of regulatory developments/fines in the industry and their potential relevance to SFL; • Approval of certain 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; • Receive information about suspicious activity reports considered or submitted, where this is relevant and appropriate; 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.

StoneX Financial Ltd

Body	Frequency and membership	Purpose and remit
<p>Compliance Sub-Committee</p>	<p>Meetings are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit.</p> <p>Meetings are held every calendar month. In addition, the Sub-Committee may conduct ad-hoc meetings where necessary.</p>	<p>The purpose of the Sub-Committee is to provide a high-level overview and supervision of SFL's management and controls surrounding regulatory matters.</p> <p>The remit of this Sub-Committee includes the following:</p> <ul style="list-style-type: none"> • review the breach register and approve relevant policies including the Compliance Monitoring Program with any material changes to be reported to the 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.
<p>Approvals Sub-Committee</p>	<p>Meetings are attended by the members and any other party (senior management member and an executive who has the appropriate knowledge, skills expertise and experience) required by the Sub-Committee to fulfil its purpose and remit.</p> <p>The Sub-Committee meets once every two weeks. In addition, the Sub-Committee may conduct ad-hoc meetings where necessary.</p>	<p>The Approvals Sub-Committee oversees the consideration and approval of new products of SFL . The remit of this Sub-Committee includes the following:</p> <ul style="list-style-type: none"> • review of proposals for new products, services and activities as received from relevant members of the SFL's commercial teams; and • monitor and review performance of approved new products and services, where necessary, for a reasonable period immediately following approval to ensure continued viability.

