

# Shareholders Circular

## Flow Traders N.V.

Relating to the proposed update of the Flow Traders corporate holding structure

To be voted on at an Extraordinary General Meeting of Flow Traders N.V., to be held virtually, on 2 December 2022, at 14:00 CET.

21 October 2022

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- (b) Merger Proposal including schedules;
- (c) Board Reports;
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- (e) Bye-Laws;
- (f) auditor report;
- (g) auditor statement; and
- (h) further description of Dutch taxation.

## Letter to the shareholders

Today, we announced Flow Traders' intention to update its corporate holding structure. This decision is based on a thorough legal and capital structure review. We invite you to vote on the proposals relating hereto as set out in Chapter 1 (*Agenda and explanatory notes*) at the Extraordinary General Meeting.

The Update of the Holding Structure enables Flow Traders to become more competitive as a global, next generation liquidity provider, particularly in relation to regulatory capital management. Different capital requirements will apply following the Update of the Holding Structure which are expected to expand Flow Traders' growth options. Furthermore, the update of the holding structure is expected to bring our regulatory framework, including our capital framework, on a more level playing field with our global peers. The proposed Update of the Holding Structure therefore is a natural extension of the strategic ambition we outlined at the Capital Markets Update held in July 2022.

After the Update of the Holding Structure, Flow Traders' senior management and core operations will continue to be based in Amsterdam, the Netherlands and Flow Traders will maintain its listing on Euronext Amsterdam. The current Dutch tax residency of Flow Traders' top holding will be maintained. Flow Traders is not pursuing the Update of the Holding Structure for tax benefits. Instead, it aims to enable and accelerate its strategic ambition.

The Shareholders Circular provides you with key information regarding the proposed Update of the Holding Structure. The implementation of the Update of the Holding Structure consists of several steps. Two voting items at the Extraordinary General Meeting directly relate to the implementation of the Update of the Holding Structure. An affirmative vote on these two proposals will therefore effectively be an affirmative vote on the Update to the Holding Structure as a whole, and a vote against any of these two proposals a vote against the Update of the Holding Structure. A preliminary timeline is annexed to this Shareholders Circular.

The Management Board and the Supervisory Board unanimously support the Update of the Holding Structure and recommend that you vote in favour of the proposals included on the agenda for the Extraordinary General Meeting.

We hope that you, our Shareholders, are just as excited about the new possibilities the Update of the Holding Structure will create for Flow Traders as we are and will vote in favour of the proposed resolutions. We truly believe these to be in the best interest of Flow Traders, our existing Shareholders as well as our other stakeholders.

Yours sincerely,

Rudolf Ferscha  
*Chairman of the Supervisory Board*

Dennis Dijkstra  
*Chief Executive Officer*

## 1 Agenda and explanatory notes

Extraordinary General Meeting of Flow Traders N.V., to be held virtually,<sup>1</sup> on 2 December 2022, at 14:00 CET.

### 1. Opening and announcements

The chairman will open the meeting.

### 2. Update of the Holding Structure (*two voting items*)

Agenda item 2 contains two voting items. The Update of the Holding Structure can only be implemented if both proposals are adopted. Therefore, the proposal under agenda item 2.b. will only be put to a vote after proposal 2.a. has been adopted.

#### 2.a. Proposal to amend the Articles of Association (*voting item*)

The purpose of the amendment of the Articles of Association is twofold. Firstly, it serves to include two formulas on the basis of which the amount of Cash Compensation can be determined that a Shareholder will receive in case such shareholder exercises its rights under the Withdrawal Mechanism. Secondly, the nominal value of the FT NV Shares will be increased at the expense of the Company's reserves.

This agenda item includes the proposal to authorise each member of the Management Board and each lawyer, (candidate) civil-law notary and paralegal working at De Brauw Blackstone Westbroek N.V. to execute the deed of amendment of the Articles of Association.

#### 2.b. Proposal to enter into the Merger (*voting item*)

Pursuant to the Merger, FT NV shall enter into a cross-border legal merger in accordance with the Merger Proposal, pursuant to which (i) all FT NV's assets, liabilities, rights, obligations and other legal relationships will be acquired by FT SA, (ii) FT NV will cease to exist and (iii) each Shareholder, not exercising its rights under the Withdrawal Mechanism, will receive one FT SA Share for each FT NV Share it holds on the moment the Merger becomes effective.

### 3. Closing

The chairman will close the meeting.

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<sup>1</sup> The date of the Extraordinary General Meeting is after the current expiration date of the Dutch legislation allowing for virtual meetings. If the legislation with not be timely and sufficiently extended, the meeting will be held in the Auditorium at the INIT Building at Jacob Bontiusplaats 9, 1018 LL Amsterdam, the Netherlands. Reference is made to the convening notice for the Extraordinary General Meeting.

