



StoneX[®]

— 100 years —

StoneX Financial Ltd

Disclosures

September 2023

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1. Overview

1.1 Introduction

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

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

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

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

1.2 Frequency and Scope

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

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

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

The disclosures are published at least annually following the publication of the annual financial statements. Unless otherwise stated all figures are as of 30 September 2023 and are in US Dollars, which is SFL's reporting currency.

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

2. Risk Management

2.1 Overview

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

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

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

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

2.2 Risk Management Process

The Firm's Board is responsible for ensuring that SFL has a robust and effective internal control system to manage its risks. The Board sets the tone for risk management and internal controls and puts in place appropriate systems to enable it to meet its responsibilities effectively.

The Board promotes a corporate culture in which the identification, measurement and control of risks are embedded. This allows the Firm to determine the risks it is willing to take to achieve its strategic objectives.

To exercise its responsibilities effectively, the Firm's Board:

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

2.3 Risk Committee

The SFL Risk Committee provides oversight of the Risk and Compliance functions, with meetings on a quarterly basis where various risks faced by the Firm are discussed and reviewed.

SFL's independent Non-Executive Directors assist the Firm's Board through the actions of the Risk Committee in ensuring the safety and soundness of the Firm by monitoring the operations of:

- effective internal control;
- capital and liquidity management;
- risk management; and
- compliance oversight.

The responsibilities of the SFL Risk Committee are described in detail in its Terms of Reference as approved by the Board from time to time.

2.4 Risk Management Framework

The Risk Management Framework sets out how SFL supplements, complements and reinforces the Global Risk Management Framework, thereby promoting an environment of prudent and appropriate risk-taking at the regional level.

The objective of the Risk Management Framework is to provide management with a formalised structure that is designed to:

- define the Risk Governance Framework and explain the relationships among the SFL Board, the Group Executive Risk Committee, and the SFL Risk Committee;
- set out the respective risk management roles and responsibilities;
- describe the Risk Management function; and
- outline the Firm's Risk Appetite Statement ('RAS').

Policies are set at the global StoneX Group level with local regulatory policies and processes in place as required. Financial and operational risks are consistently measured across the group with specific risk limits and risk appetite statements in place at the Firm level, with reporting and escalation to the SFL Risk Committee and Board.

2.5 The Three Lines of Defence Model

To ensure appropriate responsibility is allocated for the identification, management, control and oversight of the key risks identified by the Firm, SFL has adopted a 'Three Lines of Defence' model which consists of the following:

2.5.1 The First Line of Defence – Risk Owners

Risk Owners have primary responsibility, accountability and decision-making authority for managing their risks within the limits based on the risk appetite set by the SFL Board.

Risk Owners are heads of business lines, heads of support functions, and their respective subject matter experts whose responsibility is to identify all relevant risks affecting that line and to put in place processes for monitoring and mitigating any such perceived risks.

2.5.2 The Second Line of Defence – Effective Oversight

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

2.5.3 The Third Line of Defence – Independent Assurance by the Internal Audit Function

The entity's third line of defence, Internal Audit, provides objective and independent assurance, reporting directly to the SFL Audit Committee and the SFL Board. The SFL Internal Audit function forms part of the overall group function. The scope of internal audit encompasses but is not limited to, the examination and evaluation of the adequacy and overall effectiveness of the organisation's governance, risk management and control framework and processes, prioritising the greatest areas of risk.

The independence of the Internal Audit function from day-to-day line management responsibility and its adequate resourcing are critical to its ability to deliver appropriate audit coverage by maintaining an independent and objective stance. Internal Audit is free from interference by any element in the organisation, including on matters of audit selection, scope, procedures, frequency, timing or internal audit report content.

Figure 1 - Internal Audit Process



The Internal Audit planning process includes assessing the inherent risks and strength of the control environment across the entity. The results of this assessment are combined with a top-down analysis of risk themes by risk category to ensure that the themes identified are addressed in the annual plan.

