



Conflicts of Interest Policy

Version 6.0
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Applies to:
StoneX Financial Ltd (SFL or the Firm)

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1. Introduction

Conflicts of interest are inherent in SFL's business model. There are many individual laws, standards, precedents, principles and regulations governing this area of financial regulation. This policy will not reproduce all of these and should therefore be read in association with relevant regulatory guidance and rules, which will be either referenced or linked. It is not meant to be exhaustive as there will inevitably arise situations which are not referenced in the policy, and therefore, as appropriate, specific guidance should be sought from Compliance and Legal. Regulatory rules, certain laws and commercial agreements require SFL to have in place provisions around conflicts of interest. This policy acts as the primary guidance for how the Firm identifies, manages and mitigates potential, perceivable and/or actual conflicts of interest. This policy applies regardless of the materiality of the conflict of interest.

This policy applies to all employees and agents of the Firm, including any legal person who acts on behalf of the Firm, including, but not limited to, tied agents, introducing agents, contractors and sub-contractors, who engage in business on behalf of the Firm, all of whom should at all times observe appropriate standards in line with this policy, and not engage in unlawful or questionable market practices.

1.1 Standards

The Firm strives to act in the best interests of our clients and broader stakeholder community and takes appropriate steps to manage and prevent conflicts of interest. Appropriate standards of behaviour should be followed to ensure any conflict of interest situation is managed appropriately and does not unduly risk this objective. Those to whom this policy applies should familiarise themselves with its requirements and not engage in any behaviour which may be a breach of its provisions. This policy applies to all activities of the Firm, regardless of whether they fall strictly within the scope of the applicable regulations. If in any doubt, the spirit of the policy should apply.

Violations of this policy are taken seriously and may result in the invocation of the Firm's disciplinary process.

2. What is a conflict of interest?

In the widest sense, a conflict of interest occurs where one party (A) owes a duty to another party, such as a counterparty or employer (B), and that duty is compromised by either A's own interests or by a duty A owes a third party. Such duties may arise, for example, where A acts as an agent for B, where A owes fiduciary obligations to B, or as a result of a regulator imposing such duties.

SFL classifies conflicts of interest as significant if any person, internally or externally, has reason to suspect there is a risk of a relevant person's actions being inappropriately influenced. Relevant persons who are inappropriately influenced may act detrimental to the interests of SFL, or one or more SFL clients. Even if an employee acts in such a way as which is not detrimental to the interests

of SFL or one or more SFL clients, the perception of that conflict may be equally damaging to the Firm if not managed appropriately.

Some conflicts of interest are considered to be self-created by decisions which firms make themselves, for example offering payment for order flow (PFOF – for which, see below). In these situations, the regulatory expectation is that the Firm manage the conflict of interest by preventing it occurring in the first instance. Other conflicts of interest occur organically because of the nature of the business activity a firm engages in, for example balancing the interests of a buyer and seller when acting as principle.

Requirements around conflicts of interest apply regardless of what type of client¹ is involved, i.e. a retail client, professional client or an eligible counterparty. However, some tools for managing conflicts of interest may not be appropriate when dealing with retail clients. They also apply in dynamic circumstances, i.e. as situations change or evolve. There is therefore an ongoing obligation on employees to keep Compliance updated about changing circumstances.

3. Summary of regulations relating to conflicts of interest

The Financial Conduct Authority (FCA) sets out the requirements for conflicts of interest in SYSC10.1 of their Handbook, which can be viewed here:

<https://www.handbook.fca.org.uk/handbook/SYSC/10/?view=chapter>

Subject	Applicable rule or guidance
Provision of services	<i>SYSC 10.1.2G</i>
Identifying conflicts	<i>SYSC 10.1.3R</i>
Types of conflicts	<i>SYSC 10.1.5G</i>
Managing conflicts	<i>SYSC 10.1.7R</i>
Conflicts policy	<i>SYSC 10.1.12G</i>

These rules incorporate the requirements in the Markets in Financial Instruments Directive II (MiFID II) from 2018, into UK law.

3.1 Identifying conflicts of interest

¹ For the purpose of this policy *client* includes a prospective client.

As per SYSC 10.1.3R

'A firm must take all appropriate steps to identify and to prevent or manage conflicts of interest...'

To that end, SFL requires anyone subject to this policy to disclose to Compliance any potential conflict of interest either upon joining the Firm, or at the earliest opportunity in respect of new business activities, relationships or other such situations which may fall under the scope of this policy. For any new potential conflict of interest, this should be highlighted before any engagement is signed or relationship entered into, and no business should be transacted without express approval from Compliance and/or Legal. Employees should not unilaterally determine whether something is a conflict of interest or not and should instead disclose a potential or actual conflict of interest to Compliance without delay.

