INTL NETHERLANDS BV

Pillar III disclosures
30 September 2018

INTL Netherlands BV
Pillar III disclosures
As at 30 September 2018

COMPANY NUMBER 800345460

CONTENTS

1 OVERVIEW

1.1 Group Structure

INTL Netherlands BV ("NED" or the "Company") is a wholly-owned subsidiary of INTL FCStone Inc., a US corporation quoted on the NASDAQ exchange ("Group"). At the review date the Company owned 100% of one company incorporated and resident in the UK - **INTL FCStone Ltd** ("IFL").

Since the review date NED has acquired one entity in Luxembourg, which is regulated as a €125k firm, but as at 30 September 2018, and for the purposes of this report NED and IFL constitute the **INTL Netherlands BV Group ("NED group")**.

1.2 Scope of disclosure requirements

INTL FCStone Ltd is a full-scope IFPRU €730k investment firm and regulated by FCA, and consequently INTL Netherlands BV Group is required to disclose information under European Parliament's rules outlined in Capital Requirements Regulations (EU CRR (575/2013)) & Directives (EU CRD (2013/36/EU)), commonly referred to as CRD IV.

The Company and its subsidiary are each subject to CRD IV, and the rules prescribed by the FCA. 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. IFL calculates Pillar I requirements at least once a week and it is monitored by various departments and its executive directors.
- Pillar II: Designed to complement Pillar I requirements by assessing the need to hold additional capital to ensure there is no significant risk that liabilities cannot be met as they fall due.
- Pillar III: Public disclosures in accordance with the requirements of Part Eight, art 431-455, of the CRR. which allows market participants to assess key information on a firm's capital, risk exposures and risk assessment processes. The 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 Group may choose not to disclose information which is not material (Article 432) (1). The 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).

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 has been reviewed and approved by the Board of Directors in March 2019.

Pillar III disclosures will be published at least annually and as soon as practicable after the publication of the Group's annual Report.

Unless otherwise stated all figures are as at **30 September 2018** and are in US Dollars which is the company's reporting currency.

1.5 Location

The Pillar III will be published on the INTL FCStone Ltd's corporate website http://ir.intlfcstone.com/