2.6 Risk Monitoring and Reporting

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

2.7 Risk Appetite

Risk and reward are common factors in the management of any business and firms should have a good grasp of what their risks are, how to measure them and whether they are acceptable given the rewards expected. The Firm's Risk Appetite Framework ('RAF') is an essential element of its risk management as it represents the degree of risks the Firm's management body is willing to accept.

The development and establishment of an effective RAF is an iterative and evolutionary process that requires ongoing dialogue throughout the Firm. Assessing the risk appetite of the Firm is effectively a judgemental piece of work as it asks, 'what risks are we willing to take to achieve our business plan'.

The Firm has articulated its overarching appetite for each source of risk in a statement as evidenced in the SFL Risk Management Framework. Specific thresholds determining the maximum level of risk the Firm is prepared to take with trigger levels designed to prompt management action to prevent the Firm from operating outside of risk appetite have been established and summarised within each risk section within the Internal Capital Adequacy and Risk Assessment ('ICARA') process document.

2.8 Principal Firm Risk

MIFIDPRU 4 outlines certain risks related to MiFID activities that an investment firm carries out. Firms are expected to assess the value of own funds that they need to hold for those risks through K-factor requirements, which are a set of prescribed activity and exposure-based assessments.

SFL has outlined the key K-factors along with the principal risks that it is exposed to, and the actions taken to mitigate these risks.

Client Money and Client Assets

Client Money Held ('CMH') and Assets Safeguarded and Administered ('ASA') ensure that firms hold capital in proportion to the amount of client assets and client money held.

The Firm holds money and assets on behalf of some clients with banks, custodians, exchanges, clearing houses and brokers in segregated accounts in accordance with the FCA's Client Assets Sourcebook ('CASS') rules.

The Firm has a CASS operational framework in place that grows with the business to mitigate any potential risks in relation to client money or client assets. The key aspect of the framework includes CASS compliance requiring strong governance with the Firm's CASS and Safeguarding Committee meeting every month to discuss a wide variety of issues with representation from the SFL Board, Senior Management functions and other senior staff. This Committee reports to the SFL Audit Committee which in turn reports to the Board.

Enhanced risk and control framework is continually evolving with the growth of the Firm that ensures it captures all CASS related risks. The Firm does this by operating a business change committee where CASS and Safeguarding approval is sought for any new business, products or market proposal.

Counterparty Credit Risk

Counterparty credit risk covers the risk of potential losses arising from the default of a counterparty.

Credit risk is inherent in the normal course of trading activity undertaken by SFL. It seeks to mitigate this risk through a credit review process of corporate counterparties that it onboards, implementing

portfolio and position limits where applicable. Similarly, for retail clients, margin close-out processes exist for client positions that do not comply with the applicable margin requirements.

Market Risk

Market risk is the risk of losses for both on and off-balance sheet positions arising from adverse movements in market prices.

SFL deals on its own accounts only for the purpose of fulfilling or executing a client's order or to provide access to a clearing and settlement system or a recognised exchange when acting in an agency capacity or executing a client order. The Firm will hold residual market risk positions as part of its client facilitation, market making or principal trading activities.

SFL manages market risk through monitoring of exposure levels on an intra-day basis whereby any breaches above set notification or approval limits are escalated for further investigation or requirement for action to be taken.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.

The Firm inherently has operational risk given the magnitude of the Firm's trading activity. All operational risks can lead to several types of financial issues including loss of business, reputational issues, or significant fines.

The Firm has implemented systems and controls to manage and mitigate operational risks, including, but not limited to, the Operational Risk and Regulatory framework and controls; the Operational Resilience programme and a Cyber Security framework.

2.9 Concentration Risk

Concentration risk can arise from the extent of a firm's relationship with, or direct exposure to a single client or group of connected clients.

The Firm may be exposed to individual clients or a relatively small proportion of clients from which SFL generates significant trading revenues. However, the Firm has minimal concentration risk as it operates a well-diversified business in terms of business lines, a wide range of clients, product offerings across several regions such that it is not solely reliant on a single counterparty or group of connected counterparties in terms of revenue generation.

New counterparties are given limits on the maximum exposure that the Firm is willing to take, which are then actively monitored by the credit risk team.