## 2 Update of the Holding Structure

This Chapter 2 (*Update of the Holding Structure*) relates to the proposed Update of the Holding Structure and provides a further explanation to items 2.a. and 2.b. of the agenda for the Extraordinary General Meeting:

*"2.a. Proposal to amend the Articles of Association"*

and

*"2.b. Proposal to enter into the Merger"*

These agenda items serve to effect the Update of the Holding Structure, as part of the implementation of the global vision Flow Traders informed you about in today's press release. After the Update of the Holding Structure, Flow Traders' top holding will be governed by Bermuda Law. Please see paragraph 2.2 (*Implementation of the Update of the Holding Structure*) and paragraph 2.3 (*Further explanatory notes to agenda item 2*) for further information on the corporate steps required to effect the Update of the Holding Structure.

The Update of the Holding Structure is intended to enable Flow Traders to operate more efficiently and effectively. After the Update of the Holding Structure, different regulatory and trading capital requirements will apply which are expected to expand Flow Traders' strategic growth options. Furthermore, the Update of the Holding Structure is expected to bring Flow Traders' regulatory framework, including its capital framework, on a more level playing field with its global peers.

Flow Traders' main hub will remain in the Netherlands. Flow Traders' top holding will remain listed on Euronext Amsterdam and the current Dutch tax residency of FT NV will be maintained.

It is envisaged that the Update of the Holding Structure will be fully implemented in January 2023, subject to obtaining the required approvals during the Extraordinary General Meeting as well as a number of regulatory approvals and other conditions. Flow Traders has already obtained an unconditional declaration of no objection from the Dutch Central Bank in connection with the Update of the Holding Structure.

## 2.1 Strategic rationale for the Update of the Holding Structure

The proposed Update of the Holding Structure is the culmination of a detailed and extensive review to optimise Flow Traders' legal and capital structure and serves to enable and accelerate its strategic growth agenda.

The Update of the Holding Structure is expected to enable Flow Traders to be on a more level playing field with its international competitors and increase its ability to expand its growth options due to different capital requirements that will apply.

### Choice for Bermuda

The choice for Bermuda as the jurisdiction of Flow Traders' top holding following the Update of the Holding Structure is the result of a careful and extensive review. The Update of the Holding Structure leads to the application of a different regulatory and capital regime, which allows Flow Traders to deploy its trading capital in a more efficient manner, and is expected to expand Flow Traders' strategic growth options. This aligns well with the sector profile of market makers, Flow Traders' profile, international market conditions and parties that Flow Traders deems to be peers.

Moreover, Bermuda has a well-established and respected legal and regulatory environment with numerous financial services companies electing to have their domicile in the country.

Consolidated supervision on the basis of the EU's IFR and IFD will lapse as per the completion of the Update of the Holding Structure. Flow Traders B.V. as a regulated entity will of course remain subject to the IFR and IFD requirements on a standalone basis. The non-EEA regulated subsidiaries will remain regulated in their respective jurisdictions of authorisation.

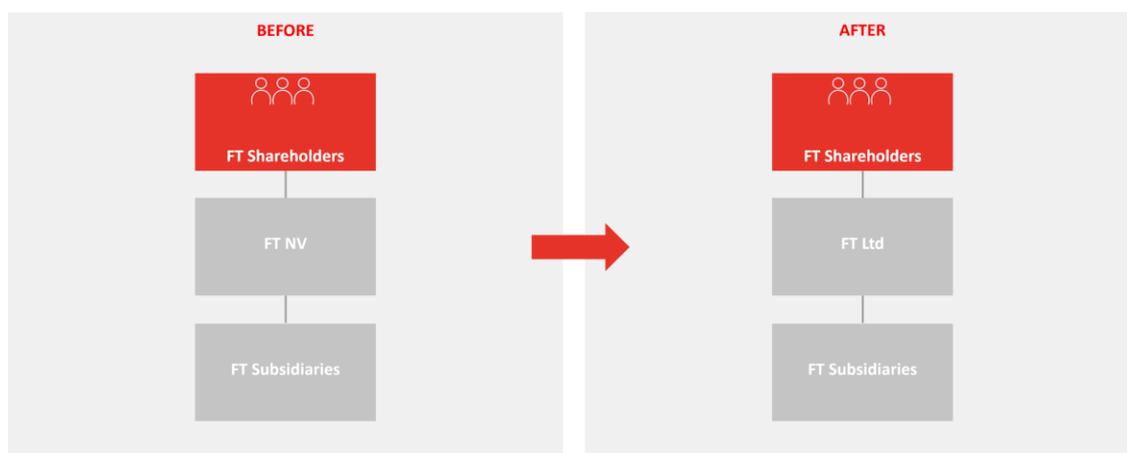
Reference is made to paragraph 2.3 (*Further explanatory notes to agenda item 2*) and Chapter 4 (*Governance and regulatory framework post Update of the Holding Structure*) for more information on the regulatory and governance framework of Flow Traders' top holding following the Update of the Holding Structure.

## 2.2 Implementation of the Update of the Holding Structure

This paragraph 2.2 (*Implementation of the Update of the Holding Structure*) provides a general overview of the Update of the Holding Structure. The next paragraph 2.3 (*Further explanatory notes to agenda item 2*) provides a more specific explanation on the two voting items included under agenda item 2.

### General overview

An overview of the corporate structure of Flow Traders, before and after the Update of the Holding Structure, is included below.



