

INTL FCSTONE INC.
Form 10-Q
May 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number 000-23554

INTL FCStone Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

708 Third Avenue, Suite 1500

New York, NY 10017

(Address of principal executive offices) (Zip Code)

(212) 485-3500

(Registrant's telephone number, including area code)

59-2921318

(I.R.S. Employer Identification No.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 4, 2015, there were 18,981,079 shares of the registrant's common stock outstanding.

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INTL FCStone Inc.

Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2015

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTL FCStone Inc.

Condensed Consolidated Balance Sheets

(in millions, except par value and share amounts)	March 31, 2015 (Unaudited)	September 30, 2014
ASSETS		
Cash and cash equivalents	\$243.5	\$ 231.3
Cash, securities and other assets segregated under federal and other regulations (including \$509.0 and \$15.3 at fair value at March 31, 2015 and September 30, 2014, respectively)	687.3	448.0
Securities purchased under agreements to resell	336.9	—
Deposits and receivables from:		
Exchange-clearing organizations (including \$1,008.7 and \$1,255.4 at fair value at March 31, 2015 and September 30, 2014, respectively)	1,420.5	1,731.4
Broker-dealers, clearing organizations and counterparties (including \$(28.6) and \$(1.1) at fair value at March 31, 2015 and September 30, 2014, respectively)	193.1	123.0
Receivables from customers, net	72.2	55.6
Notes receivable, net	76.0	65.2
Income taxes receivable	11.0	10.8
Financial instruments owned, at fair value (includes securities pledged as collateral that can be sold or repledged of \$183.4 at March 31, 2015)	1,217.1	197.9
Physical commodities inventory	59.6	40.0
Deferred income taxes, net	27.5	32.0
Property and equipment, net	15.4	15.9
Goodwill and intangible assets, net	60.2	58.0
Other assets	42.3	30.6
Total assets	\$4,462.6	\$ 3,039.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other accrued liabilities (including \$3.1 and \$5.5 at fair value at March 31, 2015 and September 30, 2014, respectively)	\$ 112.4	\$ 114.1
Payables to:		
Customers	2,225.0	2,228.7
Broker-dealers, clearing organizations and counterparties (including \$1.5 at fair value at March 31, 2015)	135.7	11.9
Lenders under loans	45.8	22.5
Senior unsecured notes	45.5	45.5
Income taxes payable	6.5	7.6
Payables under repurchase agreements	908.9	—
Financial instruments sold, not yet purchased, at fair value	613.3	264.0
Total liabilities	4,093.1	2,694.3
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$0.01 par value. Authorized 30,000,000 shares; 20,132,970 issued and 18,965,488 outstanding at March 31, 2015 and 19,826,635 issued and 18,883,662	0.2	0.2

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outstanding at September 30, 2014

Common stock in treasury, at cost - 1,167,482 shares at March 31, 2015 and 942,973 shares at September 30, 2014, respectively	(22.0)	(17.5)
Additional paid-in capital	233.5		229.6	
Retained earnings	167.1		144.7	
Accumulated other comprehensive loss, net	(9.3	)	(11.6)
Total stockholders' equity	369.5		345.4	
Total liabilities and stockholders' equity	\$4,462.6		\$ 3,039.7	

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.
Condensed Consolidated Income Statements
(Unaudited)

(in millions, except share and per share amounts)	Three Months Ended		Six Months Ended March	
	March 31, 2015	2014	31, 2015	2014
Revenues:				
Sales of physical commodities	\$14,291.6	\$8,329.4	\$27,785.9	\$16,130.6
Trading gains, net	84.8	64.7	155.1	116.4
Commission and clearing fees	47.2	47.3	96.7	89.5
Consulting and management fees	9.3	9.5	19.7	21.5
Interest income	9.0	1.9	12.1	3.3
Other income	0.1	0.1	0.2	0.3
Total revenues	14,442.0	8,452.9	28,069.7	16,361.6
Cost of sales of physical commodities	14,285.5	8,323.7	27,775.7	16,119.5
Operating revenues	156.5	129.2	294.0	242.1
Transaction-based clearing expenses	31.8	27.7	61.2	52.9
Introducing broker commissions	12.3	12.8	24.5	24.4
Interest expense	4.5	2.8	7.2	5.5
Net operating revenues	107.9	85.9	201.1	159.3
Compensation and other expenses:				
Compensation and benefits	63.1	52.7	119.5	99.0
Communication and data services	7.2	6.2	13.9	12.4
Occupancy and equipment rental	3.8	3.2	6.9	6.2
Professional fees	3.1	4.1	6.4	8.4
Travel and business development	2.5	2.0	5.3	4.8
Depreciation and amortization	1.8	1.7	3.7	3.6
Bad debts and impairments	2.8	0.4	2.8	0.7
Other	5.5	5.3	10.9	10.0
Total compensation and other expenses	89.8	75.6	169.4	145.1
Income from continuing operations, before tax	18.1	10.3	31.7	14.2
Income tax expense	5.1	2.6	9.3	4.1
Net income from continuing operations	13.0	7.7	22.4	10.1
Loss from discontinued operations, net of tax	—	(0.2)	—	(0.1)
Net income	\$13.0	\$7.5	\$22.4	\$10.0
Basic earnings per share:				
Income from continuing operations	\$0.68	\$0.40	\$1.18	\$0.53
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net income per common share	\$0.68	\$0.39	\$1.18	\$0.52
Diluted earnings per share:				
Income from continuing operations	\$0.67	\$0.40	\$1.16	\$0.52
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net income per common share	\$0.67	\$0.39	\$1.16	\$0.51
Weighted-average number of common shares outstanding:				
Basic	18,599,011	18,609,550	18,546,377	18,627,383
Diluted	18,957,780	18,955,128	18,743,033	19,274,153

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Net income	\$13.0	\$7.5	\$22.4	\$10.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(0.8	) (2.7	) (1.1	) (3.9
Pension liabilities adjustment	—	0.1	—	0.1
Net unrealized gain or loss on available-for-sale securities	2.3	(0.2	) 3.4	—
Reclassification of adjustments included in net income:				
Periodic pension costs (included in compensation and benefits)	—	—	—	0.1
Reclassification adjustment for gains included in net income:	—	—	—	0.1
Other comprehensive income (loss)	1.5	(2.8	) 2.3	(3.7
Comprehensive income	\$14.5	\$4.7	\$24.7	\$6.3

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.

Condensed Consolidated Cash Flows Statements

(Unaudited)

(in millions)	Six Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$22.4	\$10.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3.7	3.5
Provision for bad debts and impairments	2.8	0.7
Deferred income taxes	2.3	(3.5)
Amortization of debt issuance costs and debt discount	0.5	0.5
Amortization of share-based compensation	1.8	2.2
Loss on sale of property and equipment	0.4	0.2
Changes in operating assets and liabilities, net:		
Cash, securities and other assets segregated under federal and other regulations	(244.8)	(266.3)
Securities purchased under agreements to resell	3.6	—
Deposits and receivables from exchange-clearing organizations	313.0	86.7
Deposits and receivables from broker-dealers, clearing organizations, and counterparties	(66.5)	41.6
Receivable from customers, net	(18.1)	22.4
Notes receivable, net	(11.9)	(27.6)
Income taxes receivable	(0.3)	2.3
Financial instruments owned, at fair value	(356.6)	(2.7)
Physical commodities inventory	(19.6)	(8.9)
Other assets	(15.7)	(5.0)
Accounts payable and other accrued liabilities	(9.6)	(16.9)
Payable to customers	(36.5)	177.1
Payable to broker-dealers, clearing organizations and counterparties	123.8	(12.4)
Income taxes payable	(1.0)	3.0
Payables under repurchase agreements	87.6	—
Financial instruments sold, not yet purchased, at fair value	222.5	37.6
Net cash provided by operating activities	3.8	44.5
Cash flows from investing activities:		
Cash paid for acquisitions, net	(7.8)	—
Purchase of property and equipment	(1.9)	(3.1)
Net cash used in investing activities	(9.7)	(3.1)
Cash flows from financing activities:		
Net change in payable to lenders under loans	23.3	(20.5)
Payments related to earn-outs on acquisitions	(2.2)	(0.3)
Debt issuance costs	(0.1)	(0.3)
Exercise of stock options	1.9	1.2
Share repurchases	(4.7)	(7.2)
Income tax benefit on stock options and awards	0.4	—
Net cash provided by (used in) financing activities	18.6	(27.1)
Effect of exchange rates on cash and cash equivalents	(0.5)	(1.2)
Net increase in cash and cash equivalents	12.2	13.1
Cash and cash equivalents at beginning of period	231.3	156.1
Cash and cash equivalents at end of period	\$243.5	\$169.2
Supplemental disclosure of cash flow information:		

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Cash paid for interest	\$5.0	\$5.0
Income taxes paid, net of cash refunds	\$7.6	\$1.6
Supplemental disclosure of non-cash investing and financing activities:		
Identified intangible assets and goodwill on acquisitions	\$3.0	\$—
Additional consideration payable related to acquisitions, net	\$1.7	\$0.3
Acquisition of business:		
Assets acquired	1,011.4	—
Liabilities assumed	(995.1) —
Total net assets acquired	\$16.3	\$—
Deferred consideration payable related to acquisitions	\$5.0	\$—
Escrow deposits related to acquisitions	\$5.0	\$—
See accompanying notes to condensed consolidated financial statements.		