The Firm also has processes in place with regard to diversifying the location of the client money and assets it holds as part of its CASS operational framework as well as continually reviewing the levels of the Firm's own funds placed at credit and other counterparty institutions.

2.10 Liquidity Risk

Liquidity risk is defined as the risk of a firm not having sufficient financial resources to enable it to meet its obligations as they fall due.

The Firm is expected to hold liquid assets that ensure it not only can remain financially viable throughout the economic cycle but can be wound down in an orderly manner if it is required to do so.

SFL has in place a Liquidity Risk Management Framework ('LRMF') that outlines how liquidity risk is managed by the Firm. Liquidity risk management forms part of the overall management of risk and is embedded in an overarching risk framework serving as a guide to the practical tools available to SFL for managing risk.

The Firm has identified liquidity risks that can originate from situations that could prove to have an impact on the day-to-day operations of the Firm in terms of being able to continue to trade with counterparties. Those risks include:

- Short-term intra-day and multi-day liquidity shortfall caused by significant movements within the financial markets and credit given to clients. This can be mitigated through limits placed on gross and net positions that reduce the maximum call that the Firm would expect to receive given a market move.
- Potential concentration risk to individual clients or groups of clients who may wish to withdraw significant funds simultaneously.
- Currency mismatch whereby the Firm has sufficient levels of liquid assets, but in currencies that are unusable or inaccessible immediately, causing a strain on being able to meet liquidity requirements. The Firm mitigates this by designating only EUR, GBP and USD as core liquid assets. The level of those currencies is reviewed daily with any potential future shortfall addressed before the point at which the Firm needs funds in core currencies.
- Default of a financial counterparty that holds the Firm's own funds. The Firm performs annual and ad hoc due diligence on all counterparties ensuring that it meets the minimum requirements. SFL also actively diversifies its liquid assets through a broad range of highly rated counterparties.

The Firm actively monitors its liquidity on a daily and intra-day basis, primarily via dynamic reporting that assesses liquid assets held in the form of core and non-core liquid assets, as defined in MIFIDPRU 6.3 and 7.7 respectively, against the liquidity required after applying stresses. Through this regular reporting, SFL is able to ensure that the liquidity risk it runs is commensurate with the value of liquid assets it maintains.

3. Governance

3.1 Overview of Governance Arrangements

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

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

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

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

3.2 Governance Structure

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

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

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

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

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

- EMEA Approvals Committee

3.3 Roles & Responsibilities

The Firm's Board is the governing body of the Firm and oversees the maximum amount of risk that the Firm may take whilst pursuing its strategy. In coordination with the SFL Board and Executive Committee of StoneX Group Inc, the SFL Board sets the Firm's values and standards and ensures that its obligations are understood and met.

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

- Provide leadership and direction for senior management;
- Determine, oversee and monitor the overall strategic direction of the Firm ensuring appropriate alignment with StoneX Group Inc group strategy;
- Set the risk appetite and ensure it has a risk management framework to identify and manage risk on an ongoing basis;
- Ensure the Firm complies with applicable laws and regulations;
- Oversee, challenge and ultimately approve and promote the Firm's ICARA;
- Monitor the performance of the Firm and the executives, and hold them accountable for the exercise of their delegated powers and delivery against applicable strategic goals;
- Select and appoint key function holders in consultation with the Executive Committee of StoneX Group Inc; and
- Promote behaviours consistent with the culture and values of the Firm.

3.4 Directorships

The number of Executive and non-Executive directorships held by the Directors at the year ended 30 September 2023 were as follows:

Table 1 – Number of Directorships

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

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

- Executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and

- Executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the Firm holds a qualifying holding.

3.5 Risk Committee

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

3.6 Diversity

The Firm believes that it is more successful commercially with a diverse employee population and encourages hiring and promotion practices that focus on the best talent and the most effective performers, regardless of gender, national origin, ethnicity or other protected class.

The Firm leverages its differences, and use of collective experiences, backgrounds and knowledge to meet the needs of its clients, businesses and communities in which it serves. All of SFL's employees contribute to the Firm's competitive advantage supported by its corporate values: **client focus, connected, authentic and entrepreneurial**.