The Update of the Holding Structure comprises various steps, of which the principal steps are set out below:

- Step 1:** the incorporation of FT SA by FT NV (the "**Incorporation**") as a direct wholly owned subsidiary;
- Step 2:** the amendment of the Articles of Association and the cross-border merger of FT NV with FT SA, with FT NV being the absorbed company and FT SA being the absorbing company (the "**Merger**"); and
- Step 3:** the cross-border conversion of FT SA into FT Ltd (the "**Ltd Conversion**").

The Incorporation as referred to in Step 1 has already been completed. The proposals included under agenda item 2 both relate to step 2 (the amendment of the Articles of Association and the Merger). Step 1 and 3 are described in this Shareholders Circular to inform Shareholders of the context of the proposals on the Merger but do not require a vote by the General Meeting and are therefore not described in further detail herein. The same applies to certain corporate reorganisations within the Flow Traders Group related to the Update of the Holding Structure.

As part of the implementation of the Update of the Holding Structure, FT NV will first be absorbed by FT SA pursuant to the Merger, following which FT SA will become an entity under Bermuda Law pursuant to the Ltd Conversion. The Merger therefore forms an intermediate step in the Update of the Holding Structure. This intermediate step is required as Dutch Law does not facilitate a direct outbound cross-border merger or conversion into an entity under the Laws of a non-EEA jurisdiction, such as Bermuda. Luxembourg Law, however, does facilitate a cross-border conversion of a company into a company governed by Bermuda Law. All steps required to effectuate both the Merger and the Ltd Conversion are expected to take place on a Friday, with the last Trading Day for FT NV Shares being on that Friday, followed by the first Trading Day for FT Ltd Shares being on the following Monday. There will be no trading in FT SA Shares.

## Step 1: the Incorporation

FT NV has incorporated FT SA, in order to effect the Merger. FT SA is a wholly owned subsidiary of FT NV and will not hold any meaningful assets or liabilities prior to the Merger.

## Step 2: the amendment of the Articles of Association and the Merger

### *Key terms of the Merger*

The Merger takes place after the Incorporation. The Merger will result in FT NV's assets and liabilities, rights, obligations and other legal relationships that are susceptible for transfer under universal succession of title being acquired by FT SA and in FT NV ceasing to exist, by operation of Law and without going into liquidation.

Shareholders, other than Withdrawing Shareholders, holding FT NV Shares at the moment the Merger becomes effective, will receive FT SA Shares pursuant to the Merger. These FT SA Shares will remain outstanding but will become FT Ltd Shares due to the Ltd Conversion. Each Shareholder will therefore eventually hold one FT Ltd Share on the moment the Ltd Conversion becomes effective for each FT NV Share held on the Effective Time, provided however that Withdrawing Shareholders will not hold any FT Ltd Shares following the Merger and the Ltd Conversion.

Shareholders holding their FT NV Shares in a securities account through the giro system maintained by Euroclear Nederland, will receive their FT SA Shares, and following the Ltd Conversion, the FT Ltd Shares in their securities account through the relevant intermediaries, save for those Shareholders that exercised their rights under the Withdrawal Mechanism.

Flow Traders' top holding will remain listed on Euronext Amsterdam and the FT Ltd Shares will trade on Euronext Amsterdam as of the first Trading Day after completion of the Update of the Holding Structure.

Due to the Merger, FT SA will become the indirect sole shareholder of Flow Traders B.V. because Flow Traders B.V. is a regulated entity this will be subject to regulatory approval. The Merger will only be implemented after all approvals have been granted, including approval by the SFC. The

Dutch Central Bank has already granted an unconditional declaration of no objection.

The Merger will not be implemented if the aggregate number of FT NV Exit Shares exceeds two percent of the number of FT NV Shares issued and outstanding at the time of the Extraordinary General Meeting, provided that the FT SA Management Board may waive this condition.

#### ***Withdrawal Mechanism and amendment of the Articles of Association***

If the General Meeting approves the Merger, a Withdrawal Mechanism will be provided to Shareholders that voted against the Merger. Such Shareholders may file a Withdrawal Application during the Withdrawal Period. A further explanation of the Withdrawal Mechanism is included in paragraph 2.3 (*Further explanatory notes to agenda item 2*).

Before agenda item 2.b. will be proposed during the Extraordinary General Meeting, the General Meeting will be asked to vote on an amendment of the Articles of Association (agenda item 2.a.). The purpose of this amendment is twofold. Firstly, it serves to include two formulas in the Articles of Association on the basis of which the amount of compensation that a Shareholder will receive if such Shareholder exercises its rights under the Withdrawal Mechanism will be determined. Secondly, the nominal value of the FT NV Shares will be increased at the expense of the Company's reserves. The proposed amendments are explained in more detail in paragraph 2.3 (*Further explanatory notes to agenda item 2*).

The verbatim text of the proposed amendment of the Articles of Association, and an unofficial English translation thereof, is available on the FT Corporate Website and available for inspection at FT NV's and FT SA's offices at least until the close of the Extraordinary General Meeting. An unofficial English translation of the draft deed of amendment of the Articles of Association is also annexed to the Merger Proposal as Schedule 4.