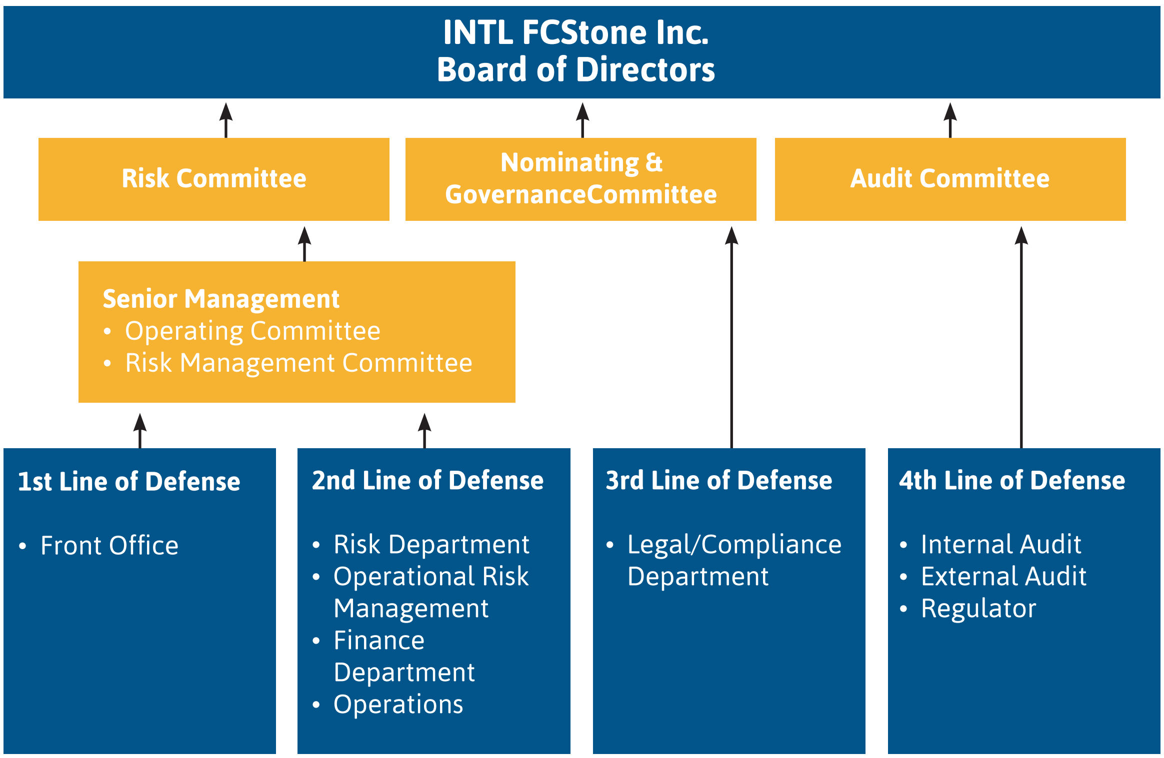
1.6 Verification

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 Board has 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.

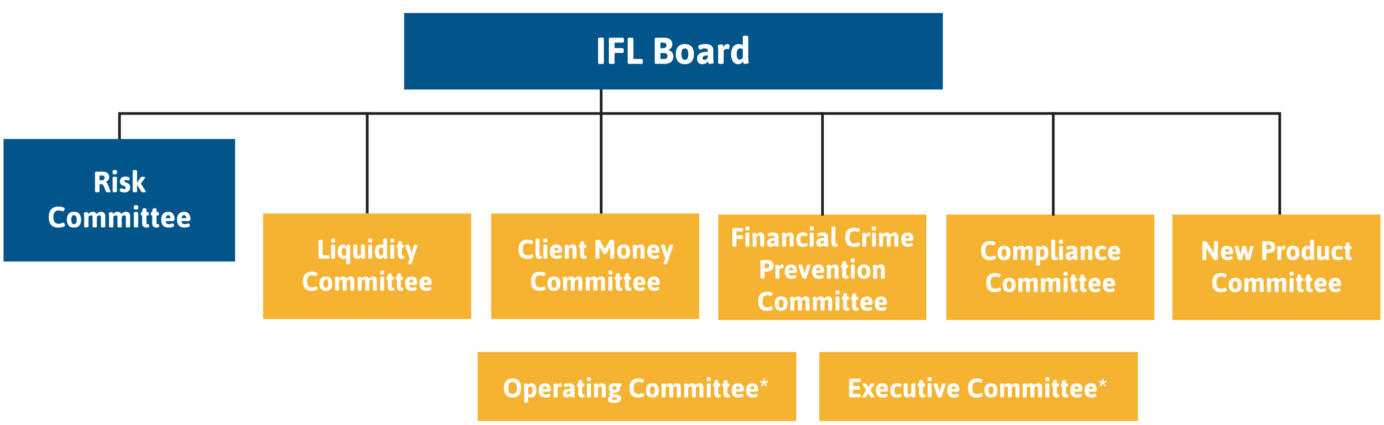
2 GOVERNANCE STRUCTURE

The INTL FCStone Inc Group maintains organisational structures with clear lines of responsibility, effective risk reporting and internal controls.

Appendix A: Group Control Structure



IFL has the following formal committees which report directly to IFL Board. Each committee has at least one Board member:



The Risk committee comprises two non-executive directors, while the others comprise executives. All escalate matters requiring attention of the full Board. The executive and operating committees (indicated with *) are open fora for discussion and communication of market trends and technical matters.

The Risk committee has several functions, but in particular:

- To review and assess whether the Risk Department's methodology and processes are in keeping with the Board's agreed risk appetite;
- To comment and advise on the Board's risk appetite;
- To consider and advise the Board on resourcing of the risk functions.

Its remit includes review of regulatory and reputational risk.

IFL is in the process of creating an Audit Committee and Remuneration Committee.

The IFL's Board is made up of the following individuals:

Position	Board member
Chief Executive Officer	Philip Smith
Chief Financial Officer	Stephen Bailey
Group Chief Executive Officer	Sean O'Connor
Non-executive Director	Lindsay McNeile
Non-executive Director	Malcolm Wilde

3 RISK MANAGEMENT

3.1 Risk declaration

Risk 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 INTL FCStone Inc. Board provides strategic leadership and oversight for INTL Netherlands BV and its UK subsidiary as well as setting the global risk appetite. IFL's Board is required to ensure that its strategy and risk parameters conform to the global boundaries but has the authority to implement a more conservative strategy and set of risk parameters.