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INTL FCStone Inc.
 Condensed Consolidated Statement of Stockholders' Equity
 (Unaudited)

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances as of September 30, 2014	\$0.2	\$(17.5)	\$229.6	\$144.7	\$ (11.6)	\$345.4
Net income				22.4		22.4
Other comprehensive loss					2.3	2.3
Exercise of stock options			2.3			2.3
Share-based compensation			1.8			1.8
Repurchase of stock		(4.5)	(0.2)			(4.7)
Balances as of March 31, 2015	\$0.2	\$(22.0)	\$233.5	\$167.1	\$ (9.3)	\$369.5

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 – Basis of Presentation and Consolidation and Recently Issued Accounting Standards

INTL FCStone Inc., a Delaware corporation, and its consolidated subsidiaries (collectively “INTL” or “the Company”), form a diversified, global financial services organization providing financial products and advisory and execution services to help clients access market liquidity, maximize profits and manage risk. The Company’s services include comprehensive risk management advisory services for commercial customers; execution of listed futures and options on futures contracts on all major commodity exchanges; structured over-the-counter (“OTC”) products in a wide range of commodities; physical trading and hedging of precious metals and select other commodities; trading of more than 150 foreign currencies; market-making in international equities; fixed income; debt origination and asset management. The Company provides these services to a diverse group of more than 20,000 accounts, representing approximately 11,000 consolidated clients located throughout the world, including producers, processors and end-users of nearly all widely-traded physical commodities to manage their risks and enhance margins; to commercial counterparties who are end-users of the firm’s products and services; to governmental and non-governmental organizations; and to commercial banks, brokers, institutional investors and major investment banks.

Basis of Presentation and Consolidation

The accompanying condensed consolidated balance sheet as of September 30, 2014, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the condensed consolidated financial statements for the interim periods presented have been reflected as required by Rule 10-01 of Regulation S-X.

Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. It is suggested that these interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes contained in the Company’s Form 10-K for the fiscal year ended September 30, 2014 filed with the SEC.

These condensed consolidated financial statements include the accounts of INTL FCStone Inc. and all other entities in which the Company has a controlling financial interest. All material intercompany transactions and balances have been eliminated in consolidation.

The Company’s fiscal year end is September 30, and the fiscal quarters end on December 31, March 31, June 30 and September 30. Unless otherwise stated, all dates refer to fiscal years and fiscal interim periods.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to fair value measurements for financial instruments and investments, revenue recognition, the provision for potential losses from bad debts, valuation of inventories, valuation of goodwill and intangible assets, self-insurance liabilities, incomes taxes and contingencies. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Recent Accounting Pronouncements

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, which changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Additionally, for repurchase financing arrangements, the amendments of this ASU require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase

agreement. For public entities, the ASU is effective for the first interim or annual period beginning after December 15, 2014. Earlier application is not permitted. The Company adopted this guidance starting with the second quarter of fiscal year 2015. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there

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are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued. This ASU also requires management to disclose certain information depending on the results of the going concern evaluation. The provisions of this ASU are effective for annual periods ending after December 15, 2016, and for interim and annual periods thereafter. Early adoption is permitted. This amendment is applicable to the Company for the fiscal year ended September 30, 2017. The adoption of this standard is not expected to have a material impact on the condensed consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates from U.S. GAAP the concept of extraordinary items. The ASU retains and expands the existing presentation and disclosure guidance for items that are unusual in nature or occur infrequently to also include items that are both unusual in nature and infrequently occurring. The provisions of this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted, provided that presentation applied to the beginning of the fiscal year of adoption. This amendment is applicable to the Company beginning October 1, 2016. The adoption of this standard is not expected to have a material impact on the condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest- Imputation of Interest (Subtopic 835-03) - Simplifying the Presentation of Debt Issuance Costs which requires unamortized debt issuance costs to be presented as a reduction of the corresponding debt liability rather than a separate asset. Amortization of the costs is reported as interest expense. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed for all entities for financial statements that have not been previously issued. Entities should apply the new guidance retrospectively to all prior periods. The guidance is applicable to the Company beginning October 1, 2016. The adoption of this standard is not expected to have a material impact on the condensed consolidated financial statements.

Note 2 – Earnings per Share

The Company presents basic and diluted earnings per share ("EPS") using the two-class method which requires all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends and therefore participate in undistributed earnings with common stockholders be included in computing earnings per share. Under the two-class method, net earnings are reduced by the amount of dividends declared in the period for each class of common stock and participating security. The remaining undistributed earnings are then allocated to common stock and participating securities, based on their respective rights to receive dividends. Restricted stock awards granted to certain employees and directors and shares held in trust for the Provident Group acquisition contain non-forfeitable rights to dividends at the same rate as common stock, and are considered participating securities. Basic EPS has been computed by dividing net income by the weighted-average number of common shares outstanding.

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The following is a reconciliation of the numerator and denominator of the diluted net income per share computations for the periods presented below.

(in millions, except share amounts)	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Numerator:				
Income from continuing operations	\$13.0	\$7.7	\$22.4	\$10.1
Less: Allocation to participating securities	(0.3)	(0.2)	(0.5)	(0.3)
Income from continuing operations allocated to common stockholders	\$12.7	\$7.5	\$21.9	\$9.8
(Loss) income from discontinued operations	\$—	\$(0.2)	\$—	\$(0.1)
Less: Allocation to participating securities	—	—	—	—
(Loss) income from discontinued operations allocated to common stockholders	\$—	\$(0.2)	\$—	\$(0.1)
Diluted net income	\$13.0	\$7.5	\$22.4	\$10.0
Less: Allocation to participating securities	(0.3)	(0.2)	(0.5)	(0.3)
Diluted net income allocated to common stockholders	\$12.7	\$7.3	\$21.9	\$9.7
Denominator:				
Weighted average number of:				
Common shares outstanding	18,599,011	18,609,550	18,546,377	18,627,383
Dilutive potential common shares outstanding:				
Share-based awards	358,769	345,578	196,656	646,770
Diluted weighted-average shares	18,957,780	18,955,128	18,743,033	19,274,153

The dilutive effect of share-based awards is reflected in diluted net income per share by application of the treasury stock method, which includes consideration of unamortized share-based compensation expense required under the Compensation – Stock Compensation Topic of the Accounting Standards Codification (“ASC”).

Options to purchase 999,125 and 1,332,197 shares of common stock for the three months ended March 31, 2015 and 2014, respectively, and options to purchase 1,275,944 and 1,132,782 shares of common stock for the six months ended March 31, 2015 and 2014, respectively, were excluded from the calculation of diluted earnings per share because they would have been anti-dilutive.

Note 3 – Assets and Liabilities, at Fair Value

The Company’s financial and nonfinancial assets and liabilities reported at fair value are included in the following captions on the condensed consolidated balance sheets:

• Cash and cash equivalents

• Cash, securities and other assets segregated under federal and other regulations

• Deposits and receivables from exchange-clearing organizations, broker-dealers, clearing organizations and counterparties

• Financial instruments owned

• Accounts payable and other accrued liabilities

• Payables to customers

• Payables to broker-dealers, clearing organizations and counterparties

• Financial instruments sold, not yet purchased

Fair Value Hierarchy

The majority of financial assets and liabilities on the condensed consolidated balance sheets are reported at fair value. Cash is reported at the balance held at financial institutions. Cash equivalents includes money market funds, which are valued at period-end at the net asset value provided by the fund’s administrator, and certificates of deposit, which are stated at cost plus accrued interest, which approximates fair value. Cash, securities and other assets segregated under federal and other regulations include the value of cash collateral as well as the value of other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities and commodities warehouse

receipts. Deposits with and receivables from exchange-clearing organizations and broker-dealers, clearing organizations and counterparties and payable to customers and broker-dealers, clearing organizations and counterparties include the value of cash collateral as well as the value of money market funds and other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities. These

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balances also include the fair value of exchange-traded futures and options on futures and exchange-cleared swaps and options determined by prices on the applicable exchange. Financial instruments owned and sold, not yet purchased include the value of U.S. and foreign government obligations, corporate debt securities, derivative financial instruments, commodities and mutual funds. The fair value of exchange common stock is determined by quoted market prices, and the fair value of exchange memberships is determined by recent sale transactions. The carrying value of receivables from customers, net and notes receivable, net approximates fair value, given their short duration. Payables to lenders under loans carry variable rates of interest and thus approximate fair value. The fair value of the Company's senior unsecured notes is estimated to be \$47.8 million (carrying value of \$45.5 million) as of March 31, 2015, based on the transaction prices at public exchanges for this issuance.

As part of the acquisition of G.X. Clarke & Co. ("G.X. Clarke") (see Note 17), the Company acquired amounts receivable from and payable to broker-dealers, clearing organizations and counterparties in connection with U.S. Treasury obligations, U.S. Government agency obligations, and agency mortgage-backed obligations. Receivables from broker-dealers, clearing organizations and counterparties primarily include amounts receivable for securities sold but not yet delivered by the Company on settlement date ("fails-to-deliver") and net receivables arising from unsettled trades. Payables to broker-dealers, clearing organizations and counterparties primarily include amounts payable for securities purchased, but not yet received by the Company on settlement date ("fails-to-receive"), net payables arising from unsettled trades and bonds loaned transactions. Due to their short-term nature, receivables from and payables to broker-dealers, clearing organizations and counterparties approximate fair value.