#### ***Voting requirements***

The amendment of the Articles of Association, as included in agenda item 2.a., requires a majority of the votes cast. If the General Meeting adopts the resolution to amend the Articles of Association, in accordance with agenda item 2.a., then the Articles of Association will be amended directly thereafter during the Extraordinary General Meeting. Following the execution of the notarial deed of amendment of the Articles of Association, the Extraordinary General Meeting will proceed with agenda item 2.b. If proposal 2.a. will not be adopted, proposal 2.b. will not be put to a vote and the Update of the Holding Structure will not be implemented. Shareholders in favour of the Update of the Holding Structure, are therefore urged to vote in favour of both proposal 2.a and proposal 2.b.

The resolution to enter into the Merger requires a majority of the votes cast, provided that at least half of the share capital of FT NV is present or represented during the Extraordinary General Meeting. If less than half of FT NV's share capital is present or represented at the Extraordinary General Meeting, the proposal to enter into the Merger requires at least a two thirds majority of the votes cast.

### Step 3: the Ltd Conversion

Step 3 of the Update of the Holding Structure is proposed to be implemented by the Ltd Conversion. FT SA, which has absorbed FT NV pursuant to the Merger, will convert from a company under Luxembourg Law into a company under Bermuda Law, without ceasing to exist. Chapter 4 (*Governance and regulatory framework post Update of the Holding Structure*) explains the governance following the Ltd Conversion, and a comparison table of the current and the proposed governance rights is annexed to this Shareholders Circular.

## 2.3 Further explanatory notes to agenda item 2

This paragraph 2.3 (*Further explanatory notes to agenda item 2*) provides a more detailed explanation on item 2 of the agenda regarding the Update of the Holding Structure. It describes the various steps and key documents required for the amendment of the Articles of Association in accordance with agenda item 2.a. and the Merger in accordance with agenda item 2.b.

### The Merger Proposal

The Merger Proposal sets out the terms and conditions of the Merger in accordance with Dutch and Luxembourg Law. The Merger Proposal is annexed to this Shareholders Circular.

Amongst others, the Merger Proposal sets out that:

- (a) there are no natural persons nor legal entities, other than Shareholders, that have special rights, such as a right to receive a distribution of profits or to subscribe for FT NV Shares, as a result of which no rights or compensatory payments shall have to be granted to such persons or entities;
- (b) none of the members of the Management Board or the Supervisory Board or the FT SA Board will be granted any special advantages in connection with the Merger;
- (c) each Shareholder will receive one FT SA Share pursuant to the Merger for each FT NV Share such Shareholders holds on the moment the Merger becomes effective, except if such Shareholder exercises its rights under the Withdrawal Mechanism;
- (d) Shareholders will have rights under the Withdrawal Mechanism if certain conditions are met;
- (e) the activities of FT NV shall be continued by FT SA, provided that FT SA shall be converted into FT Ltd immediately after the Merger becomes effective, and
- (f) Shareholders, not being Withdrawing Shareholders, will be entitled to share in the profits of FT SA as of the Effective Time.

### Board Reports

The Management Board and the FT SA Board have each prepared a Board Report, which are annexed to this Shareholders Circular. The Board Reports are published on the FT Corporate Website and will be made available for inspection at FT NV and FT SA's offices for those persons eligible for inspection under Dutch and Luxembourg Law.

The Board Reports set out, amongst others, the method used to determine the Exchange Ratio and certain other aspects in relation to the Exchange Ratio.

## Auditor Statement, Auditor Report and Independent Expert Report

Flynth Audit B.V. has issued an auditor statement and an auditor report regarding the Merger. The auditor report and the auditor statement are annexed to this Shareholders Circular.

An independent expert appointed by the FT SA Management Board will also prepare and issue a report on the Merger. In accordance with Luxembourg Law, the report will be issued at least one month prior to the Extraordinary General Meeting and the relevant shareholders resolution being enacted before a notary in Luxembourg. Once available, the report will be published on the FT Corporate Website.

## Withdrawal Mechanism

If the Merger is approved by the Shareholders at the Extraordinary General Meeting, a withdrawal mechanism in accordance with Article 2:333h(1) Dutch Civil Code will be provided for those Shareholders who have voted against the Merger and who do not wish to receive FT SA Shares pursuant to the Merger (the "**Withdrawal Mechanism**"). Such Shareholders (each a "**Withdrawing Shareholder**") may file a request for compensation with FT NV (the "**Withdrawal Application**") within one month after the day of the Extraordinary General Meeting (the "**Withdrawal Period**").

A Shareholder who has voted in favour of the proposal to enter into the Merger at the Extraordinary General Meeting, abstained from voting, or was not present or represented at the Extraordinary General Meeting, does not have any rights under the Withdrawal Mechanism.

A Withdrawing Shareholder may only make a Withdrawal Application in respect of the FT NV Shares that such Withdrawing Shareholder: (i) held at the record date of the Extraordinary General Meeting and in respect of which such Withdrawing Shareholder voted against the Merger and (ii) still holds at the time of the Withdrawal Application.

Shareholders should note that: (i) once the Withdrawal Period has ended, any Withdrawal Application will be irrevocable; and (ii) following the submission of a Withdrawal Application Form, the Withdrawing Shareholders will not be allowed to transfer or dispose of the FT NV Shares for which they have duly exercised their rights under the Withdrawal Mechanism (the "**FT NV Exit Shares**") in any manner, except with the prior written approval of FT NV.