3.2 Types of conflicts of interest

A conflict of interest may arise in various situations relating to SFL's business model, including, but not limited to:

- a direct or indirect financial interest (for example an SFL employee having a material shareholding in of one of SFL's clients);
- an expectation of a future interest by an employee of SFL in one of SFL's clients, for example applying for employment with that client²;
- previous association with a person affected or likely to be affected by the information or issue in question;
- interest arising from a common interest group, such as a trade association or other public or private society;
- accepting gifts and/or hospitality from some associate of the Firm, for example a client or vendor (prospective or already engaged)³;
- employee trading in securities, derivatives or other financial products which they also trade for the Firm, on behalf of clients, or otherwise have some involvement in (for example, pricing, settlement or Research)⁴;
- outside business activities (for example an employee holding an executive position in a company providing services to SFL, or whose securities and/or associated derivatives the Firm may trade). This applies regardless of whether the position is remunerated or not;
- internalisation of execution client orders (e.g. two trading desks provide different investment services to the same client for order executions and are separately remunerated (i.e. arranging and clearing client orders));
- dual-capacity trading desks (e.g. a trading desk deals on its own account against proprietary capital and executes client orders);
- pre-execution communications for client orders in illiquid instruments;

² This is at a reasonably advanced stage, such as during application, interview or offer, rather than an aspiration to work for a client at some future unspecified time.

³ See the Gifts & Entertainment Policy for more information.

⁴ See the PA Dealing Policy for more information.

- working in any environment which may expose the employee to any competitor or other third party which may create a conflict of interest situation, for example if working from home and working in a room with an employee of a competitor firm;
- an affiliate entity of an SFL tied-agent working at the same office for a different principal;
- the Firm is considering the acquisition of a competitor or vendor, or a strategic stake in such;
- promulgation of investment research, market commentary or trade ideas which is either not independent, or not appropriately labelled with required disclaimers / disclosures⁵; and/or
- interest described in any of the above of a close family member or any other such person with whom some kind of familial or economic relationship exists, for example acting as a power of attorney.

In determining whether something is a potential, perceivable or actual conflict of interest or not, Compliance and Legal will consider factors including, but not limited to:

- what fiduciary obligations are owed to each party;
- whether the Firm is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- whether the client is aware of the conflict of interest, and/or have provided consent for SFL to continue to act on their behalf under such circumstances;
- whether SFL has a financial or other incentive to favour the interest of one client or group of clients over the interests of another client;
- whether SFL is a competitor of one of the other related parties;
- what financial regulations SFL is subject to; and
- who the decision maker/supervisor is/are, and how they are incentivised for any variable compensation.

3.3 Managing conflicts of interest

Where a conflict of interest is identified, there are various potential courses of action the Firm may take. These may include one or several of, but are not limited to:

- declining to act for a client or engage in the business;
- disclosing the conflict of interest to the client(s) and/or seeking their consent to continue to act (see 4.1 below);
- not engaging in proprietary trading activity;
- engaging a compensation process which mitigates risks of conflicts of interest;
- an internal procedure that refrains from marketing the possibility to move accounts to intra-group third-country entities for clients in the Retail Division;
- other policies applied by the Firm including, but not limited to; information barriers, anti-bribery and corruption, gifts & entertainment, personal account dealing, and others;
- placing restrictions on certain types of employee activity, for example PA dealing;
- undertaking regular training/attestations of employees; and/or

⁵ See the Investment Research Policy for more information.

- establishing a temporary or permanent information barrier (and/or information box) around or between different teams engaging in certain business/activities⁶.

3.4 Recording conflicts of interest

Compliance maintains a register of conflicts of interest in the Firm. Regular Management Information (MI) should be provided the Compliance Committee on changes to this register.

3.5 Inducements

In connection with investment business, SFL may not:

- pay to accept from any party (other than the client) any fee or commission; or
- provide to, or receive, from any party (other than the client), any non-monetary benefit.

There are certain exceptions which may apply, and if in doubt advice should be sought from Compliance and Legal. If one of the exceptions is invoked, SFL must clearly disclose this to the client, including both the nature and value of the benefit before engaging in the business, and in a manner which complies with the requirements set out in 4.1 below.

These requirements are set out in COBS 2.3A of the FCA Handbook:

<https://www.handbook.fca.org.uk/handbook/COBS/2/3A.html>

3.6 Principle 8 of the FCA's Principles for Business

FCA also impose a general obligation on firms to manage conflicts of interest through Principle 8 of their Principles for Business. This allows the regulator more flexibility to act in situations which are not explicitly covered by the rules outlined in the Handbook.