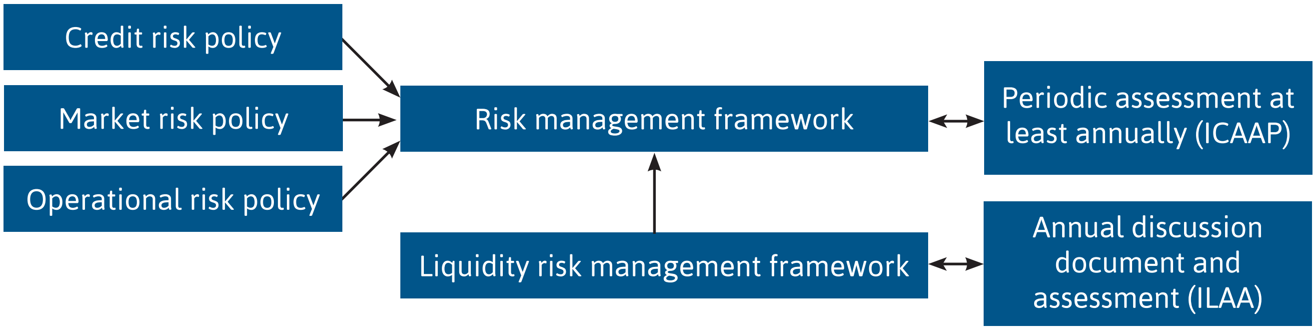
Therefore, IFL's risk appetite aims to:

- Be reflective of current INTL FCStone Inc strategy, including objectives, business plans and stakeholder expectations;
- Take account of all key risk attributes of the business;
- Acknowledge a willingness and capacity to take on specific risks (within appropriate limits);
- Create an environment for a tolerance for loss with respect to "passive" risks; and
- Enable management to determine the necessary processes and employee resourcing required to manage and monitor risk exposure versus the stated risk appetite.

IFL's CEO and Board determine the maximum amount of risk that the company may take whilst pursuing its strategy. IFL 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 IFL are discussed and reviewed. The Risk Committee reports to the IFL Board and may advise it on matters concerning the risk appetite and management of risks by the Risk Department.

3.2 Risk Management and Objectives - IFL

IFL describes its risk management through various frameworks:



Periodic reviews of the risk management framework are undertaken by IFL management, and Board as appropriate, and revisions made where appropriate to reflect any changes in the Company's risk appetite. Policies are approved by the IFL Board and are determined by reference to the lower of IFL and 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.

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

IFL's day-to-day risk management operates under a cycle of identification, assessment, monitoring and mitigation. A dedicated head of Risk and risk teams for Market, Credit and Operational Risk provide specialised attention to risk management within IFL, who will escalate any breaches to pre-approved limits appropriately.

IFL does not use default swaps or insurance to mitigate credit risk but sometimes obtains parent company or personal guarantees. 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 the firm's stated risk appetite.

Credit and market risk are managed by operating within limits pre-approved by the IFL Board and 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 IFL Board contain decreasing detail and increasing breadth to facilitate oversight.

MARKET RISK

IFL'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 department and the limits are set such that the Firm expects never to make a loss in any day, even if some businesses segments might do so. The Pillar I market risk requirement more than covers the capital the Firm requires for this risk.

CREDIT RISK

The objective of IFL's credit risk management is to ensure it operates within a risk appetite that can be described as 'cautious to risk'.

Specifically, IFL'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 3-day stressed underlying net positions, and after taking account collateral received.

However, this appetite applies only to clients and counterparties: IFL'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 Pilar I large exposure limits.

The above risk appetite feeds into the parameters that the Risk department applies when granting trading limits to clients and in their continuous monitoring of client balances and positions. Any day-end breaches are reviewed and where necessary managed down in cooperation with the relevant department.

WRONG-WAY RISK AND CREDIT RISK MITIGATION

IFL 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 bank guarantees to mitigate credit risk, although warrants may also be accepted. In the case of wrong way risk exposures, where the IFL Risk Department have 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 Department to limit potential exposures.

LIQUIDITY RISK

The objective of IFL'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) with which the company must comply.

The calculation of the maximum potential liquidity available to run the various businesses of IFL 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 works with any business to manage them back to within permitted parameters.

OPERATIONAL RISK

Operational risks are assessed quarterly, with key risk indicators being reported to the IFL Board. These KRIs have been developed with the INTL FCStone group's Operational Risk Management team and a standardised approach has been adopted across the INTL FCStone 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 IFL's regular assessment of the adequacy of the Pillar II capital requirement.