The promotion of diversity, equality, inclusion and belonging on the SFL Board is integral to the role of the Firm's Nomination Committee and it is part of StoneX's overall success.

Each year, the Firm continues to see a positive impact on its gender ratios. The Firm's 2023 Gender Pay report showed 70% males and 30% females and more recently the Firm reported 68% males and 32% females. The SFL Board is committed to monitoring gender ratios on a quarterly basis and operates gender neutral remuneration practices taking into account both financial and non-financial metrics. The Firm is committed to equal pay for equal work or work of equal value.

The Firm's culture of diversity, equality, inclusion and belonging is supported by a number of internal programmes and Employee Resource Groups ('ERGs'):

- **Early In Career** programme – sourcing and retaining talent for the future workforce;
- **Succession Planning** for all Senior Management Function positions;
- Internal **Mentorship** opportunities;
- **Apprenticeship** programme;
- **Strategic Leadership and Management** programmes utilising the UK skills levy;
- Partnership with **Saracens Foundation**;
- **StoneX Women's Network** - working to provide information, access and education designed to inform both the employee and manager community about advancing women and accessing their fullest potential;
- **Ability@StoneX** – aiming to drive campaigns to educate and increase awareness across both the employee and manager community and identifying ways to leverage diversity of thought and cognitive ability to increase inclusion, as well as focusing on providing career paths and opportunities for neurodiverse employees' professional development; and
- **Philanthropy@StoneX** – an employee led, self-directed voluntary group that offers opportunities to elevate collaborative generosity, to educate its constituents with proven

ideas and solutions, and to boost morale, foster altruism and strengthen personal bonds through engaging in philanthropic endeavours.

The SFL Nomination Committee has committed to address the lack of diversity on the Board so as to mirror the Group Board which includes two female directors and two self-identified diverse directors.

The Firm operates a global business across multiple business segments, products and service areas and it believes that it is especially important that SFL attracts employees with diverse backgrounds and the capability to address client needs across the numerous cultures in the countries in which the Firm operates.

StoneX has adopted a Code of Ethics that applies to its directors, officers and employees of the Group Company and each of its subsidiaries. The Code of Ethics demands honest and ethical conduct from all employees and is publicly available on the StoneX Group website at <https://ir.stonex.com/corporate-governance/overview>.

4. Own Funds

As at 30 September 2023, SFL's regulatory own funds comprised Common Equity Tier 1 ('CET1') capital made up of share capital, retained earnings and other reserves.

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

- details of CET1 items, additional tier 1 items, tier 2 items and the applicable filters and deductions applied in order to calculate the own funds of the Firm (i.e., a composition of regulatory own funds);
- a reconciliation of the Firm's composition of regulatory own funds with the capital in the balance sheet in the audited financial statements of the Firm; and
- a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the Firm.

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

Table 2 - Composition of regulatory own funds

	(a) Amounts (\$'000)	(b) Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross reference to Table 3)
1 OWN FUNDS	510,172	
2 TIER 1 CAPITAL	510,172	
3 COMMON EQUITY TIER 1 CAPITAL	510,172	
4 Fully paid-up capital instruments	97,000	Shareholder's Equity - 1
5 Share premium	84,000	Shareholder's Equity - 2
6 Retained earnings	382,584	Shareholder's Equity - 4
7 Accumulated other comprehensive income		
8 Other reserves	(1,544)	Shareholder's Equity - 3
9 Adjustments to CET1 due to prudential filters		
10 Other funds		
11 (-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(51,868)	Total Assets - 1, 4 & 5
19 CET1: Other capital elements, deductions and adjustments		
20 ADDITIONAL TIER 1 CAPITAL	0	
21 Fully paid up, directly issued capital instruments		
22 Share premium		
23 (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24 Additional Tier 1: Other capital elements, deductions and adjustments		
25 TIER 2 CAPITAL	0	
26 Fully paid up, directly issued capital instruments		
27 Share premium		
28 (-) TOTAL DEDUCTIONS FROM TIER 2		
35 Tier 2: Other capital elements, deductions and adjustments		