If FT NV Shares are held by a Withdrawing Shareholder in an account with ABN AMRO Bank N.V. acting as intermediary, ABN AMRO Bank N.V. will transfer those FT NV Shares held by the Withdrawing Shareholder into a separate account with ABN AMRO Bank N.V. If such FT NV Shares are held by a Withdrawing Shareholder in an account with another intermediary, those FT NV Shares must be transferred by that intermediary to ABN AMRO Bank N.V.

For further information about the Withdrawal Mechanism, please refer to the Withdrawal Application Form and the Merger Proposal. The Withdrawal Application Form is annexed as Schedule 3 to the Merger Proposal.

## Amendment of the Articles of Association

The purpose of the amendment of the Articles of Association is twofold.

Firstly, it serves to include two formulas on the basis of which the amount of Cash Compensation can be determined that a Shareholder will receive in case such shareholder exercises its rights under the Withdrawal Mechanism. The proposed formulas are further described under "*Cash Compensation*" below.

Secondly, it serves to increase the nominal value of the FT NV Shares at the expense of the Company's reserve. The current nominal value of the FT NV Shares is EUR 0.10. It is proposed to increase the nominal value to a maximum of EUR 3.60. The definitive nominal value per FT NV Share will be determined by the Management Board prior to the Extraordinary General Meeting. Share premium of FT NV that is recognised for Dutch dividend withholding tax purposes may, under certain circumstances, only be repaid free of Dutch dividend withholding tax if it is first converted into nominal share capital which nominal share capital is subsequently reduced and repaid, in each case subject to the satisfaction of certain statutory requirements. FT NV anticipates that conversion of share premium in share capital may raise complications under Bermuda Law following the Update of the Holding Structure. The purpose of the amendment is thus to mitigate any negative impact on the ability to repay fiscally recognised capital free of Dutch dividend withholding tax to Shareholders. It is noted that Flow Traders currently has no intentions to make any repayments. Shareholders should at all times consult their own tax advisors regarding the tax consequences of any potential future repayment of capital.

The proposal to amend the Articles of Association includes the proposal to authorise each member of the Management Board and each lawyer, (candidate) civil-law notary and paralegal working at De Brauw Blackstone Westbroek N.V. to execute the deed of amendment of the Articles of Association.

## Cash Compensation

On the Effective Time, a Withdrawing Shareholder will not receive FT SA Shares. Instead, the Withdrawing Shareholder will receive a Cash Compensation for its FT NV Exit Shares.

The Cash Compensation per FT NV Exit Share to be received by a Withdrawing Shareholder will be determined in accordance with one of the formulas proposed to be included in the Articles of Association:

- (a) the volume weighted average price of a FT NV Share for the five-Trading Day period ending at the close of the Trading Day on which the Effective Time occurs (the "**VWAP Formula**");  
or
- (b) the average proceeds per FT NV Share realised by FT NV from an offering of a number of FT NV Shares (the "**Cash Compensation Funding Shares**") equal to the aggregate number of FT NV Exit Shares (the "**Share Offering Formula**").

The Management Board has full discretion to select one of either the VWAP Formula or the Share Offering Formula in order to determine the Cash Compensation.

The Cash Compensation will in principle be subject to Dutch dividend withholding tax (current statutory rate is fifteen percent), if and to the extent that the Cash Compensation exceeds the average fiscally recognized share capital per FT NV Exit Share for Dutch dividend withholding tax purposes. The current fiscally recognized share capital is estimated at EUR 200 million. The Dutch dividend withholding tax will be borne by the Withdrawing Shareholder and withheld by FT Ltd, as the entity that will pay the Cash Compensation, as further described in the Merger Proposal. Withdrawing Shareholders should determine whether they are entitled to any relief and should timely make proper filings in this respect.

If the Cash Compensation per FT NV Exit Share is to be determined in accordance with the Share Offering Formula, FT NV will offer and sell the Cash Compensation Funding Shares (the "**Offering**") during the period between the end of the Withdrawal Period and the Effective Time. After the Withdrawal Period has ended, the Management Board will determine whether such Offering will take place by means of an accelerated book build, private placement or other alternative arrangement. Following the Offering, and prior to the Effective Time, the Cash Compensation per FT NV Exit Share will be determined by the Management Board by dividing the proceeds of the Offering by the total number of FT NV Exit Shares. Since the number of Cash Compensation Funding Shares issued in any such Offering will be equal to the number of FT NV Exit Shares, this Offering will not result in any dilution of the interests of Shareholders.

Any Cash Compensation will be paid, or procured to be paid, by FT Ltd within ten Business Days following the day on which the Effective Time occurs, net of any tax that is required to be withheld by Law. Delivery of the Cash Compensation Funding Shares may take place prior to or after the Effective Time. If delivered after the Effective Time, the FT NV Shares offered under the Offering will be delivered as FT Ltd Shares on a one for one basis.

## Treasury Shares

No FT SA Shares will be allotted in respect of FT NV Shares held by, or held for the account of, FT NV at the Effective Time. It is envisaged that no FT NV Shares will be held by, or held for the account of, FT NV at the Effective Time.