Also as part of the acquisition of G.X. Clarke (see Note 17), the Company acquired a significant amount of trading assets and liabilities. G.X. Clarke's trading activities consists primarily of securities trading in connection with U.S. Treasury obligations, U.S. Government agency obligations, and agency mortgage-backed obligations. The acquired assets and liabilities, including derivatives, are recorded on a trade date basis at fair value.

The fair value estimates presented in the condensed consolidated financial statements are based on pertinent information available to management as of March 31, 2015 and September 30, 2014. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these condensed consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented in the condensed consolidated financial statements.

Cash equivalents, securities, commodities warehouse receipts, derivative financial instruments, commodities leases, exchange common stock and contingent liabilities are carried at fair value, on a recurring basis, and are classified and disclosed into three levels in the fair value hierarchy. The Company did not have any fair value adjustments for assets or liabilities measured at fair value on a non-recurring basis during the six months ended March 31, 2015. The three levels of the fair value hierarchy under the Fair Value Measurements and Disclosures Topic of the ASC are:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for identical or similar assets or liabilities in markets that are less active, that is, markets in which there are few transactions for the asset or liability that are observable for substantially the full term; and

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

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The following tables set forth the Company's financial and nonfinancial assets and liabilities accounted for at fair value, on a recurring basis, as of March 31, 2015 and September 30, 2014 by level in the fair value hierarchy. There were no assets or liabilities that were measured at fair value on a nonrecurring basis as of March 31, 2015 and September 30, 2014.

(in millions)	March 31, 2015			Netting and Collateral (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Unrestricted cash equivalents - certificate of deposits	\$2.6	\$—	\$—	\$—	\$2.6
Commodities warehouse receipts	16.8	—	—	—	16.8
U.S. government obligations	—	492.2	—	—	492.2
Securities and other assets segregated under federal and other regulations	16.8	492.2	—	—	509.0
Money market funds	251.7	—	—	—	251.7
U.S. government obligations	—	621.5	—	—	621.5
Derivatives	5,146.1	—	—	(5,010.6)	135.5
Deposits and receivables from exchange-clearing organizations	5,397.8	621.5	—	(5,010.6)	1,008.7
Foreign government obligations	—	1.2	—	—	1.2
Derivatives	399.5	1.1	—	(430.4)	(29.8)
Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives	399.5	2.3	—	(430.4)	(28.6)
Common and preferred stock and American Depositary Receipts ("ADRs")	98.2	10.0	0.5	—	108.7
Exchangeable foreign ordinary equities and ADRs	8.1	—	—	—	8.1
Corporate and municipal bonds	8.3	3.1	3.6	—	15.0
U.S. government obligations	—	458.9	—	—	458.9
Foreign government obligations	—	10.4	—	—	10.4
Derivatives	322.7	1,988.1	—	(2,258.7)	52.1
Commodities leases	—	82.8	—	(81.2)	1.6
Exchange firm common stock	5.7	—	—	—	5.7
Mutual funds and other	2.4	—	—	—	2.4
Mortgage-backed securities	—	554.2	—	—	554.2
Financial instruments owned	445.4	3,107.5	4.1	(2,339.9)	1,217.1
Total assets at fair value	\$6,262.1	\$4,223.5	\$4.1	\$(7,780.9)	\$2,708.8
Liabilities:					
Accounts payable and other accrued liabilities - contingent liabilities	\$—	\$—	\$3.1	\$—	\$3.1
Payable to broker-dealers, clearing organizations and counterparties - derivatives	5,294.9	2.6	—	(5,296.0)	1.5
Common and preferred stock and ADRs	108.8	1.2	—	—	110.0
Exchangeable foreign ordinary equities and ADRs	10.8	—	—	—	10.8
U.S. government obligations	—	327.3	—	—	327.3

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Mortgage-backed securities	—	0.5	—	—	0.5
Derivatives	311.9	2,006.4	—	(2,236.3) 82.0
Commodities leases	—	92.4	—	(9.7) 82.7
Financial instruments sold, not yet purchased	431.5	2,427.8	—	(2,246.0	) 613.3
Total liabilities at fair value	\$5,726.4	\$2,430.4	\$3.1	\$(7,542.0	) \$617.9

(1) Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

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(in millions)	September 30, 2014			Netting and Collateral (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Unrestricted cash equivalents - certificates of deposits	\$1.5	\$—	\$—	\$—	\$1.5
Commodities warehouse receipts	14.8	—	—	—	14.8
U.S. government obligations	—	0.5	—	—	0.5
Securities and other assets segregated under federal and other regulations	14.8	0.5	—	—	15.3
Money market funds	826.8	—	—	—	826.8
U.S. government obligations	—	702.5	—	—	702.5
Derivatives	3,397.1	—	—	(3,671.0)	(273.9)
Deposits and receivables from exchange-clearing organizations	4,223.9	702.5	—	(3,671.0)	1,255.4
Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives	549.0	—	—	(550.1)	(1.1)
Common and preferred stock and American Depositary Receipts (“ADRs”)	66.8	15.0	0.7	—	82.5
Exchangeable foreign ordinary equities and ADRs	27.2	—	—	—	27.2
Corporate and municipal bonds	7.1	9.0	3.6	—	19.7
U.S. government obligations	—	0.3	—	—	0.3
Foreign government obligations	—	10.7	—	—	10.7
Derivatives	332.4	2,328.3	—	(2,616.4)	44.3
Commodities leases	—	60.1	—	(58.0)	2.1
Commodities warehouse receipts	3.6	—	—	—	3.6
Exchange firm common stock	4.8	—	—	—	4.8
Mutual funds and other	2.7	—	—	—	2.7
Financial instruments owned	444.6	2,423.4	4.3	(2,674.4)	197.9
Total assets at fair value	\$5,233.8	\$3,126.4	\$4.3	\$(6,895.5)	\$1,469.0
Liabilities:					
Accounts payable and other accrued liabilities - contingent liabilities	\$—	\$—	\$5.5	\$—	\$5.5
Payable to broker-dealers, clearing organizations and counterparties - derivatives	3,469.8	—	—	(3,469.8)	—
Common and preferred stock and ADRs	92.8	2.6	—	—	95.4
Exchangeable foreign ordinary equities and ADRs	5.8	—	—	—	5.8
Corporate and municipal bonds	2.8	—	—	—	2.8
Derivatives	327.0	2,257.7	—	(2,500.3)	84.4
Commodities leases	—	176.0	—	(100.4)	75.6
Financial instruments sold, not yet purchased	428.4	2,436.3	—	(2,600.7)	264.0
Total liabilities at fair value	\$3,898.2	\$2,436.3	\$5.5	\$(6,070.5)	\$269.5
(1)					

Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level. Realized and unrealized gains and losses are included in 'trading gains, net' in the condensed consolidated income statements.

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Information on Level 3 Financial Assets and Liabilities

The Company's financial assets at fair value classified in level 3 of the fair value hierarchy as of March 31, 2015 and September 30, 2014 are summarized below:

(in millions)	March 31, 2015	September 30, 2014		
Total level 3 assets	\$4.1	\$4.3		
Level 3 assets for which the Company bears economic exposure	\$4.1	\$4.3		
Total assets	\$4,462.6	\$3,039.7		
Total financial assets at fair value	\$2,708.8	\$1,469.0		
Total level 3 assets as a percentage of total assets	0.1	% 0.1		%
Level 3 assets for which the Company bears economic exposure as a percentage of total assets	0.1	% 0.1		%
Total level 3 assets as a percentage of total financial assets at fair value	0.2	% 0.3		%

The following tables set forth a summary of changes in the fair value of the Company's level 3 financial assets and liabilities during the three months ended March 31, 2015 and 2014, including a summary of unrealized gains (losses) during the respective periods on the Company's level 3 financial assets and liabilities still held as of March 31, 2015.

Level 3 Financial Assets and Financial Liabilities

For the Three Months Ended March 31, 2015

(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Purchases/issuances	Settlements	Transfers in or (out) of Level 3	Balances at end of period
Assets:							
Common stock and ADRs	\$0.6	\$ —	\$(0.1)	\$ —	\$ —	\$ —	\$0.5
Corporate and municipal bonds	3.5	—	0.1	—	—	—	3.6
	\$4.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$4.1
Liabilities:							
Contingent liabilities	\$2.2	\$ —	\$0.1	\$ 1.5	\$(0.7)	\$ —	\$3.1

Level 3 Financial Assets and Financial Liabilities

For the Six Months Ended March 31, 2015

(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Purchases/issuances	Settlements	Transfers in or (out) of Level 3	Balances at end of period
Assets:							
Common stock and ADRs	\$0.7	\$ —	\$(0.2)	\$ —	\$ —	\$ —	\$0.5
Corporate and municipal bonds	3.6	—	—	—	—	—	3.6
	\$4.3	\$ —	\$(0.2)	\$ —	\$ —	\$ —	\$4.1
Liabilities:							
Contingent liabilities	\$5.5	\$ —	\$0.2	\$ 1.5	\$(4.1)	\$ —	\$3.1

Level 3 Financial Assets and Financial Liabilities

For the Three Months Ended March 31, 2014

(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Purchases/issuances	Settlements	Transfers in or (out) of Level 3	Balances at end of period
Assets:							
	\$0.7	\$ —	\$ —	\$ —	\$ —	\$ —	\$0.7

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Common stock and ADRs							
Corporate and municipal bonds	3.4	—	—	—	—	—	3.4
	\$4.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4.1
Liabilities:							
Contingent liabilities	\$9.1	\$ —	\$0.1	\$ —	\$ —	\$ —	\$ 9.2

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(in millions)	Level 3 Financial Assets and Financial Liabilities						Balances at end of period
	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Purchases/issuances	Settlements	Transfers in or (out) of Level 3	
Assets:							
Common stock and ADRs	\$0.7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.7
Corporate and municipal bonds	3.5	—	(0.1)	—	—	—	3.4
	\$4.2	\$ —	\$(0.1)	\$ —	\$ —	\$ —	\$ 4.1

Liabilities:

Contingent liabilities	\$9.6	\$ —	\$0.3	\$ —	\$(0.7)	\$ —	\$ 9.2
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In accordance with the Fair Value Measurements Topic of the ASC, the Company has estimated on a recurring basis each period the fair value of debentures issued by a single asset owning company of Suriwongse Hotel located in Chiang Mai, Thailand. As of March 31, 2015, the Company's investment in the hotel is \$3.6 million, and included within the corporate and municipal bonds classification in the level 3 financial assets and financial liabilities tables. The Company has classified its investment in the hotel within level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which include projected cash flows. These cash flows are discounted employing present value techniques. The Company estimates the fair value of its investment in these debentures by using a management-developed forecast, which is based on the income approach. There has been no significant change in the fair value of the debentures, and no additional loss has been recognized during the three months ended March 31, 2015 and 2014.