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

\$'000	Balance sheet as in published/audited financial statements As at period end	Under regulatory scope of consolidation	Cross reference to Table 2
Non-Current Assets			
1 Intangible assets	32,612		Ref 11
2 Property plant and equipment	37,516		
3 Equity investments at FVOCI	2,526		
4 Investment in group undertakings	9,097		Ref 11
5 Deferred taxation	10,159		Ref 11
Current Assets			
6 Inventory	243,948		
7 Derivative financial instruments	719,498		
8 Trade and other receivables	12,803		
9 Financial instruments	1,053,843		
10 Financial instruments	93,555		
11 Cash at bank	374,655		
Total Assets	2,590,212		
Current Liabilities			
1 Derivative financial instruments	717,535		
2 Repurchase agreements	7,788		
3 Trade and other payables	1,272,670		
Non-Current Liabilities			
1 Lease liabilities	30,179		
Total Liabilities	2,028,172		
Shareholder's Equity			
1 Called up share capital	97,000		Ref 4
2 Share premium	84,000		Ref 5
3 Other reserves	(1,544)		Ref 8
4 Retained earnings	382,584		Ref 6
Total Shareholder's Equity	562,040		

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

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

5. Own Funds Requirement

5.1 The Firm's Own Funds Requirement

At 30 September 2023, SFL's Own Funds Requirement is determined by the applicable regulatory K-factors at \$177.3m, outlined in Table 5 below.

Table 5 - Own Funds Requirement as at 30 September 2023

	\$'000
K-factor Requirement	
Sum of K-AUM, K-CMH & K-ASA	5,250
Sum of K-COH and K-DTF	2,689
Sum of K-NPR, K-CMG, K-TCO and K-CON	169,362
Total K-factor Requirement	177,302
Fixed Overhead Requirement	79,508

5.2 The Firm's ICARA Process

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

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

The Firm reviews its ICARA process:

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

The Firm's Board is the ultimate owner of the ICARA, and the Firm intends to ensure full compliance with FCA standards concerning its ICARA requirements as a non-SNI² MIFIDPRU Investment Firm.

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

- address any potential harm it has identified which it has not been able to mitigate;
- address any residual harm remaining after mitigation; and
- ensure an orderly wind down of its business.

² If a firm cannot satisfy the conditions to be classified as a small and non-Interconnected ('SNI') under [MIFIDPRU 1.2.1](#), then it must be a Non-SNI.

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

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

For this purpose, each risk of harm is mapped to the corresponding K-factor requirement. If the corresponding K-factor requirement is insufficient to cover the internally assessed post-mitigation risk of harm, or there is no corresponding K-factor requirement, the Firm will calculate a suitable amount of additional own funds that it must maintain.

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

6. Remuneration

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

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

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

6.1 Remuneration Governance

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

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

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

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

6.2 Remuneration Policy

The Firm applies a "pay-for-performance" approach to remuneration, to recognise employees who contribute the greatest value to the Firm, considering performance, behaviours, experience and critical skills. The intent of this approach is to attract and retain the best skills and talents, to foster employee engagement and to strengthen the Firm's leadership.

The Firm's Remuneration Policy and practices are driven by its desire to reward its staff fairly and competitively, but at the same time, create a culture of principled behaviour and actions (particularly regarding the areas of risk, compliance, control, conduct and ethics). As such, the Firm's remuneration policies and practices have been designed to contribute to the achievement of the Firm's objectives, but in a way that does not encourage excessive risk-taking or the violation of applicable laws, guidelines and regulations and which takes the capital position and economic performance of the Firm over the long term into account. The Firm's Remuneration Policy aims to support the execution of the

Firm's strategy, rewarding sustained performance and growth that is aligned with the StoneX Group's values: **client focus, connected, authentic and entrepreneurial.**

6.2.1 Performance Aligned

The Firm's Remuneration Policy and 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 or department concerned; and
- the overall financial performance of the Firm and StoneX Group.