## Euronext Amsterdam Listing

The shares will trade as FT NV Shares until the close of trading on the last Trading Day before the Update of the Holding Structure and as FT Ltd Shares on the first Trading Day after the Update of the Holding Structure.

As a consequence of the Merger, Shareholders holding their FT NV Shares through the giro system maintained by Euroclear Nederland, other than Withdrawing Shareholders, become entitled to and will hold FT SA Shares. Pursuant to the Ltd Conversion, such FT SA Shares will remain outstanding and become FT Ltd Shares after the Effective Time, and such Shareholders will from that moment hold FT

Ltd Shares in their securities account.

Any trades in the FT NV Shares during the two Trading Days ending on the day on which the Effective Time occurs will, as a result of the Update of the Holding Structure be settled in the form of FT Ltd Shares. On the first Trading Day after the Effective Time, Euroclear Nederland will implement the name change of the shares in its systems, which change will settle in two Trading Days. Shareholders may already be able to view FT Ltd Shares earlier in their securities accounts, depending on the relevant intermediary.

### 3 Shareholder taxation

This Chapter 3 (*Shareholder taxation*) provides for statements that are intended as a general description of the Dutch tax consequences for Shareholders in respect of the Update of the Holding Structure. They are based on current Law and practice, which are both subject to change at any time, possibly with retrospective effect. Furthermore, the statements in this chapter are not exhaustive and relate only to certain limited aspects of the Dutch tax consequences of the Update of the Holding Structure.

Shareholders should consult their own tax advisors regarding the tax consequences of the Update of the Holding Structure.

#### Dutch tax consequences of the Update of the Holding Structure for Shareholders

As a result of the Merger, a Shareholder is deemed to have disposed of its FT NV Shares for Dutch corporate income tax or personal income tax purposes. A Shareholder should however not be required to take into account any taxable gains upon the Merger becoming effective for Dutch corporate income tax or personal income tax purposes. The Ltd Conversion should not result in the termination of existence of FT SA and therefore the Ltd Conversion should not be considered a disposal for Dutch tax purposes. This view is confirmed in paragraph 10.1 of the updated Decree on the conversion of legal entities (*Besluit omzetting rechtspersonen*), which declares that no taxable event occurs for Dutch tax purposes if, in the case of a foreign-law conversion of a company, the existence of that company is not terminated and there is no transfer of assets or liabilities.

The Dutch tax authorities have confirmed certain Dutch tax consequences in a tax ruling.

The Dutch corporate income tax or personal income tax treatment of Shareholders after the Update of the Holding Structure should generally remain the same as before the Update of the Holding Structure. A further description of Dutch taxation is annexed to this Shareholders Circular.

## 4 Governance and regulatory framework post Update of the Holding Structure

This Chapter 4 (*Governance and regulatory framework post Update of the Holding Structure*) provides a description on the proposed governance and the regulatory framework after the Update of the Holding Structure.

### Governance Framework

After the Update of the Holding Structure, Flow Traders' top holding will be subject to Bermuda Law and its governance will predominately be determined by its Bye-Laws and Board Rules. The Bye-Laws and Board Rules have been drafted taking into account FT NV's current governance, with the aim to continue the current governance framework, to the extent reasonably possible in view of the change of jurisdiction of Flow Traders' top holding.

A governance comparison table has been annexed to this Shareholders Circular. The table contains a comparison of relevant aspects of the current FT NV governance and the envisaged FT Ltd governance. The Bye-Laws are annexed to this Shareholders Circular as well.

### Regulatory Framework

#### *Current framework*

Flow Traders has trading operations established in various international jurisdictions, with additional branches having been opened in London, Milan and Paris. Flow Traders trades on more than 180 venues worldwide. As Flow Traders has to comply with local regulations and trading rules of all venues, the regulatory landscape is extensive. This is not expected to change after the Update of the Holding Structure as all regulated subsidiaries will, on a standalone local level, be required to meet the current requirements.

In the current situation, Flow Traders needs to comply with regulatory capital requirements at group and solo level. On solo level, the Dutch Central Bank currently sets and monitors capital requirements for the operating company Flow Traders B.V. In addition, the activities of the FT Subsidiaries in the USA and APAC are supervised by local regulators that, as applicable, also have set local capital requirements.

On a central basis, the Dutch Central Bank sets and monitors capital requirements at the level of Flow Traders as a whole (i.e., at holding level). Flow Traders is currently under group supervision of the Dutch Central Bank, in accordance with the EU's IFR and IFD prudential regulation for investment firms, as implemented in the Dutch Financial Markets Supervision Act (*Wet financieel toezicht*). The Dutch Central Bank adopted the IFR and IFD capital requirements as from 26 June 2021 whereas prior to the implementation of IFR and IFD, capital requirements applied on the basis of the Capital Requirements Regulation and the Capital Requirements Directive. For the application of the IFR and

IFD prudential regime, Flow Traders B.V. is categorized as Category II Investment Firm. As such, Flow Traders B.V. is subject to a Pillar I requirement on the basis of its K-factor risk model, fixed overhead costs and minimum capital requirements. On top of those requirements, the Dutch Central Bank has set additional Pillar II capital requirements.