The Company is required to make additional future cash payments based on certain financial performance measures of its acquired businesses. During the six months ended March 31, 2015, the Company paid \$3.4 million, related to the final balance of contingent liability for the Hencorp acquisition. The Company is required to remeasure the fair value of the cash earnout arrangements on a recurring basis in accordance with the guidance in the Business Combinations Topic of the ASC. The Company has classified its liabilities for the contingent earnout arrangements within level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which include projected cash flows. The estimated fair value of the contingent purchase consideration is based upon management-developed forecasts, a level 3 input in the fair value hierarchy. These cash flows are discounted employing present value techniques in arriving at fair value. The discount rate was developed using market participant company data and there have been no significant changes in the discount rate environment. From the dates of acquisition to March 31, 2015, certain acquisitions have had changes in the estimates of undiscounted cash flows, based on actual performances fluctuating from estimates. The fair value of the contingent consideration increased \$0.1 million during the three months ended March 31, 2015 and 2014, respectively, and increased \$0.2 million and \$0.3 million during the six months ended March 31, 2015 and 2014, respectively, with the corresponding amount classified as 'other expense' in the condensed consolidated income statements.

The Company reports transfers in and out of levels 1, 2 and 3, as applicable, using the fair value of the securities as of the beginning of the reporting period in which the transfer occurred. The Company did not have any transfers between level 1 and level 2 fair value measurements during the three and six months ended March 31, 2015.

The Company has also classified equity investments in exchange firms' common stock not pledged for clearing purposes as available-for-sale. The investments are recorded at fair value, with unrealized gains and losses recorded, net of taxes, as a component of other comprehensive income ("OCI") until realized. As of March 31, 2015, the cost and fair value of all the equity investments in exchange firms was \$3.7 million and \$5.7 million, respectively. As of September 30, 2014, the cost and fair value of the equity investments in exchange firms was \$3.7 million and \$4.8 million, respectively.

The Company recorded unrealized gains of \$4.1 million, net of income tax expense of \$2.5 million as of March 31, 2015, and unrealized gains of \$0.7 million, net of income tax expense of \$0.4 million as of September 30, 2014, in

OCI related to U.S. government obligations, mortgage-backed securities and the remaining equity investments in exchange firms classified as available-for-sale securities.

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The following tables summarize the amortized cost basis, the aggregate fair value and gross unrealized holding gains and losses of the Company's investment securities classified as available-for-sale as of March 31, 2015 and September 30, 2014:

March 31, 2015

Amounts included in deposits with and receivables from exchange-clearing organizations and securities segregated:

(in millions)	Amortized Cost	Unrealized Gains	Holding (Losses)	Estimated Fair Value
U.S. government obligations	\$1,076.7	\$4.5	\$—	\$1,081.2

September 30, 2014

Amounts included in deposits with and receivables from exchange-clearing organizations:

(in millions)	Amortized Cost	Unrealized Holding ⁽¹⁾ Gains	(Losses)	Estimated Fair Value
U.S. government obligations	\$666.8	\$—	\$—	\$666.8

(1) Unrealized gain/loss on U.S. government obligations as of September 30, 2014, was less than \$0.1 million.

As of March 31, 2015 and September 30, 2014, investments in debt securities classified as available-for-sale ("AFS") mature as follows:

March 31, 2015

(in millions)	Due in Less than 1 year	1 year or more	Estimated Fair Value
U.S. government obligations	\$398.5	\$682.7	\$1,081.2

September 30, 2014

(in millions)	Due in Less than 1 year	1 year or more	Estimated Fair Value
U.S. government obligations	\$287.6	\$379.2	\$666.8

There were no sales of AFS securities during the three months ended March 31, 2015 and 2014, and as a result, no realized gains or losses were recorded for the three months ended March 31, 2015 and 2014.

For the purposes of the maturity schedule, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the expected maturity of the underlying collateral.

Mortgage-backed securities may mature earlier than their stated contractual maturities because of accelerated principal repayments of the underlying loans.

Note 4 – Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

The Company is party to certain financial instruments with off-balance sheet risk in the normal course of its business. The Company has sold financial instruments that it does not currently own and will therefore be obliged to purchase such financial instruments at a future date. The Company has recorded these obligations in the condensed consolidated financial statements as of March 31, 2015 at the fair values of the related financial instruments. The Company will incur losses if the fair value of the underlying financial instruments increases subsequent to March 31, 2015. The total of \$613.3 million as of March 31, 2015 includes \$82.0 million for derivative contracts, which represents a liability to the Company based on their fair values as of March 31, 2015.

Derivatives

The Company utilizes derivative products in its trading capacity as a dealer in order to satisfy client needs and mitigate risk. The Company manages risks from both derivatives and non-derivative cash instruments on a consolidated basis. The risks of derivatives should not be viewed in isolation, but in aggregate with the Company's other trading activities. The majority of the Company's derivative positions are included in the consolidated balance sheets in 'financial instruments owned, at fair value', 'deposits and receivables from exchange-clearing organizations' and 'financial instruments sold, not yet purchased, at fair value'.

The Company employs an interest rate risk management strategy that uses derivative financial instruments in the form of interest rate swaps to manage a portion of the aggregate interest rate position. The Company's objective is to invest the majority of customer segregated deposits in high quality, short-term investments and swap the resulting variable interest earnings into the medium-term interest stream. The risk mitigation of these interest rate swaps is not within

the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC, and as a result they are recorded at fair value, with changes in the marked-to-market valuation of the financial instruments recorded within 'trading gains, net' in the consolidated

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income statements. At March 31, 2015, the Company had \$100.0 million in notional principal of interest rate swaps outstanding with a weighted-average life of 34 months.

Listed below are the fair values of the Company's derivative assets and liabilities as of March 31, 2015 and September 30, 2014. Assets represent net unrealized gains and liabilities represent net unrealized losses.

(in millions)	March 31, 2015		September 30, 2014	
	Assets ⁽¹⁾	Liabilities ⁽¹⁾	Assets ⁽¹⁾	Liabilities ⁽¹⁾
Derivative contracts not accounted for as hedges:				
Exchange-traded commodity derivatives	\$4,985.2	\$4,709.6	\$3,777.7	\$3,255.4
OTC commodity derivatives	2,252.0	2,227.7	1,852.3	1,842.9
Exchange-traded foreign exchange derivatives	30.3	27.7	93.5	90.2
OTC foreign exchange derivatives	456.3	492.6	808.0	741.8
Exchange-traded interest rate derivatives	102.8	141.6	13.4	10.2
Equity index derivatives	28.9	14.0	61.9	114.0
Gross fair value of derivative contracts	7,855.5	7,613.2	6,606.8	6,054.5
Impact of netting and collateral	(7,698.6)	(7,531.2)	(6,837.5)	(5,970.1)
Total fair value included in 'Deposits and receivables from exchange-clearing organizations'	\$135.5		\$(273.9)	
Total fair value included in 'Deposits and receivables from broker-dealers, clearing organizations and counterparties'	\$(29.8)		\$(1.1)	
Total fair value included in 'Financial instruments owned, at fair value'	\$51.2		\$44.3	
Fair value included in 'Financial instruments sold, not yet purchased, at fair value'		\$82.0		\$84.4

(1) As of March 31, 2015 and September 30, 2014, the Company's derivative contract volume for open positions were approximately 4.4 million and 4.5 million contracts, respectively.

The Company's derivative contracts are principally held in its Commercial Hedging and Clearing and Execution Services segments. The Company assists its Commercial Hedging segment customers in protecting the value of their future production by entering into option or forward agreements with them on an OTC basis. The Company also provides its Commercial Hedging segment customers with sophisticated option products, including combinations of buying and selling puts and calls. The Company mitigates its risk by offsetting the customer's transaction simultaneously with one of the Company's trading counterparties or with a similar but not identical position on the exchange. The risk mitigation of these offsetting trades is not within the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC. These derivative contracts are traded along with cash transactions because of the integrated nature of the markets for these products. The Company manages the risks associated with derivatives on an aggregate basis along with the risks associated with its proprietary trading and market-making activities in cash instruments as part of its firm-wide risk management policies. In particular, the risks related to derivative positions may be partially offset by inventory, unrealized gains in inventory or cash collateral paid or received.