6.2.2 Competitive

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

6.2.3 Fair

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

6.3 Structure of Remuneration

Remuneration and associated benefits are paid consistently, fairly and equitably across the business and in accordance with individual skills and performance levels referring to local industry and/or market conditions. The Firm aims to optimally utilize and maintain a suitable balance between each employee's fixed and variable compensation components, encompassing a comprehensive total remuneration package. This package is designed to align with the individual's role, profile, contributions and achievements. Individual remuneration packages are adjusted over time, considering external market dynamics, performance results, and the employee's role, profile and accomplishments. These adjustments may involve increases or potentially decreases, as warranted by evolving circumstances.

6.3.1 Fixed Remuneration

Basic Salary

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

Benefits

A number of benefits are offered that are appropriate to the market, compliant with all legal requirements and intended to provide choice and flexibility to meet individual needs.

6.3.2 Variable Remuneration

Annual variable pay pools are established by assessing the Firm's profitability, with due consideration given to current and anticipated risks. When determining individual variable pay levels, managers evaluate individual performance by combining specific quantitative and qualitative performance criteria specified in the employee's annual goal plan. The Firm's philosophy emphasises recognising accomplishments not only in terms of 'what' is achieved but also 'how' it is achieved. The continuous assessment of employees' skills and behaviours against the prescribed core competencies, and adherence to risk and compliance policies, are also factored in.

Table 6 - Financial and non-financial performance criteria considered for variable remuneration awarded to staff

	Financial Performance Criteria	Non-financial Performance Criteria
Performance criteria used in relation to the Firm	Gross Revenue	Achievement of strategic goals
	EBITDA	Compliance related performance
	Costs	
	Capital and liquidity	
	Return on equity	
Performance criteria used in relation to the Firm's business units	Attributable revenue generation	Risk mitigation
	Expense management	Strategic goals
	Capital and liquidity	
Performance criteria used in relation to the Individuals	Attributable revenue generation	Customer feedback / relationships
	Business development criteria	Performance in line with the Firm's strategy
		Adherence to the Firm's risk management policies

Annual Bonus

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

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

Quarterly Bonus

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

Material Risk Takers ('MRTs')

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

Where an MRT is not exempt from the MIFIDPRU Code, the Firm complies with the pay-out rules utilising the variable remuneration arrangements as per the Remuneration Policy. Any deferred remuneration is in the form of restricted StoneX Group shares.

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

Restricted Stock Plan ('RSP')

All employees are offered the opportunity, annually, to exchange up to 30% of their cash-based variable compensation for restricted StoneX Group stock, known as the Restricted Stock 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 over three years on the anniversary of the award date.

Guaranteed variable remuneration

In exceptional and justified circumstances, the Firm may award guaranteed variable remuneration such as sign-on bonuses. Guaranteed bonuses are subject to an appropriate level of approval and are limited to the first year of employment. Additionally any guaranteed variable remuneration is subject to adherence to the Firm's policies and procedures and meeting minimum conditions, such as the staff member being in employment and not under notice or subject to a disciplinary sanction.

Severance pay

In certain and limited circumstances, severance payments may be made. In such circumstances, severance pay is determined on a case-by-case basis and involves input from the Legal, Human Resources and Compliance departments. Additionally, the advice of external counsel may be sought to ensure any such arrangement is correctly constructed.

6.4 Malus and Clawback

The Firm applies ex-ante and ex-post adjustments to variable remuneration to ensure that the remuneration awarded is fully aligned with the risk appetite of the Firm. The Firm applies malus (adjustment) and clawback (recovery) processes to MRT variable remuneration in accordance with the MIFIDPRU Code.

Malus may apply to MRT variable remuneration in the following circumstances but is not limited to:

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

Malus will apply in the period prior to the vesting of any equity-based compensation awards.

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

- whether there is evidence or serious error by the staff member (e.g. breach of code of conduct and other internal rules, especially concerning risks);
- whether there has been conduct that led to significant losses;
- whether the Firm has suffered from a significant failure of risk management;
- where there are significant changes to the Firm's economic or regulatory capital base;
- where the MRT failed to meet appropriate standards of fitness and propriety; and/or
- in cases of fraud or other conduct with intent or severe negligence by the MRT which led to significant losses to the Firm.