Assessments are continuous but, at the financial year end, the four specific operational risks with a potential for the most material adverse financial impact after mitigation were identified. These were:

- Failure to comply with AML regulation
- System failure (third party or internally built software/systems failure)
- Failure to comply with all regulations in the safeguarding of client assets under various regimes
- Business continuity (failure of data lines, server centres, inability to access offices)

Each of these risks has received the full attention of management, and effective mitigation designed and implemented, as have all others with the potential to incur material financial cost (pre-mitigation). Mitigation includes: back up data server centres across two continents with tested failover processes, duplicate data lines into London offices, operations split across two offices, available serviced offices for critical staff, well-resourced internal audit and compliance departments, and a dedicated data security department. Each of the above risks forms a standing agenda item at quarterly Board meetings.

New products are approved by the New Product Committee, where the IFL's Head of Risk is a member and will review and approve from an Operational Risk perspective.

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 the Board of the Company.

4 OWN FUNDS-CAPITAL RESOURCES

The Company's capital is fully in the form of the Common Equity Tier-1 (CET-1), the highest-ranking form of capital, which comprises of ordinary shares and retained earnings.

Shown below is the capital of the NED Group and its subsidiary (IFL):

	INTL Netherlands BV Group		**INTL FCStone Ltd)**	
	2018 USD '000	**2017 USD '000**	**2018 USD '000**	**2017 USD '000**
Common Equity Tier 1 (CET1) capital:				
Permanent share capital	30,000	30,000	90,000	90,000
Previous years Retained earnings	167,297	131,799	107,640	72,119
Income for the year	47,712	35,498	47,696	35,520
CET1 Sub-total	**245,009**	**197,297**	**245,336**	**197,639**
Deductions from capital				
Intangible assets	(3,431)	(2,965)	(3,431)	(2,965)
Free deliveries	(521)	(473)	(521)	(473)
Goodwill	(376)	(376)	-	-
Def. tax assets	(616)	-	(616)	-
Capital deductions sub-total	(4,945)	(3,815)	(4,568)	(3,438)
Total CET1 Capital after deduction	**240,064**	**193,482**	**240,768**	**194,201**
Total Tier 1 Capital after deductions	240,064	193,482	240,768	194,201
Own Funds	240,064	193,482	240,768	194,201

5 CAPITAL REQUIREMENTS

5.1 Credit Risk

Credit risk is defined as the risk of clients, counterparties or other parties failing to meet or perform their obligations to the company at all or in a timely manner, causing a loss to the NED group.

Credit risks can be mitigated by counterparties providing margin against their open positions on derivative contracts held with IFL. Cash is accepted in the major convertible currencies. On occasion IFL will hold warrants purchased on instruction from clients and if there is a shortfall of cash margin IFL will treat these as collateral but not at full value.

In the case of the Global Payments business of IFL 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 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 department which reports to the executive directors and the full Board. Any historic charges for bad debts have been well within the Company'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.

IFL considers the effect of netting agreements with the counterparties incorporated in the jurisdictions for which IFL has a positive netting opinion.

5.1.1 External Credit Assessment Institutions (ECAI)

The Company has nominated Standard and Poor's to map to the required credit steps, where a rating is available. Such credit rating is available to approximately 4.13% of the Company's exposures to Corporates and 41.77% of the Company's exposure to Institutions. Institutions are weighted at between 20% and 100%, while qualifying central counterparties are weighted at 2%.

Credit Quality Step	S&P Credit Rating	Exposure (in USD)- INTL Netherlands BV	
		2018 USD '000	2017 USD '000
1	AAA to AA-	75,072	39,065
2	A+ to A-	346,922	278,880
3	BBB+ to BBB-	28,307	6,375
4	BB+ to BB-	701	9,356
5	B+ to B-	2,124	4,322
6	CCC+ and below	-	7
Rated Exposure Total		**453,126**	**338,004**
Unrated		1,234,014	1,279,494
Total		**1,687,140**	**1,617,498**

5.1.2 Methods of calculation of own funds requirement

The Company 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.

IFL includes within the counterparty risk component the client balances which are segregated within the client money regulations. Although these balances are not included in its balance sheet under IFRS nonetheless a client may be under-margined on moving into default and therefore this represents an exposure.