Also as part of the acquisition of G.X. Clarke (see Note 17), the Company acquired derivative instruments, which consist of futures, mortgage-backed "to be announced" (TBA) securities and forward settling transactions, that are used to manage risk exposures in the newly acquired subsidiary's trading inventory. The fair value on these transactions are recorded in receivables or payables to broker-dealers, clearing organizations and counterparties. Realized and unrealized gains and losses on securities and derivative transactions are reflected in 'trading gains, net'.

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The Company enters into TBA securities transactions for the sole purpose of managing risk associated with the purchase of mortgage pass-through securities. TBA securities are included within payables to broker-dealers, clearing organizations and counterparties. Forward settling securities represent non-regular way securities and are included in financial instruments owned and sold. As of March 31, 2015, these transactions are summarized as follows:

	Gain / (Loss)	Notional Amounts
Unrealized gain on TBA securities purchased within payables to broker-dealers, clearing organizations and counterparties and related notional amounts (1)	\$0.9	\$276.3
Unrealized loss on TBA securities purchased within payables to broker-dealers, clearing organizations and counterparties and related notional amounts (1)	\$(0.2)	)\$153.6
Unrealized gain on TBA securities sold within payables to broker-dealers, clearing organizations and counterparties and related notional amounts (1)	\$0.2	\$(217.4)
Unrealized loss on TBA securities sold within payables to broker-dealers, clearing organizations and counterparties and related notional amounts (1)	\$(2.4)	)(608.3)
Unrealized gain on forward settling securities purchased within financial instruments owned and related notional amounts	\$0.3	\$206.6
Unrealized gain on forward settling securities sold within financial instruments owned and related notional amounts	\$0.6	\$(254.7)

(1) The notional amounts of these instruments reflect the extent of the Company's involvement in TBA securities and do not represent risk of loss due to counterparty non-performance.

The following table sets forth the Company's gains (losses) related to derivative financial instruments for the three months ended March 31, 2015 and 2014, in accordance with the Derivatives and Hedging Topic of the ASC. The gains set forth below are included in 'trading gains, net' and 'income (loss) from discontinued operations, net of tax' in the condensed consolidated income statements.

(in millions)	Three Months Ended		Six Months Ended	
	March 31, 2015	2014	March 31, 2015	2014
Commodities	\$21.2	\$21.9	\$46.4	\$30.6
Foreign exchange	1.7	2.7	3.9	4.8
Interest rate	0.1	—	0.1	—
TBA and forward settling securities	2.5	—	2.5	—
Net gains from derivative contracts	\$25.5	\$24.6	\$52.9	\$35.4

Credit Risk

In the normal course of business, the Company purchases and sells financial instruments, commodities and foreign currencies as either principal or agent on behalf of its customers. If either the customer or counterparty fails to perform, the Company may be required to discharge the obligations of the nonperforming party. In such circumstances, the Company may sustain a loss if the fair value of the financial instrument or foreign currency is different from the contract value of the transaction.

The majority of the Company's transactions and, consequently, the concentration of its credit exposure are with commodity exchanges, customers, broker-dealers and other financial institutions. These activities primarily involve collateralized and uncollateralized arrangements and may result in credit exposure in the event that a counterparty fails to meet its contractual obligations. The Company's exposure to credit risk can be directly impacted by volatile financial markets, which may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit and/or position limits based upon a review of the counterparties' financial condition and credit ratings. The Company monitors collateral levels on a daily basis for compliance with regulatory and internal guidelines and requests changes in collateral levels as appropriate.

The Company is a party to financial instruments in the normal course of its business through customer and proprietary trading accounts in exchange-traded and OTC derivative instruments. These instruments are primarily the result of the execution of orders for commodity futures, options on futures and forward foreign currency contracts on behalf of its customers, substantially all of which are transacted on a margin basis. Such transactions may expose the Company to significant credit risk in the event margin requirements are not sufficient to fully cover losses which customers may incur. The Company controls the risks associated with these transactions by requiring customers to maintain margin deposits in compliance with individual exchange regulations and internal guidelines. The Company monitors required margin levels daily and, therefore, may require customers to deposit additional collateral or reduce positions when necessary. The Company also establishes credit limits for customers, which are monitored daily. The Company evaluates each customer's creditworthiness on a case by case basis.

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Clearing, financing, and settlement activities may require the Company to maintain funds with or pledge securities as collateral with other financial institutions. Generally, these exposures to both customers and exchanges are subject to master netting, or customer agreements, which reduce the exposure to the Company by permitting receivables and payables with such customers to be offset in the event of a customer default. Management believes that the margin deposits held as of March 31, 2015 and September 30, 2014 were adequate to minimize the risk of material loss that could be created by positions held at that time. Additionally, the Company monitors collateral fair value on a daily basis and adjusts collateral levels in the event of excess market exposure. Generally, these exposures to both customers and counterparties are subject to master netting or customer agreements which reduce the exposure to the Company.

Derivative financial instruments involve varying degrees of off-balance sheet market risk whereby changes in the fair values of underlying financial instruments may result in changes in the fair value of the financial instruments in excess of the amounts reflected in the condensed consolidated balance sheets. Exposure to market risk is influenced by a number of factors, including the relationships between the financial instruments and the Company's positions, as well as the volatility and liquidity in the markets in which the financial instruments are traded. The principal risk components of financial instruments include, among other things, interest rate volatility, the duration of the underlying instruments and changes in foreign exchange rates. The Company attempts to manage its exposure to market risk through various techniques. Aggregate market limits have been established and market risk measures are routinely monitored against these limits.

Note 5 – Receivables From Customers, Net and Notes Receivable, Net

Receivables from customers, net and notes receivable, net include an allowance for bad debts, which reflects the Company's best estimate of probable losses inherent in the receivables from customers and notes receivable. The Company provides for an allowance for doubtful accounts based on a specific-identification basis. The Company continually reviews its allowance for bad debts. The allowance for doubtful accounts related to receivables from customers was \$7.2 million as of March 31, 2015 and \$5.7 million as of September 30, 2014. The allowance for doubtful accounts related to notes receivable was \$1.0 million as of March 31, 2015 and \$0.1 million as of September 30, 2014.

During the three months ended March 31, 2015, the Company recorded bad debt expense of \$2.8 million, including provision increases of \$2.6 million and direct write-offs of \$0.3 million, net of recoveries of \$0.1 million. The provision increases are primarily related to LME customer deficits and notes receivable related to loans pertaining to a former acquisition.

The Company originates short-term notes receivable from customers with the outstanding balances being insured 90% to 98% by a third party, including accrued interest. The total balance outstanding under insured notes receivable was \$40.4 million and \$33.8 million as of March 31, 2015 and September 30, 2014, respectively. The Company has sold \$30.6 million and \$25.8 million of the insured portion of the notes through non-recourse participation agreements with other third parties as of March 31, 2015 and September 30, 2014, respectively.

See discussion of notes receivable related to commodity repurchase agreements in Note 10.

Note 6 – Physical Commodities Inventory

Physical commodities inventories are stated at the lower of cost or market ("LCM") using the weighted-average price and first-in first-out cost method. Cost includes finished commodity or raw material and processing costs related to the purchase and processing of inventories. The carrying values of the Company's inventory, which consist of all finished commodities inventory, are \$59.6 million and \$40.0 million as of March 31, 2015 and September 30, 2014, respectively.

As a result of the declining market prices of certain commodities, the Company has recorded LCM adjustments for physical commodities inventory of \$0.4 million and \$1.0 million as of March 31, 2015 and September 30, 2014, respectively. The adjustments are included in 'cost of sales of physical commodities' in the condensed consolidated income statements.

Note 7 – Goodwill

The carrying value of goodwill is allocated to the Company's operating segment as follows:
(in millions)

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	March 31, 2015	September 30, 2014
Commercial Hedging	\$30.7	\$ 30.7
Global Payments	6.3	6.3
Physical Commodities	2.4	2.4
Securities	8.1	8.1
Goodwill	\$47.5	\$ 47.5

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Note 8 – Intangible Assets

During the six months ended March 31, 2015, the Company recorded additional intangible assets of \$3.0 million as part of the

G.X. Clarke acquisition. See Note 17 - Acquisitions for additional discussion.

The gross and net carrying values of intangible assets as of the balance sheet dates, by major intangible asset class are as follows:

(in millions)	March 31, 2015			September 30, 2014		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets subject to amortization						
Software programs/platforms	\$3.7	\$(2.1)	\$1.6	\$2.2	\$(1.9)	\$0.3
Customer base	14.4	(4.4)	10.0	12.9	(3.8)	9.1
	18.1	(6.5)	11.6	15.1	(5.7)	9.4
Intangible assets not subject to amortization						
Trade name	1.1	—	1.1	1.1	—	1.1
Total intangible assets	\$19.2	\$(6.5)	\$12.7	\$16.2	\$(5.7)	\$10.5

Amortization expense related to intangible assets was \$0.8 million and \$0.6 million for the six months ended March 31, 2015 and 2014, respectively.

As of March 31, 2015, the estimated future amortization expense was as follows:

(in millions)	
Fiscal 2015 (remaining six months)	\$0.8
Fiscal 2016	1.5
Fiscal 2017	1.5
Fiscal 2018	1.3
Fiscal 2019 and thereafter	6.5
	\$11.6

Note 9 – Credit Facilities

Variable-Rate Credit Facilities

The Company has four committed credit facilities under which the Company and its subsidiaries may borrow up to \$270.0 million, subject to the terms and conditions for these facilities. The amounts outstanding under these credit facilities are short term borrowings and carry variable rates of interest, thus approximating fair value. The Company's credit facilities consist of the following:

\$140.0 million facility available to INTL FCStone Inc. for general working capital requirements.