4. Other requirements

4.1 Disclosure and consent

MiFID II introduced more prescriptive requirements when disclosing conflicts of interest which have arisen to clients. Such disclosures, which apply irrespective of the categorisation of the client, should:

- specifically describe the conflict of interest;
- explain the general nature and/or source of the conflict of interest;
- explain the risks that arise to the client as a result of the conflict of interest;
- note the steps taken to mitigate the risks;
- be made in a durable medium;
- include sufficient detail for the client to make an informed decision on whether to proceed;
- clearly state that the organisational and administrative arrangements established by the Firm to prevent or manage that conflict are not sufficient to ensure that the client's interests will be protected.

⁶ See the Market Conduct Policy and Information Barriers Policy for further information.

The description of the conflict of interest should also consider the nature of the clients to whom the disclosure is made. The European Securities & Markets Association (ESMA) noted in its initial consultation paper that disclosures under the pre-MiFID II regime were very generic and not necessarily appropriate for retail clients.

4.2 Primary v secondary markets trading activity

Facilitating primary markets activity may constitute a conflict of interest with secondary market trading activity. The Firm manages this risk through various measures including the use of information barriers, training, and the requirement that certain primary markets/new issuance business be approved by the Primary Markets Review Group (PMRG), which will consider conflicts of interest and may require certain conditions to be met before approving the Firm to act in a primary market engagement.

4.3 Payment for Order Flow (PFOF)

The FCA define Payment for Order Flow as the practice of an investment firm that executes client orders (typically a broker) receiving a fee/commission not only as an agent from the client originating the order but also from the counterparty with whom the trade is then executed (typically a market maker or other liquidity provider). SFL may be able to manage the conflict of interest from dual-sided charging with respect to trades involving ECPs if those trades follow the fact-pattern of non-exclusive liquidity and are subject to appropriate controls. For example:

- Broker sources liquidity and distributes trading interests broadly to all relevant clients.
- Broker ensures that any relevant client has a reasonable opportunity, including adequate time, to interact with and trade on the disseminated trading interests.
- Broker does not directly or indirectly provide a Right of First Refusal (“ROFR”) to any specific client and therefore is not providing exclusive liquidity. The ROFR refers to the client’s initial exclusive access to a price quoted by a market maker or liquidity provider before that price is shared more broadly with the market.
- Once the originating client has given up the ROFR and the price is broadcast to the market and other relevant clients. Liquidity providers in the relevant market and other clients can participate in the price discovery process and then PFOF can be charged on the resulting trade.
- SFL applies robust systems and controls to ensure it is genuinely acting in this capacity to manage the conflicts from this approach.

Please seek advice from Compliance if you intend to enter a PFOF arrangement with a client.

4.4 Benchmarks

SFL acts as a contributor for four benchmarks: the LBMA gold and silver auctions, and the LME platinum and palladium auctions. Participation in these auctions is an identified conflict of interest for the Firm, and therefore additional requirements apply to those involved in these processes. Further details are set out in the Benchmarks Policy. For the avoidance of doubt, any representative of the Firm submitting a contribution rate into one of these auctions may not do so in collusion with any other party, or in any way other than in line with the requirements set out by the respective Administrators of each benchmark.

4.5 Governance

The Compliance Committee, acting on delegated authority from the Executive Board, is responsible for the overall governance of conflicts of interest. The Compliance Committee have approved this policy, and management information is provided to the Compliance Committee concerning conflict of interest disclosures and the annual attestation. The Compliance Committee, as it deems appropriate, may engage the Financial Crime Prevention Committee (FCPC), the PMRG, or any other body, to assist in its governance oversight. The Compliance Committee also acts as a point of escalation for any dispute about what may constitute a conflict of interest and/or measures required to manage conflicts of interest.

4.6 Family relationships

To avoid conflicts of interest, it is not permitted for any employee to have within a managerial reporting line (at any degree of separation) anyone to whom they are closely related. This also includes situations where one family member may operate some form of control or oversight over the output or operations of another family member within the Firm. Any potential such situation should be escalated to HR and Compliance before an offer is made.

4.7 Hiring practices

Hiring practices and selection decisions must be independent and follow all applicable HR guidance and avoid conflicts of interest. Any hiring manager or interviewer who has a familial or a financial/fiduciary relationship with a prospective employee, should highlight this to HR and Compliance and stand down from the interview process. In such circumstances the interviewer is not eligible for a referral bonus.

