

INTL FCSTONE INC.
Form 10-Q
February 10, 2014
Table of Contents

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 December 31, 2013

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 305 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.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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 February 7, 2014, there were 19,072,274 shares of the registrant's common stock outstanding.

Table of Contents

INTL FCStone Inc.

Quarterly Report on Form 10-Q for the Quarterly Period Ended December 31, 2013

Table Of Contents

| | Page |
|-------------------------------|---|
| Part I. FINANCIAL INFORMATION | |
| Item 1. | <u>Financial Statements (Unaudited)</u> |
| | <u>Condensed Consolidated Balance Sheets</u> 1 |
| | <u>Condensed Consolidated Income Statements</u> 2 |
| | <u>Condensed Consolidated Statements of Comprehensive Income</u> 3 |
| | <u>Condensed Consolidated Cash Flows Statements</u> 4 |
| | <u>Condensed Consolidated Statement of Stockholders' Equity</u> 5 |
| | <u>Notes to Condensed Consolidated Financial Statements</u> 6 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 29 |
| Item 3. | <u>Quantitative and Qualitative Disclosures about Market Risk</u> 47 |
| Item 4. | <u>Controls and Procedures</u> 49 |
| Part II. OTHER INFORMATION | |
| Item 1. | <u>Legal Proceedings</u> 50 |
| Item 1A. | <u>Risk Factors</u> 51 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 51 |
| Item 6. | <u>Exhibits</u> 52 |
| | <u>Signatures</u> 52 |

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTL FCStone Inc.

Condensed Consolidated Balance Sheets

| (in millions, except par value and share amounts) | December 31, 2013 (Unaudited) | September 30, 2013 |
|--|-------------------------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 194.9 | \$ 156.1 |
| Cash, securities and other assets segregated under federal and other regulations (including \$33.5 and \$107.6 at fair value at December 31, 2013 and September 30, 2013, respectively) | 215.0 | 449.4 |
| Deposits and receivables from: | | |
| Exchange-clearing organizations (including \$1,353.5 and \$1,371.7 at fair value at December 31, 2013 and September 30, 2013, respectively) | 1,706.1 | 1,576.6 |
| Broker-dealers, clearing organizations and counterparties (including \$(5.1) and \$(13.1) at fair value at December 31, 2013 and September 30, 2013, respectively) | 163.9 | 168.3 |
| Receivables from customers, net | 74.6 | 93.3 |
| Notes receivable, net | 46.2 | 37.4 |
| Income taxes receivable | 13.7 | 15.5 |
| Financial instruments owned, at fair value | 169.0 | 158.5 |
| Physical commodities inventory | 26.6 | 59.0 |
| Deferred income taxes, net | 28.6 | 25.5 |
| Property and equipment, net | 17.2 | 17.5 |
| Goodwill and intangible assets, net | 58.8 | 59.1 |
| Other assets | 29.3 | 31.8 |
| Total assets | \$ 2,743.9 | \$ 2,848.0 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Accounts payable and other accrued liabilities (including \$9.1 and \$9.6 at fair value at December 31, 2013 and September 30, 2013, respectively) | \$ 98.6 | \$ 114.0 |
| Payables to: | | |
| Customers | 1,983.1 | 2,091.8 |
| Broker-dealers, clearing organizations and counterparties | 3.6 | 17.0 |
| Lenders under loans | 60.2 | 61.0 |
| Senior unsecured notes | 45.5 | 45.5 |
| Income taxes payable | 4.1 | 3.4 |
| Financial instruments sold, not yet purchased, at fair value | 211.4 | 179.9 |
| Deferred income taxes | 0.1 | — |
| Total liabilities | 2,406.6 | 2,512.6 |
| 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; 19,675,192 issued and 19,182,219 outstanding at December 31, 2013 and 19,638,330 issued and 19,209,157 outstanding at September 30, 2013 | 0.2 | 0.2 |
| Common stock in treasury, at cost - 492,973 shares at December 31, 2013 and 429,173 shares at September 30, 2013, respectively | (9.1 |) (7.8 |

Edgar Filing: INTL FCSTONE INC. - Form 10-Q

| | | | |
|--|------------|------------|---|
| Additional paid-in capital | 225.6 | 224.0 | |
| Retained earnings | 127.9 | 125.4 | |
| Accumulated other comprehensive loss, net | (7.3 |) (6.4 |) |
| Total stockholders' equity | 337.3 | 335.4 | |
| Total liabilities and stockholders' equity | \$ 2,743.9 | \$ 2,848.0 | |

See accompanying notes to condensed consolidated financial statements.