\$75.0 million facility available to the Company's wholly owned subsidiary, FCStone, LLC, for short-term funding of margin to commodity exchanges. The facility is subject to annual review and guaranteed by INTL FCStone Inc.

\$30.0 million facility available to the Company's wholly owned subsidiary, FCStone Merchant Services, LLC, for financing traditional commodity financing arrangements and commodity repurchase agreements. The facility is subject to annual review and is guaranteed by INTL FCStone Inc. On April 21, 2015, the committed amount of the facility was increased to \$40.0 million.

\$25.0 million facility available to the Company's wholly owned subsidiary, INTL FCStone Ltd, for short-term funding of margin to commodity exchanges. The facility is subject to annual review and is guaranteed by INTL FCStone Inc.

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Senior Unsecured Notes

In July 2013, the Company completed the offering of \$45.5 million aggregate principal amount of the Company's 8.5% Senior Notes due 2020 (the "Notes"). The net proceeds of the sale of the Notes are being used for general corporate purposes. The Notes bear interest at a rate of 8.5% per year (payable quarterly on January 30, April 30, July 30 and October 30 of each year). The Notes mature on July 30, 2020. The Company may redeem the Notes, in whole or in part, at any time on and after July 30, 2016, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to, but not including, the redemption date. The Company incurred debt issuance costs of \$1.7 million in connection with the issuance of the Notes, which are being amortized over the term of the Notes.

The following table sets forth a listing of credit facilities, the committed amounts as of March 31, 2015 on the facilities, and outstanding borrowings on the facilities as well as indebtedness on senior notes as of March 31, 2015 and September 30, 2014:

(in millions)

Credit Facilities			Amounts Outstanding		
Borrower	Security	Renewal / Expiration Date	Total Commitment	March 31, 2015	September 30, 2014
INTL FCStone Inc.	Pledged shares of certain subsidiaries	September 20, 2016	\$ 140.0	\$ 25.0	\$ 15.0
FCStone, LLC	None	April 7, 2016	75.0	—	—
FCStone Merchants	Certain commodities assets	May 1, 2016	30.0	20.8	7.5
INTL FCStone, Ltd.	None	November 5, 2015	25.0	—	—
			\$ 270.0	\$ 45.8	\$ 22.5
Senior Unsecured Notes					
8.50% senior notes, due July 30, 2020				45.5	45.5
Total indebtedness				\$ 91.3	\$ 68.0

Including the April 21, 2015 commitment increase discussed above, \$140 million of the Company's committed credit facilities are scheduled to expire within twelve months of this filing. The Company intends to renew or replace these facilities as they expire, and based on the Company's liquidity position and capital structure, the Company believes it will be able to do so.

On May 5, 2015, the Company entered into a secured, uncommitted loan facility, under which the Company's wholly owned subsidiary, FCStone, LLC may borrow up to \$50.0 million, collateralized by commodity warehouse receipts, to facilitate U.S. commodity exchange deliveries of its customers, subject to certain terms and conditions of the credit agreement.

The Company's credit facility agreements contain financial covenants relating to financial measures on a consolidated basis, as well as on a certain stand-alone subsidiary basis, including minimum tangible net worth, minimum regulatory capital, minimum net unencumbered liquid assets, maximum net loss, minimum fixed charge coverage ratio and maximum funded debt to net worth ratio. Failure to comply with these covenants could result in the debt becoming payable on demand. As of March 31, 2015, the Company was in compliance with all of its financial covenants under its credit facilities.

Note 10 – Commodity and Other Repurchase Agreements and Collateralized Transactions

The Company's outstanding notes receivable in connection with sale/repurchase agreements, under which customers sell certain commodity inventory and agree to repurchase the commodity inventory at a future date at either a fixed or floating rate, as of March 31, 2015 and September 30, 2014 were \$30.4 million and \$20.6 million, respectively.

The obligations outstanding related to commodities sold under repurchase agreements that are recorded in 'lenders under loans' as of March 31, 2015 and September 30, 2014 were \$20.8 million and \$7.5 million, respectively.

As part of the acquisition of G.X. Clarke (see Note 17), the Company now enters into securities purchased under agreements to resell and payables under repurchase agreements primarily to finance financial instruments, acquire securities to cover short positions or to acquire securities for settlement. These agreements are recorded at their

contractual amounts plus accrued interest. The related interest is recorded in the condensed consolidated income statement as interest income or interest expense, as applicable. In connection with these agreements and transactions, it is the policy of the Company to receive or pledge cash or securities to adequately collateralize such agreements and transactions in accordance with general industry guidelines and practices. The value of the collateral is valued daily and the Company may require counterparties to deposit additional collateral or return collateral pledged, when appropriate. The carrying amounts of these agreements and transactions approximate fair value due to their short-term nature and the level of collateralization.

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The Company pledges financial instruments owned to collateralize repurchase agreements. At March 31, 2015, on a settlement date basis, financial instruments owned of \$183.4 million were pledged as collateral under repurchase agreements. The counterparty has the right to repledge the collateral in connection with these transactions. These financial instruments owned have been pledged as collateral and have been parenthetically disclosed on the condensed consolidated balance sheet.

In addition, as of March 31, 2015, the Company pledged settlement date financial instruments owned of \$791.0 million and securities received under reverse repurchase agreements of \$31.3 million to cover collateral for tri-party repurchase agreements. For these securities, the counterparty does not have the right to sell or repledge the collateral. At March 31, 2015, the Company has accepted collateral that it is permitted by contract or custom to sell or repledge. This collateral consists primarily of securities received in reverse repurchase agreements. The fair value of such collateral at March 31, 2015, was approximately \$416.7 million of which \$376.8 million was used to cover securities sold short which are recorded in financial instruments sold, not yet purchased on the condensed consolidated balance sheet. In the normal course of business, this collateral is used by the Company to cover financial instruments sold, not yet purchased and to obtain financing in the form of repurchase agreements. At March 31, 2015, substantially all of the above collateral had been delivered against financial instruments sold, not yet purchased or repledged by the Company to obtain financing.

Note 11 – Commitments and Contingencies

Legal and Regulatory Proceedings

Certain conditions may exist as of the date that the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal and regulatory proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss had been incurred at the date of the financial statements and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Neither accrual nor disclosure is required for loss contingencies that are deemed remote. The Company accrues legal fees related to contingent liabilities as they are incurred. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may later prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

In addition to the matters discussed below, from time to time and in the ordinary course of business, the Company is involved in various legal actions and proceedings, including tort claims, contractual disputes, employment matters, workers' compensation claims and collections. The Company carries insurance that provides protection against certain types of claims, up to the policy limits of the insurance.

As of March 31, 2015 and September 30, 2014, the condensed consolidated balance sheets include loss contingency accruals recorded prior to these periods then ended, which are not material, individually or in the aggregate, to the Company's financial position or liquidity. In the opinion of management, possible exposure from loss contingencies in excess of the amounts accrued, and in addition to the possible losses discussed below, is not likely to be material to the Company's earnings, financial position or liquidity.

The following is a summary of significant legal matters involving the Company.

Securities Litigation and Regulatory Proceedings

In January 2014, a purported class action was filed in the United States District Court for the Southern District of New York against the Company and certain of its officers and directors. The complaint alleged violations of federal securities laws, and claimed that the Company issued false and misleading information concerning the Company's business and prospects. The action sought unspecified damages on behalf of persons who purchased the Company's

shares between February 17, 2010 and December 16, 2013. The lead plaintiff's amended complaint was filed in June 2014. The Company's motion to dismiss the complaint was filed in July 2014. At the court hearing on February 4, 2015, the Company's motion was granted and the amended complaint was dismissed, however the lead plaintiff was given leave to amend its complaint. The lead plaintiff's second amended complaint was filed on March 6, 2015, and it narrowed the purported class to persons who purchased Company's shares between December 15, 2010 and December 16, 2013. On March 27, 2015, the Company filed a motion to dismiss the second amended complaint. The lead plaintiff's memorandum in opposition was filed on April 13, 2015 and the Company's reply in support of its motion to dismiss the second amended complaint was filed on April 27, 2015.

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The Company has not determined that losses related to this matter are probable. The Company does not have sufficient information to determine the amount or range of reasonably possible loss with respect to these matters. The Company believes the case is without merit and intends to defend itself vigorously. The Company's Directors' and Officers' insurance policy is expected to cover any liability and litigation costs in excess of the \$0.5 million policy retention amount.

Sentinel Litigation

The Company's subsidiary, FCStone, LLC, had a portion of its excess segregated funds invested with Sentinel Management Group Inc. ("Sentinel"), a registered FCM and an Illinois-based money manager that provided cash management services to other FCMs. In August 2007, Sentinel halted redemptions to customers and sold certain of the assets it managed to an unaffiliated third party at a significant discount. On August 17, 2007, subsequent to Sentinel's sale of certain assets, Sentinel filed for bankruptcy protection. In aggregate, \$15.5 million of FCStone, LLC's \$21.9 million in invested funds were returned to it before and after Sentinel's bankruptcy petition.