Flow Traders, including the regulated FT Subsidiaries, have, as a group and on an individual basis, complied with all externally imposed capital requirements.

### ***Post-Update of the Holding Structure Framework***

As a result of the Update of the Holding Structure, Flow Traders' top holding will no longer be situated in the EEA, with Flow Traders B.V. remaining as the sole regulated entity in the EEA. As a consequence, group supervision as currently exercised by the Dutch Central Bank will cease as there is no longer a holding located in the EEA. With that, the corresponding EU regulatory capital requirements as described above will no longer apply at group level. Under the current regulatory regime as set out above, any significant M&A transaction with purchased goodwill will have a significant impact on regulatory capital excess, making the position of Flow Traders in competitive M&A processes suboptimal and disadvantageous when compared to peers that are subject to a different regulatory regime. After implementing the Update of the Holding Structure, Flow Traders' top holding will be able to segregate capital effects from M&A transactions from its operative businesses, whereby goodwill is accounted for at the level of Flow Traders' top holding. This is regarded as an important enabler for inorganic growth and will allow Flow Traders to align its regulatory position with those of its main (US-based) competitors. At solo level, the Dutch Central Bank will continue to exercise supervision in relation to Flow Traders B.V. Capital requirements under IFD and IFR will similarly continue to apply to Flow Traders B.V., for other Flow Traders regulated entities in other jurisdictions local (capital) requirements will continue to apply.

Flow Traders' top holding will not be carrying out any regulated activities and will consequently not be subject to financial regulatory oversight by the BMA. The BMA does not exercise regulatory group supervision with respect to holding companies and third-country licensed subsidiaries. Flow Traders' top holding will however be subject to general requirements of Bermuda Law, such as with respect to registration, ultimate beneficial ownership and Bermuda presence.

### ***All FT Subsidiaries remain subject to local regulatory requirements***

The Update of the Holding Structure will not be implemented prior to Flow Traders having received all regulatory approvals to do so. Flow Traders has already obtained an unconditional declaration of no objection from the Dutch Central in connection with the Update of the Holding Structure. Flow Traders is awaiting approvals from certain other regulators.

Flow Traders B.V. will remain subject to supervision from the Dutch Central Bank and the AFM. The same applies to FT Subsidiaries established in other jurisdictions; these will continue to adhere to applicable local regulatory requirements and be supervised by local regulators.

## 5 Recommendation to Shareholders

Having given due and careful consideration to the strategic considerations set forth in this Shareholders Circular and the aspects and consequences thereof, the Management Board and the Supervisory Board believe that the Update of the Holding Structure is in the best interest of FT NV's stakeholders, including the Shareholders. The Management Board and the Supervisory Board therefore unanimously recommend that Shareholders vote in favour of the proposals:

- (a) to amend the Articles of Association in conformity with agenda item 2.a.; and
- (b) to enter into the Merger in accordance with agenda item 2.b.

## Glossary

Capitalised terms used in this Shareholders Circular have the meaning given below, unless the context requires otherwise (words in the singular include the plural and vice versa).

"AFM"	means the Dutch Financial Markets Authority ( <i>Autoriteit Financiële Markten</i> );
"Articles of Association"	means the articles of association of FT NV, as they will read from time to time;
"BMA"	means the Bermuda Monetary Authority;
"Board "	means FT Ltd's board of directors;
"Board Report"	means the report prepared by the Management Board and/or the FT SA Board, in accordance with Dutch and Luxembourg Law, respectively;
"Board Rules"	means the board rules of FT Ltd, as they will read from time to time;
"Business Day"	means a business day in the Netherlands and Bermuda;
"Bye-Laws"	means the Bye-Laws of FT Ltd, as they will read from time to time;
"Cash Compensation"	means compensation in cash granted to a Withdrawing Shareholder in respect of FT NV Exit Shares;
"Cash Compensation Funding Shares"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Cash Compensation";
"CITA"	means the Dutch Corporate Income Tax Act 1969 ( <i>Wet op de vennootschapsbelasting 1969</i> );
"DWTA"	means the Dutch Dividend Withholding Tax Act 1965 ( <i>Wet op de dividendbelasting 1965</i> );
"EEA"	means the European Economic Area;
"Effective Time"	means 18:00 CET on the day the minutes of the extraordinary general meeting of FT SA, approving the Merger and the related documentation, are published in the Luxembourg Electronic Official Gazette ( <i>Recueil électronique des Sociétés et Associations</i> );
"Euroclear Nederland"	means Nederland Centraal Instituut voor Giraal Effectenverkeer B.V., trading under the name of Euroclear Nederland, being the central depository as referred to in the Giro Act;
"Euronext Amsterdam"	means the regulated market of Euronext Amsterdam N.V.;
"Exchange Ratio"	means the ratio of one FT NV Share for one FT SA Share, which will be allotted as part of the Merger;
"Extraordinary General Meeting"	means the extraordinary general meeting of FT NV, to be held on 2 December 2022;
"Flow Traders"	means, before the Update of the Holding Structure, FT NV and the FT Subsidiaries, following the Merger, FT SA and the FT