The Firm applies a three-year clawback period from the vesting of any equity-based compensation awards, and from the payment of any cash awards.

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

6.5 Material Risk Takers Identification

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

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

The Firm reviews its MRTs annually and takes a prudent approach when applying any proportionality to MRTs.

6.6 Quantitative Remuneration Disclosures

This submission includes SFL employees and any identified overseas MRTs for the year ending September 2023 and outlines the aggregate total remuneration (both fixed and variable pay).

Table 7 - Total Remuneration Awarded

\$'000	Senior Management	Other MRTs	Other Staff	Total
Total Fixed Remuneration	4,637	3,290	75,084	83,011
Total Variable Remuneration	14,002	5,875	45,443	65,320
Total Remuneration	18,639	9,165	120,527	148,331

Table 8 - The Amount of Guaranteed Variable Remuneration Awarded to MRTs

	Senior Management	Other MRTs	Total
Number of MRTs	0	0	0
Guaranteed Variable Remuneration	0	0	0

It is possible for a select few MRTs received guaranteed payments. However, to uphold anonymity the Firm is not required to divulge precise information concerning these individuals in line with the exemptions as set out in MIFIDPRU 8.6.8(7).

Table 9 - Total Amount of Severance Payments Awarded to MRTs

\$'000	Senior Management	Other MRTs	Total
Number of MRTs	0	0	0
Total Amount of Severance Payments	0	0	0

It is an exceptional instance where an MRT receives a severance payment. In accordance with MIFIDPRU 8.6.8(7), to maintain anonymity the Firm is not obligated to disclose specific details about this individual.

Table 10 - The Amount and Forms of Remuneration Awarded to MRTs

\$'000	Senior Management	Other MRTs	Total
Number of MRTs	22	18	40
Total Variable Remuneration	14,002	5,875	19,877
Of which is cash based			
Non-deferred	7,907	3,770	11,676
Deferred	0	0	0
	7,907	3,770	11,676
Of which is shares			
Non-deferred	0	0	0
Deferred	5,366	2,105	7,471
	5,366	2,105	7,471
Of which is share linked instruments			
Non-deferred	0	0	0
Deferred	729	0	729
	729	0	729
Of which is other form			
Non-deferred	0	0	0
Deferred	0	0	0
	0	0	0

Table 11 - The Amount of Deferred Remuneration Awarded to MRTs

\$'000	Senior Management	Other MRTs	Total
Amount of deferred remuneration awarded for previous performance periods			
Of which: due to vest in the financial year in which the disclosure is made	2,335	2,234	4,569
Of which; due to vest in subsequent years	4,410	4,464	8,873
	6,744	6,698	13,442
Amount of deferred remuneration due to vest in the financial year in which the disclosure is made			
Of which: is or will be paid out	1,760	1,654	3,414
Of which: the amount was due to vest but withheld as a result of performance adjustment	0	0	0
	1,760	1,654	3,414

Table 121 - The MRTs exempt from Provisions of MIFIDPRU Remuneration Code

Provisions of MIFIDRU Remuneration Code the Firm does not apply to	\$'000	Senior Management	Other MRTs	Total
Exempt MRTs				
SYSC 19G.6.22 R and SYSC 19G.6.23 G (Retention policy)	Number of MRTs	9	6	15
	Total Fixed Remuneration	1,851	908	2,760
	Total Variable Remuneration	1,448	289	1,737
	Total Remuneration	3,300	1,197	4,497
SYSC 19G.6.24R to SYSC 19G.6.29R (Deferral)	Number of MRTs	9	6	15
	Total Fixed Remuneration	1,851	908	2,760
	Total Variable Remuneration	1,448	289	1,737
	Total Remuneration	3,300	1,197	4,497

7. Investment Policy

MIFIDPRU 8.7 of the FCA's Handbook requires investment firms to make specific disclosures in respect of their investments in companies whose shares are admitted to trading on a regulated market and:

- only in respect of those shares to which voting rights are attached; and
- where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company at the time of the general meeting.

As the Firm does not have any company holdings that meet these criteria, the Firm is not required to make the disclosures required in MIFIDPRU 8.7.