In August 2008, the bankruptcy trustee of Sentinel filed adversary proceedings against FCStone, LLC, and a number of other FCMs in the Bankruptcy Court for the Northern District of Illinois. The case was subsequently reassigned to the United States District Court, for the Northern District of Illinois. In the complaint, the trustee sought avoidance of alleged transfers or withdrawals of funds received by FCStone, LLC and other FCMs within 90 days prior to the filing of the Sentinel bankruptcy petition, as well as avoidance of post-petition distributions and disallowance of the proof of claim filed by FCStone, LLC. The trustee sought recovery of pre- and post-petition transfers totaling approximately \$15.5 million.

The trial of this matter took place, as a test case, during October 2012. The trial court entered a judgment against FCStone, LLC on January 4, 2013. On January 17, 2013, the trial court entered an agreed order, staying execution and enforcement, pending an appeal of the judgment. On March 19, 2014, the appeal court ruled in favor of FCStone, LLC. In April 2014, the trustee filed a petition for rehearing of the appeal. In May 2014, the U.S. Court of Appeals for the Seventh Circuit denied the petition. The trustee did not file a writ for certiorari with the U.S. Supreme Court during the time allowed to do so. The Company continues to be involved in litigation against the trustee to recover its share of the cash held in reserve accounts under Sentinel's Fourth Amended Chapter 11 Plan of Liquidation.

On February 10, 2015, based on a new theory, the trustee filed a motion for judgment against FCStone in the United States District Court, for the Northern District of Illinois, seeking to claw back the post-petition transfer of \$14.5 million and to recover the funds held in reserve in the name of FCStone. FCStone filed its opposition brief and an associated motion for judgment on March 17, 2015. The Company has determined that losses related to this matter are neither probable nor reasonably possible. The Company believes the case is without merit and intends to defend itself vigorously.

Contractual Commitments**Contingent Liabilities - Acquisitions**

Under the terms of the purchase agreements related to the acquisitions listed below, the Company has obligations to pay additional consideration if specific conditions and earnings targets are met. In accordance with the Business Combinations Topic of the ASC, the fair value of the additional consideration is recognized as a contingent liability as of the acquisition date. The contingent liability for these estimated additional purchase price considerations of \$3.1 million and \$5.5 million are included in 'accounts payable and other accrued liabilities' in the condensed consolidated balance sheets as of March 31, 2015 and September 30, 2014. The acquisition date fair value of additional consideration is remeasured to its fair value each reporting period, with changes in fair value recorded in current earnings. The change in fair value during the six months ended March 31, 2015 and 2014 were increases of \$0.2 million and \$0.3 million, respectively, and are included in 'other' in the condensed consolidated income statements. The Company has a contingent liability relating to the December 2012 acquisition of the accounts of Tradewire Securities, LLC, which may result in the payment of additional purchase price consideration. The contingent liability recorded represents the fair value of the expected consideration to be paid, based on the forecasted adjusted pre-tax net earnings during three annual periods and a six month period, after the third annual period, following the closing of the acquisition, for a total of four payments, with a discount rate being applied to those future payments. The present value of the estimated total purchase price, including contingent consideration, is \$3.6 million as of March 31, 2015,

of which \$1.6 million remains outstanding and is included in 'accounts payable and other accrued liabilities' in the condensed consolidated balance sheet.

The Company previously recorded a contingent liability relating to the April 2014 acquisition of Forward Insight Commodities LLC for additional purchase price consideration. The contingent liability recorded represented the fair value of the expected consideration to be paid, based on the forecasted adjusted pre-tax net earnings during the twelve-month period following the closing of the acquisition. The final purchase price totaled \$0.4 million, of which less than \$0.1 million remains outstanding as of March 31, 2015, and is included in 'accounts payable and other accrued liabilities' in the condensed consolidated balance sheet.

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The Company has a contingent liability relating to the January 2015 acquisition of G.X. Clarke, which may result in the payment of additional purchase price consideration. The contingent consideration, which in no event shall exceed \$1.5 million, is expected to be paid in two payments. See additional discussion of the acquisition and contingent consideration in Note 17 - Acquisitions. The estimated total purchase price, including contingent consideration, is \$28.9 million as of March 31, 2015, of which \$1.5 million remains outstanding and is included in 'accounts payable and other accrued liabilities' in the condensed consolidated balance sheet.

Exchange Member Guarantees

The Company is a member of various exchanges that trade and clear futures and option contracts. Associated with its memberships, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchanges. While the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the condensed consolidated financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

Self-Insurance

On January 1, 2014, the Company entered into a program to self-insure its costs related to medical and dental claims. The Company is self-insured, up to a stop loss amount, for eligible participating employees and retirees, and for qualified dependent medical and dental claims, subject to deductibles and limitations. Liabilities are recognized based on claims filed and an estimate of claims incurred but not reported. The Company has purchased stop-loss coverage to limit its exposure on a per claim basis and in aggregate in the event that aggregated actual claims would exceed 120% of actuarially estimated claims. The Company is insured for covered costs in excess of these limits. Although the ultimate outcome of these matters may exceed the amounts recorded and additional losses may be incurred, the Company does not believe that any additional potential exposure for such liabilities will have a material adverse effect on the Company's condensed consolidated financial position or results of operations. As of March 31, 2015, the Company had \$0.7 million accrued for self-insured medical and dental claims included in 'accounts payable and other liabilities' in the condensed consolidated balance sheet.

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Note 12 – Capital and Other Regulatory Requirements

The Company's activities are subject to significant governmental regulation, both in the United States and overseas. The subsidiaries of the Company were in compliance with all of their regulatory requirements as of March 31, 2015, as follows:

Subsidiary	Regulatory Authority	Requirement Type	As of March 31, 2015	
			Actual	Minimum Requirement
FCStone, LLC	CFTC	Net capital	\$126.3	\$64.1
FCStone, LLC	CFTC	Segregated funds	\$1,781.5	\$1,734.2
FCStone, LLC	CFTC	Secured funds	\$62.3	\$44.0
INTL FCStone Ltd	FCA (United Kingdom)	Net capital	\$98.0	\$57.3
INTL FCStone Ltd	FCA (United Kingdom)	Segregated funds	\$87.0	\$87.0
INTL FCStone Securities Inc.	SEC	Net capital	\$5.0	\$1.0
FCC Investments, Inc.	SEC	Net capital	\$0.3	\$0.3
INTL FCStone Partners L.P.	SEC	Liquid capital	\$25.9	\$9.4
FCStone Australia	Australian Securities and Investment Commission	Net capital	\$1.5	\$0.8
FCStone Australia	Australian Securities and Investment Commission	Segregated funds	\$17.9	\$11.9
FCStone Australia	New Zealand Clearing Ltd	Capital adequacy	\$11.5	\$3.8
INTL FCStone DTVM Ltda.	Brazilian Central Bank and Securities and Exchange Commission of Brazil	Capital adequacy	\$2.6	\$0.5
Gainvest S.A. Sociedad Gerente de FCI	Comision Nacional de Valores	Capital adequacy	\$5.1	\$0.2
Gainvest S.A. Sociedad Gerente de FCI	Comision Nacional de Valores	Net capital	\$0.3	\$0.1
INTL Capital S.A.	General Inspector of Justice (Argentina)	Net capital	\$10.1	\$8.0
INTL CIBSA S.A.	Comision Nacional de Valores	Capital adequacy	\$4.3	\$1.7
INTL CIBSA S.A.	Comision Nacional de Valores	Net capital	\$5.5	\$0.8

Certain other non-U.S. subsidiaries of the Company are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of March 31, 2015, these subsidiaries were in compliance with their local capital adequacy requirements.

Note 13 – Share-Based Compensation

Share-based compensation expense is included in 'compensation and benefits' in the condensed consolidated income statements and totaled \$0.9 million and \$1.1 million for the three months ended March 31, 2015 and 2014, respectively, and \$1.8 million and \$2.2 million for the six months ended March 31, 2015 and 2014, respectively.

Stock Option Plan

The Company sponsors a stock option plan for its directors, officers and employees. The 2013 Stock Option Plan, which was approved by the Company's Board of Directors and shareholders, authorizes the Company to issue stock options covering up to 1.0 million shares of the Company's common stock. As of March 31, 2015, there were 0.8 million shares available for future grant under this plan. Awards that expire or are forfeit generally become available for issuance again under the plan. The Company settles stock option exercises with newly issued shares of common stock.

Fair value is estimated at the grant date based on a Black-Scholes-Merton option-pricing model using the following weighted-average assumptions:

Six Months Ended
March 31, 2015

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Expected stock price volatility	34%
Expected dividend yield	—%
Risk free interest rate	0.80%
Average expected life (in years)	2.88

Expected stock price volatility rates are based primarily on the historical volatility. The Company has not paid dividends in the past and does not currently expect to do so in the future. Risk free interest rates are based on the U.S. Treasury yield curve in

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effect at the time of grant for periods corresponding with the expected life of the option award. The average expected life represents the estimated period of time that options or awards granted are expected to be outstanding, based on the Company's historical share option exercise experience for similar option grants. The weighted average fair value of options issued during the six months ended March 31, 2015 was \$4.31.