1

Table of Contents

INTL FCStone Inc.
 Condensed Consolidated Income Statements
 (Unaudited)

| (in millions, except share and per share amounts) | Three Months Ended December 31, | |
|--|------------------------------------|------------|
| | 2013 | 2012 |
| Revenues: | | |
| Sales of physical commodities | \$7,830.3 | \$12,421.2 |
| Trading gains, net | 51.9 | 79.9 |
| Commission and clearing fees | 42.2 | 40.0 |
| Consulting and management fees | 12.0 | 8.3 |
| Interest income | 1.4 | 3.3 |
| Other income | 0.2 | 0.1 |
| Total revenues | 7,938.0 | 12,552.8 |
| Cost of sales of physical commodities | 7,824.6 | 12,427.1 |
| Operating revenues | 113.4 | 125.7 |
| Transaction-based clearing expenses | 25.2 | 24.6 |
| Introducing broker commissions | 11.6 | 8.4 |
| Interest expense | 2.7 | 3.5 |
| Net operating revenues | 73.9 | 89.2 |
| Compensation and other expenses: | | |
| Compensation and benefits | 46.4 | 46.7 |
| Communication and data services | 6.3 | 5.3 |
| Occupancy and equipment rental | 3.0 | 2.9 |
| Professional fees | 4.4 | 3.7 |
| Travel and business development | 2.8 | 3.0 |
| Depreciation and amortization | 1.9 | 1.8 |
| Bad debts and impairments | 0.4 | 0.4 |
| Other | 4.7 | 6.6 |
| Total compensation and other expenses | 69.9 | 70.4 |
| Income from operations, before tax | 4.0 | 18.8 |
| Income tax expense | 1.5 | 5.5 |
| Net income | \$2.5 | \$13.3 |
| Basic net income per common share | \$0.13 | \$0.70 |
| Diluted net income per common share | \$0.12 | \$0.68 |
| Basic weighted-average number of common shares outstanding | 18,657,678 | 18,266,338 |
| Diluted weighted-average number of common shares outstanding | 19,358,442 | 18,778,675 |
| See accompanying notes to condensed consolidated financial statements. | | |

Table of Contents

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

| (in millions) | Three Months Ended December 31, | |
|---|------------------------------------|--------|
| | 2013 | 2012 |
| Net income | \$2.5 | \$13.3 |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustment | (1.2 |) (0.3 |
| Pension liabilities adjustment | 0.1 | 0.4 |
| Net unrealized gain or loss on available-for-sale securities | 0.2 | (0.2 |
| Reclassification of adjustment for gains included in net income: | | |
| Realized gain on available-for-sale securities (included in trading gains, net) | — | (8.3 |
| Income tax expense from reclassification adjustments (included in income tax expense) | — | 2.0 |
| Reclassification adjustment for gains included in net income: | | |
| Other comprehensive loss | (0.9 |) (6.4 |
| Comprehensive income | \$1.6 | \$6.9 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INTL FCStone Inc.

Condensed Consolidated Cash Flows Statements

(Unaudited)