5.1.3 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 **Standardised Approach** (excluding capital requirements for contributions to the default fund of a CCP), after applying risk weighting, at 8% risk capital charge was:

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	**2017 USD '000**	**2018 USD '000**	**2017 USD '000**
RWE-Credit risk (excluding CCR)	149,944	109,025	149,834	108,917
RWE-Counterparty Credit risk (CCR)	601,961	546,737	601,961	546,737
Total RWE- Credit Risk (incl. CCR)	**751,905**	**655,762**	**751,795**	**655,654**
Credit and CCR Capital requirement under Pillar I	**60,152**	**52,461**	**60,144**	**52,452**

5.1.4 Capital requirement on default funds with CCPs:

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	**2017 USD '000**	**2018 USD '000**	**2017 USD '000**
Risk Exposure for contributions to the default fund of the CCPs	6,771	15,416	6,771	15,416
Contributions to the default fund of the CCPs capital requirement under Pillar I	**542**	**1,233**	**542**	**1,233**

5.1.5 INTL Netherlands BV Group- The exposure amounts by standardised credit risk exposure classes:

At 30th September 2018, breakdown of Exposures (net of collateral where netting is enforceable), Risk Weighted Exposure and Capital Requirements at 8% were as follows:

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	**85,367**	85,367	0	0	0	0	0	0	0	**0**
Public Sector Entities	**278**	0	0	0	0	0	278	0	278	**22**
International Organisations	**0**	0	0	0	0	0	0	0	0	**0**
Institutions	**959,492**	0	418,618	110,207	394,188	36,295	184	0	109,950	**8,796**
Corporates	**625,144**	0	0	0	0	2,875	620,044	2,225	624,819	**49,985**
Retail	**0**	0	0	0	0	0	0	0	0	**0**
Equity	**3,742**	0	0	0	0	0	3,742	0	3,742	**299**
Other items	**13,116**	0	0	0	0	0	13,116	0	13,116	**1,049**
Total	**1,687,140**	85,367	418,618	110,207	394,188	39,171	637,364	2,225	**751,905**	**60,152**

5.1.6 INTL Netherlands BV Group-The risk exposure amounts by geographic location:

Geographic Location	Exposure		Risk Weighted Exposure	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
Europe	1,008,306	1,052,360	425,790	342,981
Asia	157,924	167,063	157,461	166,725
North America	457,412	341,487	104,805	88,180
Latin America	43,510	35,558	43,373	35,477
Africa	18,848	19,409	19,738	21,127
Australasia	1,140	1,622	738	1,271
Total	**1,687,140**	**1,617,498**	**751,905**	**655,762**

5.1.7 Exposures by residual maturity:

No long-term loans are extended by the Company. Therefore, all the Company's exposures are considered as being current in short dated liquid products with the following exceptions:

- Tangible and Intangible assets and Goodwill were USD 7,151,637.
- IFL owns B shares in LME Holdings Limited as a requirement to become a Category 1 ring dealing and clearing member of the London Metal Exchange (LME). The Balance Sheet value of the shares as of 30 September 2018 was USD 3,401,121.
- IFL also holds a residual amount of illiquid shares in other entities (see non-trading book exposures in equities). The Balance Sheet value of the shares at 30 September 2018 was USD 341,183.

5.2 Market Risk

Market risk is the potential loss to the Company that could occur as a result of an adverse change in market conditions on a market position.

The Company 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 its subsidiary (IFL) are as shown below:

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	**2017 USD '000**	**2018 USD '000**	**2017 USD '000**
Commodity PRR	211,550	227,031	211,550	227,031
Traded debt instruments PRR	-	-	-	-
Equity PRR	-	-	-	-
FX PRR	14,384	17,648	14,384	17,648
Market risk Total Risk Exposure	**225,934**	**244,679**	**225,934**	**244,679**
Total market risk capital Requirement	**18,075**	**19,574**	**18,075**	**19,574**

5.3 Credit Valuation Adjustment Risk (CVA)

For Over-the-Counter (OTC) derivatives, in addition to the default risk capital requirements for counterparty credit risk, the Company 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 (IFL) are as shown below:

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
CVA Total Risk Exposure	7,466	8,996	7,466	8,996
CVA risk capital requirement	**597**	**720**	**597**	**720**

5.4 Operational Risk

Operational Risk is the risk that the Company will suffer losses 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 completely eliminate operational risk, but the Company employs experienced and skilled staff in key roles, uses a robust internal audit process to reduce these risks where possible and has signed up to appropriate insurance policies.