The following is a summary of stock option activity for the six months ended March 31, 2015:

	Shares Available for Grant	Number of Options Outstanding	Weighted Average Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value (\$ millions)
Balances as of September 30, 2014	913,500	1,578,056	\$ 25.38	\$11.58	4.16	\$1.9
Granted	(91,000)	91,000	\$ 20.54	\$4.31		
Exercised		(281,095)	\$ 11.06	\$5.84		
Forfeited	—	(5,333)	\$ 19.59	\$5.27		
Expired	—	(45,359)	\$ 27.92	\$12.08		
Balances as of March 31, 2015	822,500	1,337,269	\$ 28.00	\$12.31	4.53	\$7.0
Exercisable as of March 31, 2015		390,636	\$ 36.17	\$13.32	1.37	\$2.1

The total compensation cost not yet recognized for non-vested awards of \$7.4 million as of March 31, 2015 has a weighted-average period of 4.85 years over which the compensation expense is expected to be recognized.

Compensation expense is amortized on a straight-line basis over the vesting period. The total intrinsic value of options exercised during the six months ended March 31, 2015 and 2014 was \$3.0 million and \$1.7 million, respectively.

Restricted Stock Plan

The Company sponsors a restricted stock plan for its directors, officers and employees. As of March 31, 2015, 1.0 million shares were authorized for future grant under the 2012 Restricted Stock Plan. Awards that are forfeit generally become available for issuance again under the plan. The Company utilizes newly issued shares of common stock to make restricted stock grants.

The following is a summary of restricted stock activity for the six months ended March 31, 2015:

	Shares Available for Grant	Number of Shares Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value (\$ millions)
Balances as of September 30, 2014	1,096,325	229,851	\$20.03	1.79	\$4.0
Granted	(104,964)	104,964	\$19.20		
Vested		(93,467)	\$21.73		
Forfeited	328	(328)	\$18.12		
Balances as of March 31, 2015	991,689	241,020	\$19.01	2.41	\$7.2

The total compensation cost not yet recognized of \$3.6 million as of March 31, 2015 has a weighted-average period of 2.41 years over which the compensation expense is expected to be recognized. Compensation expense is amortized on a straight-line basis over the vesting period. Restricted stock grants are included in the Company's total issued and outstanding common shares.

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Note 14 – Other Expenses

Other expenses for the three months ended March 31, 2015 and 2014 consisted of the following:

(in millions)	Three Months Ended		Six Months Ended March	
	March 31, 2015	2014	31, 2015	2014
Contingent consideration, net	\$—	\$0.1	\$0.2	\$0.3
Insurance	0.4	0.4	0.9	0.8
Advertising, meetings and conferences	0.7	1.3	1.3	1.8
Non-trading hardware and software maintenance and software licensing	1.1	0.8	2.3	1.5
Office supplies and printing	0.3	0.3	0.6	0.5
Other clearing related expenses	0.3	0.2	0.6	0.6
Other non-income taxes	0.9	0.9	1.9	2.0
Other	1.8	1.3	3.1	2.5
Total other expenses	\$5.5	\$5.3	\$10.9	\$10.0

Note 15 – Accumulated Other Comprehensive Income (Loss)

Comprehensive income consists of net income and other gains and losses affecting stockholders' equity that, under U.S. GAAP, are excluded from net income. Other comprehensive income (loss) includes net actuarial losses from defined benefit pension plans, unrealized gains on available-for-sale securities, and gains and losses on foreign currency translations.

The following table summarizes the changes in accumulated other comprehensive income (loss) for the six months ended March 31, 2015.

(in millions)	Foreign Currency Translation Adjustment	Pension Benefits Adjustment	Unrealized Gain or Loss on Available-for-Sale Securities	Accumulated Other Comprehensive Loss
Balances as of September 30, 2014	\$(8.7	) \$(3.5	) \$ 0.6	\$(11.6
Other comprehensive income (loss), net of tax before reclassifications	(1.1	) —	3.4	2.3
Amounts reclassified from AOCI, net of tax	—	—	—	(1) —
Net current period other comprehensive income (loss), net of tax	(1.1	) —	3.4	2.3
Balances as of March 31, 2015	\$(9.8	) \$(3.5	) \$ 4.0	\$(9.3

(1) Amounts reclassified from OCI for the six months ended March 31, 2015 were less than \$0.1 million.

Note 16 – Income Taxes

In determining the quarterly provision for income taxes, management uses an estimated annual effective tax rate which is based on the expected annual income and statutory tax rates in the various jurisdictions in which it operates. The Company's effective tax rate differs from the U.S. statutory rate primarily due to state and local taxes, and differing statutory tax rates applied to the income of non-U.S. subsidiaries. The Company records the tax effect of certain discrete items, including the effects of changes in tax laws, tax rates and adjustments with respect to valuation allowances or other unusual or nonrecurring tax adjustments, in the interim period in which they occur, as an addition to, or reduction from, the income tax provision, rather than being included in the estimated effective annual income tax rate. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective income tax rate.

The Company is required to assess its deferred tax assets and the need for a valuation allowance at each reporting period. This assessment requires judgment on the part of management with respect to benefits that may be realized. The Company will record a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of the deferred tax assets will not be realized.

The valuation allowance for deferred tax assets as of March 31, 2015 and September 30, 2014 was \$2.8 million. The valuation allowances as of March 31, 2015 and September 30, 2014 were primarily related to U.S. state and local and foreign net operating loss carryforwards that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized.

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The Company incurred U.S. federal, state, and local taxable losses for the fiscal years ended September 30, 2014, 2013, and 2012 of \$17.3 million, \$24.5 million, and \$21.9 million, respectively. There are no significant differences between actual levels of past taxable income and the results of operations, before income taxes in these jurisdictions. When evaluating if U.S. federal, state, and local deferred tax assets are realizable, the Company considered deferred tax liabilities of \$3.9 million that are scheduled to reverse from 2015 to 2019 and \$1.3 million of deferred tax liabilities associated with unrealized gains in securities which the Company could sell, if necessary. Furthermore, the Company considered its ability to implement business and tax planning strategies that would allow the remaining U.S. federal, state, and local deferred tax assets, net of valuation allowances, to be realized within approximately 8 years. Based on the tax planning strategies that are prudent and feasible, management believes that it is more likely than not that the Company will realize the tax benefit of the deferred tax assets, net of the existing valuation allowance, in the future. However, the realization of deferred income taxes is dependent on future events, and changes in estimate in future periods could result in adjustments to the valuation allowance.

The income tax expense from continuing operations of \$5.1 million and \$2.6 million for the three months ended March 31, 2015 and 2014, and income tax expense from continuing operations of \$9.3 million and \$4.1 million for the six months ended March 31, 2015 and 2014, respectively, reflect estimated federal, foreign and state taxes.

For the three months ended March 31, 2015, the Company's effective tax rate was 28% compared to 25% for the three months ended March 31, 2014. For the six months ended March 31, 2015 and 2014, the Company's effective tax rate was 29%.

The Company and its subsidiaries file income tax returns with the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company has open tax years ranging from September 30, 2008 through September 30, 2014 with U.S. federal and state and local taxing authorities. In the U.K., the Company has open tax years ending September 30, 2013 to September 30, 2014. In Brazil, the Company has open tax years ranging from December 31, 2009 through December 31, 2014. In Argentina, the Company has open tax years ranging from December 31, 2007 to September 30, 2014. INTL FCStone Inc. settled a state examination in the three months ended December 31, 2014 with no material adjustments.

Note 17 – Acquisitions

G.X. Clarke & Co.

Effective January 1, 2015, the Company completed its acquisition of G.X. Clarke & Co., an SEC registered institutional dealer in fixed income securities. G.X. Clarke is based in New Jersey, transacts in U.S. treasuries, federal agency and mortgage-backed securities, and is a FINRA member with an institutional client base consisting of asset managers, commercial bank trust and investment departments, broker-dealers, and insurance companies. The purchase price payable by the Company is equal to G.X. Clarke's net tangible book value at closing of approximately \$25.9 million plus a premium of \$1.5 million, and up to an additional \$1.5 million over the next three years, subject to the achievement of certain profitability thresholds. In conjunction with the acquisition, the name of G.X. Clarke has been changed to INTL FCStone Partners L.P.

The acquisition agreement includes the purchase of certain tangible assets and assumption of certain liabilities. For the acquisition, management has made an initial fair value estimate of the assets acquired and liabilities assumed as of January 1, 2015. The Company believes that due to the short-term nature of many of the tangible assets acquired and liabilities assumed, that their carrying values, as included in the historical financial statements of G.X. Clarke, approximates their fair values. The portion of the purchase price representing the initial premium paid of \$1.5 million and contingent consideration of \$1.5 million has been preliminarily allocated to goodwill and intangible assets. As the Company has not finalized its purchase accounting, the premium of \$1.5 million and the contingent consideration of \$1.5 million have been provisionally assigned to the customer base and software programs/platforms intangible assets, respectively (see Note 8). However, no useful life has been assigned and as a result, no amortization has been recorded during the three months ended March 31, 2015. All purchase accounting estimates are subject to revision until the Company finalizes its purchase accounting estimates with the assistance of a third-party valuation expert.

As part of the net cash paid, the Company and G.X. Clarke established two escrow accounts totaling \$10.0 million, related to an Adjustment Escrow and Indemnity Escrow. The Adjustment Escrow, of \$5.0 million, related to potential purchase price adjustment obligations was released, during three months ended March 31, 2015, upon determination

of the final tangible book value of net assets of G.X. Clarke. The Indemnity Escrow, of \$5.0 million, relates to potential claims made by the Company for indemnification in accordance with the terms of the acquisition agreement and is to be released immediately following the twenty-four month anniversary of the closing date of the acquisition. The remaining escrow balance is included in 'other assets' in the condensed consolidated balance sheet. In addition, as part of the net cash paid for the acquisition, the Company has deferred payment of \$5.0 million