| (in millions) | Three Months Ended | |
|--|--------------------|---------|
| | December 31, | 2012 |
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income | \$2.5 | \$13.3 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1.8 | 1.8 |
| Provision for bad debts and impairments | 0.5 | 0.4 |
| Deferred income taxes | (3.2) | (0.4) |
| Amortization of debt issuance costs and debt discount | 0.3 | 0.3 |
| Amortization of share-based compensation expense | 1.1 | 1.6 |
| Loss on sale of property and equipment | 0.2 | — |
| Gain on sale of exchange memberships and common stock | — | (9.2) |
| Changes in operating assets and liabilities, net: | | |
| Cash, securities and other assets segregated under federal and other regulations | 233.3 | (24.2) |
| Deposits and receivables from exchange-clearing organizations | (129.8) | 141.1 |
| Deposits and receivables from broker-dealers, clearing organizations, and counterparties | 4.8 | 1.4 |
| Receivable from customers, net | 18.3 | (75.2) |
| Notes receivable, net | (8.9) | 13.7 |
| Income taxes receivable | 1.6 | 4.2 |
| Financial instruments owned, at fair value | (11.9) | 11.6 |
| Physical commodities inventory | 32.4 | (2.3) |
| Other assets | 2.4 | (2.0) |
| Accounts payable and other accrued liabilities | (14.3) | (20.0) |
| Payable to customers | (107.4) | (8.0) |
| Payable to broker-dealers, clearing organizations and counterparties | (13.4) | (31.8) |
| Income taxes payable | 0.9 | 0.8 |
| Financial instruments sold, not yet purchased, at fair value | 31.4 | 12.1 |
| Net cash provided by operating activities | 42.6 | 29.2 |
| Cash flows from investing activities: | | |
| Sale of exchange memberships and common stock | — | 10.1 |
| Purchase of property and equipment | (1.3) | (1.2) |
| Net cash (used in) provided by investing activities | (1.3) | 8.9 |
| Cash flows from financing activities: | | |
| Net change in payable to lenders under loans | (0.8) | 23.2 |
| Payments related to earn-outs on acquisitions | (0.3) | (0.3) |
| Debt issuance costs | (0.3) | — |
| Exercise of stock options | 0.5 | — |
| Share repurchases | (1.3) | (2.0) |
| Income tax expense on stock options and awards | — | (0.3) |
| Net cash (used in) provided by financing activities | (2.2) | 20.6 |
| Effect of exchange rates on cash and cash equivalents | (0.3) | (0.3) |
| Net increase in cash and cash equivalents | 38.8 | 58.4 |
| Cash and cash equivalents at beginning of period | 156.1 | 236.3 |
| Cash and cash equivalents at end of period | \$194.9 | \$294.7 |
| Supplemental disclosure of cash flow information: | | |

Edgar Filing: INTL FCSTONE INC. - Form 10-Q

| | | |
|---|-------|-------|
| Cash paid for interest | \$2.6 | \$2.5 |
| Income taxes paid, net of cash refunds | \$1.5 | \$1.3 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Identified intangible assets and goodwill on acquisitions | \$— | \$3.1 |
| Additional consideration payable related to acquisitions, net | \$0.2 | \$3.4 |
| See accompanying notes to condensed consolidated financial statements. | | |

4

Table of Contents

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, 2013 | \$0.2 | \$(7.8) | \$224.0 | \$125.4 | \$ (6.4) | \$335.4 |
| Net income | | | | 2.5 | | 2.5 |
| Other comprehensive loss | | | | | (0.9) | (0.9) |
| Exercise of stock options | | | 0.5 | | | 0.5 |
| Share-based compensation | | | 1.1 | | | 1.1 |
| Repurchase of stock | | (1.3) | | | | (1.3) |
| Balances as of December 31, 2013 | \$0.2 | \$(9.1) | \$225.6 | \$127.9 | \$ (7.3) | \$337.3 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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 financial services group focused on domestic and select international markets. 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; the sale of 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 130 foreign currencies; market-making in international equities; 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 customers 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, 2013, 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, 2013 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, 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.

Immaterial Correction of an Error in Previously Reported Condensed Consolidated Financial Statements

The prior period condensed consolidated income statement has been revised to reflect the immaterial correction of certain intercompany physical sales which were not correctly eliminated from the condensed consolidated income statement, resulting in a gross-up of sales of physical commodities and cost of sales of physical commodities. The impact of the correction of this error was a decrease in total revenues of \$166.7 million from \$12,719.5 million to \$12,552.8 million and a decrease in cost of sales of physical commodities of \$166.7 million from \$12,593.8 million to

\$12,427.1 million. These immaterial corrections did not impact operating revenues or net income.