The Company 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.

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
Operational risk Total Risk Exposure	207,127	181,289	207,060	181,154
Operational risk capital requirement	**16,570**	**14,503**	**16,565**	**14,492**

5.5 Non-Trading Book Exposure in Equities

INTL FCStone Ltd ("IFL") held USD 3,401,121 in B shares in London Metals Exchange Holdings Limited which are required to enable IFL to trade directly on the London Metals Exchange. These are treated as an available for sale investment under IFRS, but in fact are required to be held as long as IFL trades on the exchange, and therefore shown under non-current assets on the Balance Sheet in IFL's statutory financial statements. There are no realised or unrealised gains from this holding in IFL's capital resources.

In addition, INTL FCStone Ltd held shares in SWIFT (USD 341,183).

5.6 Concentration Risk

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

The company places most of its working capital and funds with two banks, Bank of America NA and Barclays Bank Plc. 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 INTL Netherlands BV group. The calculation of Concentration Risk for the purposes of Pillar I capital requirement follows EU CRR Article 397. The Concentration Risk capital requirement for the Ned Group and its subsidiary (IFL) are as shown below:

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
Concentration Risk Total Risk Exposure	-	-	-	-
Concentration Risk capital requirement	**-**	**-**	**-**	**-**

5.7 Regulatory Capital Buffers

5.7.1 Combined Buffers

The Company 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 of CET1 Capital in 2017 was calculated as 1.25% and in 2018 was calculated as 1.875% of its Total Risk Exposure amount. These are Transitional rates as per article 160 of EU CRD. From 1st Jan 2019 a full rate of 2.5% is applicable in Capital Conservation Buffer calculations.

A Countercyclical Capital Buffer of CET1 Capital is calculated as the Company's Total Risk Exposure Amount multiplied by the weighted average of the Countercyclical Buffer Rates that apply to Exposures in the jurisdictions where the Company's relevant credit exposures are located. The company uses CCyB rates published by Bank of England. 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.

Combined Buffer requirements:

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	**2017 USD '000**	**2018 USD '000**	**2017 USD '000**
Capital Conservation Buffer (2018 transitional rate of 1.875%)	22,485	-	22,482	-
Capital Conservation Buffer (2017 transitional rate of 1.25%)	-	13,827	-	13,824
Countercyclical Capital Buffer	1,491	1,142	1,490	1,142
Combined Buffer-transitional period	**23,976**	**14,969**	**23,972**	**14,965**
Capital Conservation Buffer-full implementation rate of 2.5%	29,980	27,654	29,976	27,647
Combined Buffer-full implementation	**31,471**	**28,796**	**31,466**	**28,789**

5.7.2 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 Company is not a G-SII and hence this buffer is not applicable.

5.8 Approach to ICAAP

Evaluation of Pillar I and Pillar II capital requirements are carried out for the Company as part of the Internal Capital Adequacy Assessment Process ("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 Board and includes an assessment of capital required for liquidity purposes, notably by reference to the 'Internal Liquidity Adequacy Assessment' (ILLA).

6 CAPITAL ADEQUACY (PILLAR I: MINIMUM CAPITAL REQUIREMENT)

The minimum capital requirement and Total risk exposure amount for the NED Group and its main subsidiary (IFL) are shown below:

		INTL Netherlands BV Group		INTL FCStone Ltd	
		2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
A	**COMMON EQUITY TIER 1 CAPITAL**	**240,064**	**193,482**	**240,768**	**194,201**
B	TIER 1 CAPITAL	240,064	193,482	240,768	194,201
C	**TOTAL CAPITAL RESOURCES-OWN FUNDS**	**240,064**	**193,482**	**240,768**	**194,201**
	Credit and Counterparty Risks- RWE	758,676	671,178	758,566	671,070
	Of which Standardised Approach	751,905	655,762	751,795	655,654
	Of which Default fund of a CCP	6,771	15,416	6,771	15,416
	Settlement/Delivery	-	1	-	1
	Market risk	225,934	244,679	225,934	244,679
	Operational risk	207,127	181,289	207,060	181,154
	Credit Valuation Adjustment	7,466	8,996	7,466	8,996
	Large exposures	-	-	-	-
D	**Total Risk Exposure Amount**	**1,199,204**	**1,106,143**	**1,199,027**	**1,105,901**
E=D*8%	**Total (Pillar I) Capital Requirement**	**95,936**	**88,491**	**95,922**	**88,472**
F=C-E	**Surplus (+)/Deficit (-) of Total capital**	**144,128**	**104,991**	**144,846**	**105,729**
G	Combined Buffer-transitional period	23,976	14,969	23,972	14,965
H	Combined Buffer-full implementation	31,471	28,796	31,466	28,789
I	Additional SREP capital requirements (%)	-	-	-	-
J=C/D	**Total Capital Ratio (min. required 8%)**	**20.02%**	**17.49%**	**20.08%**	**17.56%**
K=I+8%	Total SREP Capital Req. ratio (TSCR)	8.00%	8.00%	8.00%	8.00%
L=K+(G/D)*100	Overall Capital Req. ratio (OCR)-trans. period	10.00%	9.35%	10.00%	9.35%
M=K+(H/D)*100	**Overall capital Req. ratio (OCR)-full implem.**	**10.62%**	**10.60%**	**10.62%**	**10.60%**

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.

	INTL Netherlands BV Group		INTL FCStone Ltd	
	2018 USD '000	2017 USD '000	2018 USD '000	2017 USD '000
Loans on demand	-	-	-	-
Equity instruments	3,742	3,675	3,742	3,675
Debt securities	35,746	45,791	35,746	45,791
of which: issued by general governments	35,746	45,791	35,746	45,791
Other assets	215,554	228,293	215,554	228,293
Encumbered Assets	**255,042**	**277,759**	**255,042**	**277,759**
Loans on demand	174,795	142,745	174,247	142,207
Equity instruments	-	-	-	-
Debt securities	31,776	31,891	31,776	31,891
of which: issued by general governments	31,776	31,891	31,776	31,891
Other assets	269,753	173,202	269,377	172,827
Unencumbered Assets	**476,323**	**347,838**	**475,400**	**346,925**
Total Assets	**731,366**	**625,597**	**730,442**	**624,684**

8 LEVERAGE

The Company calculates its Leverage ratio as per Article 429 of EU CRR. It is calculated as the Company's Capital Measure (Tier 1 Capital) divided by the Company's 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 the Company takes into account the effect of netting agreements where it owns a legal opinion as to the effectiveness of netting in the jurisdiction of the counterparty.

		INTL Netherlands BV Group		**INTL FCStone Ltd**	
		2018 USD '000	**2017 USD '000**	**2018 USD '000**	**2017 USD '000**
	Derivatives: Current replacement cost	301,848	256,342	301,848	256,342
	Derivatives: Add-on	1,275,760	1,216,521	1,275,760	1,216,521
	Other assets	764,401	775,301	763,853	774,764
	(-) Asset amount deducted - Tier 1	(4,945)	(3,815)	(4,568)	(3,438)
A	**Exposure Measure**	**2,337,064**	**2,244,350**	**2,336,893**	**2,244,189**
B	**Capital Measure-Tier 1 Capital**	**240,064**	**193,482**	**240,768**	**194,201**
C=B/A	**Leverage ratio**	**10.27%**	**8.62%**	**10.30%**	**8.65%**

9 REMUNERATION

IFL 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 only IFL actively engages in business activities and has employed staff. Thus, in accordance with the requirements of the Remuneration Code the remuneration disclosures outlined below apply to that subsidiary.

The IFL's Non-Executive Directors oversee the annual review of the provisions of IFL'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;
- 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 IFL'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 IFL 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 INTL FCStone group policies. Bonuses are computed by reference to profitability and other performance indicators relevant to the INTL FCStone group, adjusted on recommendation from divisional heads in accordance with assessments of each individual and reviewed by the executive directors of IFL.

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, IFL 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 Company has identified 39 members of staff of IFL, including senior managers and members of staff, who have a material impact on the risk profile of IFL as Remuneration Code staff (Code staff).

The aggregate remuneration for all relevant Code staff and senior management in the year ended 30 September 2018 of IFL 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	12	2,396	8,532	-	354	**11,282**
Members of Staff who have a material impact on the risk profile of the firm	27	2,896	3,296	143	60	**6,395**

Note: COB 30/09/2018 GBP/USD rate 1.3029
COB 30/09/2018 EUR/USD rate 1.1608