	Subsidiaries and following the Update of the Holding Structure, FT Ltd and the FT Subsidiaries;
"FT Corporate Website"	means the corporate website of FT NV, or FT SA following the Merger, or FT Ltd following the Ltd Conversion, accessible through <a href="http://www.flowtraders.com">www.flowtraders.com</a> ;
"FT Ltd"	means Flow Traders Ltd.;
"FT Ltd Share"	means a share in the share capital of FT Ltd;
"FT NV"	means Flow Traders N.V.;
"FT NV Exit Share"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Withdrawal Mechanism";
"FT NV Share"	means a share in the share capital of FT NV;
"FT SA"	means Flow Traders S.A.;
"FT SA Board"	Means FT SA's board of directors;
"FT SA Share"	means a share in the share capital of FT SA;
"FT Subsidiary"	means an entity of which at least a majority of the securities or ownership interests are held by FT NV or FT SA or, after the Ltd Conversion, FT Ltd, or any of its FT Subsidiaries, which securities or ownership interest give the holder thereof the power to elect or appoint a majority of the directors or other persons performing similar functions or to control such entity;
"General Meeting"	means general meeting of FT NV before the Update of the Holding Structure and the general meeting of FT Ltd following the Update of the Holding Structure;
"Giro Act"	means the act on giro transfers of securities ( <i>Wet Giraal Effectenverkeer</i> );
"IFD"	means the Investment Firm Directive;
"IFR"	means the Investment Firm Regulation;
"Incorporation"	has the meaning ascribed to it in paragraph 2.2 ( <i>Implementation of the Update of the Holding Structure</i> ), under "General Overview";
"ITA"	means the Dutch Income Tax Act 2001 ( <i>Wet inkomstenbelasting 2001</i> );
"Law"	means any supra-national, national, federal, state or local law, constitution, statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, writ, franchise, variance, exemption, approval, license or permit in force in the Netherlands, Luxembourg or elsewhere, unless specifically stated otherwise, together with applicable treaty or directive;
"Ltd Conversion"	has the meaning ascribed to it in paragraph 2.2 ( <i>Implementation of the Update of the Holding Structure</i> ), under "General Overview";
"Management Board"	means FT NV's management board;
"Merger"	has the meaning ascribed to it in paragraph 2.2 ( <i>Implementation</i>

	<i>of the Update of the Holding Structure</i> ), under "General Overview";
"Merger Proposal"	means the common draft terms of the Merger, drawn up by the Management Board and the FT SA Management Board;
"Offering"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Cash Compensation";
"SFC"	means the Hong Kong Securities and Futures Commission;
"Share Offering Formula"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Cash Compensation";
"Shareholder"	means a shareholder of FT NV before the Merger, a shareholder of FT SA following the Merger but prior to the Ltd Conversion and a shareholder of FT Ltd following the Ltd Conversion;
"Shareholders Circular"	means this shareholders circular;
"Supervisory Board"	means FT NV's supervisory board;
"Trading Day"	means a day on which trading in FT NV Shares or FT Ltd Shares generally occurs on Euronext Amsterdam;
"Update of the Holding Structure"	means the Incorporation, the amendment of the Articles of Association in accordance with agenda item 2.a., the Merger and the Ltd Conversion together;
"VWAP Formula"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Cash Compensation";
"Withdrawal Application Form"	means the form attached to the Merger Proposal as Schedule 3;
"Withdrawal Application"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Withdrawal Mechanism";
"Withdrawal Mechanism"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Withdrawal Mechanism";
"Withdrawal Period"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Withdrawal Mechanism"; and
"Withdrawing Shareholder"	has the meaning ascribed to it in paragraph 2.3 ( <i>Further explanatory notes to agenda item 2</i> ), under "Withdrawal Mechanism".

## Disclaimers

### "No Offer"

This communication is for informational purposes only and is not intended to and does not constitute an offer or invitation to exchange or sell or solicitation of an offer to subscribe for or buy, or an invitation to exchange, purchase or subscribe for, any securities, any part of the business or assets described herein, or any other interests or the solicitation of any vote or approval in any jurisdiction in connection with the proposed transaction or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable Law. This communication should not be construed in any manner as a recommendation to any reader of this communication.

This Shareholders Circular does not constitute, or form part of, a prospectus within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017.

### Presentation of information

The information included in this Shareholders Circular reflects the situation as at the date of this Shareholders Circular, unless specified otherwise. The publication of this Shareholders Circular shall under no circumstances imply that the information contained herein is accurate and complete as of any time after the date of this Shareholders Circular or that there has been no change in the intentions or expectations of the Management Board or the Supervisory Board in relation to the topics contained herein since the date of this Shareholders Circular. The foregoing does not affect the obligation of entities in Flow Traders to make a public announcement pursuant to applicable Laws.

## List of annexes

Annexes to this Shareholders Circular are:

- (a) preliminary timeline;
- (b) Merger Proposal including schedules;
- (c) Board Reports;
- (d) governance comparison table;
- (e) Bye-Laws;
- (f) auditor statement;
- (g) auditor report; and
- (h) further description of Dutch taxation.

The annexes are published on the FT Corporate Website and where relevant made available in accordance with applicable statutory requirements under Dutch or Luxembourg Law.