For paid internships and apprenticeships, an employee may recommend a connected party to apply, however all applicants will be treated equally, and the same selection criteria and process will apply. Under no circumstances may an employee guarantee an intern placement or apprenticeship in return for any recompense either to themselves or to the Firm, for example guaranteed flow of trading activity or a new client contract.

For non-paid work experience, a participant who has a family relationship with an SFL employee is permitted. For parties related to clients, work experience placements are also permitted, subject to approval from Compliance, but should not be in the department or division which deals directly with that client.

4.8 Loans

Employees may not make or receive loans to/from other employees, other than in de minimis amounts. Employees may not make or receive loans to/from clients, vendors, regulators, or any other contractual party, or prospective party, of the Firm, other than in the context of long term banking relationships with commercial organisations.

4.9 Vendors

No SFL employee may accept any benefit of any kind in return for the promise of a vendor contract engaged by SFL or the wider StoneX Group. This includes prospective vendors in a competitive tender, which should always follow applicable Vendor Risk Management (VRM) guidelines. Any vendor entertainment should comply with the provisions of the Gifts & Entertainment Policy.

4.10 Situations which are not considered to be conflicts of interest

There are certain activities which the Firm may engage in which are not considered to be a conflict of interest, provided they meet certain requirements. These include, but are not limited to:

Hedging

Hedging exposure to client activity, either directly against an individual client's position, or in aggregate, where this is legitimate risk management. This includes the risk management practice of running a B-Book, or risk book, whereby when client positions are placed, the risk taken onboard is partially hedged or not hedged at all. For more details please see SFL's B Book Conflict of Interest Approach Document.

Industry fora

Where an employee is acting in a capacity outside of the Firm, but on the Firm's behalf, for example, being a member of an industry body⁷, advisory or disciplinary panel (provided the Firm subject to the disciplinary action is not SFL), this will not be considered a conflict of interest. The SFL employee should not receive any tangible or intangible benefit or compensation from engaging in such an activity. However, this should still be disclosed to Compliance and logged as an *inside business activity (IBA)*.

Order Execution

When order execution for clients is undertaken in compliance with the provision of the Order Execution Policy, this will not be deemed a conflict of interest.

Opt-up clients

The Firm has developed a means for eligible retail clients to "opt up" and be classified as a "professional" client under applicable regulations; clients classified as professional are not entitled to the same protections afforded to retail clients and this may impact risk warnings and conflicts disclosures they receive.

Financial promotions

Where the Firm has offered specific margin and other terms to attract new clients, or where existing clients may be eligible to be classified as professional under applicable rules.

5. Your obligations

⁷ This does not include personal memberships of professional bodies where the employee is not representing the Firm, which do not need to be disclosed under this policy.

Any person subject to this policy who is aware of a situation which may be a conflict of interest should disclose it to Compliance without delay. Compliance, Legal and HR, will then review the potential conflict of interest and determine if/how it should be recorded/managed, noting there may be certain conditions imposed. There may also be periodic attestations whereby employees will be required to reaffirm all information is still correct.

5.1 Outside Business Activities (OBA)

OBAs are defined as employment or roles which an employee may perform separate from, and concurrent with, their employment with SFL. Because an OBA may cause a conflict of interest, all OBAs must be disclosed to the Firm via the ComplySci system, and be approved by line management and Compliance, and for employees registered under SMCR⁸, HR. Any of these parties may insist on certain conditions before providing approval. Examples of OBAs include, but are not limited to:

- directorships;
- charity work where there is some formal role, e.g. Treasurer, committee member, etc. (regular volunteering is exempt from these provisions);
- consultancy services;
- lecturing or other professional educational services;
- running/contributing to a website with a commercial element;
- private investments (i.e. in non-listed companies, and not by way of another investable product such as an ISA or ETF); and/or
- other employment (including shift work, full or part time employment).

It is irrelevant whether the activity is paid or not, including non-cash payments (such as equity). It is also irrelevant whether the role is active or passive, a regular engagement or one-off activity. These provisions do not apply in the following circumstances:

- being a member of a tenant board for a domestic housing association;
- acting as a governor of a school;
- speaking at a conference or other such event when representing the Firm; or
- when the service is being engaged in on behalf of SFL, for example being a member of an industry body representing the Firm⁹.

OBAs should be disclosed by new employees on joining the Firm, or ahead of the OBA being engaged in for existing employees. There should be no association between the OBA and SFL, and it should not be represented that SFL endorses the OBA in any way.

Appendix and Links

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⁸ Senior Managers & Certification Regime. Compliance will reach out to HR where appropriate.

⁹ However, these should still be disclosed to Compliance.

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