6

Table of Contents

Reclassifications

Certain amounts previously reported in the condensed consolidated income statements have been reclassified to conform to the current period presentation. The reclassifications were made to change the income statement presentation to provide the users of the financial statements additional information related to the operating results of the Company. These reclassifications include reclassifying transaction-based clearing expenses and introducing broker commissions separately from compensation and other expenses, and as components along with interest expense in arriving at net operating revenues. Additionally, travel and business development expenses were previously included in 'other' expense. The reclassifications had no effect on consolidated operating revenues or net income.

Recent Accounting Pronouncements

On December 16, 2011, the Financial Accounting Standards Board ("FASB") issued new guidance on the disclosures about offsetting assets and liabilities. The amended guidance limits the scope of balance sheet offsetting to derivatives, repurchase agreements and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement. While the FASB retained the existing offsetting models under U.S. GAAP, the new standard requires disclosures to allow investors to better compare and understand significant quantitative differences in financial statements prepared under U.S. GAAP. The new standard is effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective application is required. This guidance is effective for the Company's fiscal year beginning October 1, 2013. The Company adopted this guidance starting with the current quarter. The adoption of this guidance did not have a material impact on the Company's disclosures within the notes to its condensed consolidated financial statements. Refer to Note 4 and Note 10 of the notes to the condensed consolidated financial statements for disclosure of assets and liabilities regarding the Company's derivative instruments and repurchase agreements.

In February 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income requiring new disclosures regarding reclassification adjustments from accumulated other comprehensive income ("AOCI"). ASU No. 2013-02 requires disclosure of amounts reclassified out of AOCI by component. In addition, the entity is required to present, either on the face of the statement where net income is presented or the notes, significant amounts reclassified out of AOCI by the respective line items of net income. The Company adopted this guidance starting with the current quarter. The adoption of this guidance did not have a material impact on the presentation of the Company's condensed consolidated financial statements.

In March 2013, the FASB issued ASU No. 2013-05, Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity, which addresses the accounting for the cumulative translation adjustment when a parent either sells part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. For public entities, the ASU is effective prospectively for fiscal years, and interim periods, within those years, beginning after December 15, 2013. Early adoption is permitted. The Company expects to adopt this guidance starting with the first quarter of fiscal year 2015. The adoption of this guidance is not expected to have a material impact on the Company's condensed consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This ASU provides that an unrecognized tax benefit, or a portion thereof, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from disallowance of a tax position, or the tax law does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, then the unrecognized tax benefit should be presented as a liability. For public entities, the ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company expects to adopt this guidance starting with the first quarter of fiscal year 2015. The adoption of ASU 2013-11 is not expected to have a material impact on the Company's 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

7

Table of Contents

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. 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 | |
|---|----------------------|------------|
| | December 31, 2013 | 2012 |
| Numerator: | | |
| Net income | \$2.5 | \$13.3 |
| Less: Allocation to participating securities | (0.1) | (0.5) |
| Income from operations allocated to common stockholders | \$2.4 | \$12.8 |
| Diluted net income | \$2.5 | \$13.3 |
| Less: Allocation to participating securities | (0.1) | (0.5) |
| Diluted net income allocated to common stockholders | \$2.4 | \$12.8 |
| Denominator: | | |
| Weighted average number of: | | |
| Common shares outstanding | 18,657,678 | 18,266,338 |
| Dilutive potential common shares outstanding: | | |
| Share-based awards | 700,764 | 512,337 |
| Diluted weighted-average shares | 19,358,442 | 18,778,675 |

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 1,126,282 and 1,490,547 shares of common stock for the three months ended December 31, 2013 and 2012, 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 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 and mortgage-backed securities. These 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

Table of Contents

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 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 \$46.2 million (carrying value of \$45.5 million) as of December 31, 2013, based on the transaction prices at public exchanges for the same or similar issues.

The fair value estimates presented in the condensed consolidated financial statements are based on pertinent information available to management as of December 31, 2013 and September 30, 2013. 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 three months ended December 31, 2013. 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).

Table of Contents

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 December 31, 2013 and September 30, 2013 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 December 31, 2013 and September 30, 2013.

| (in millions) | December 31, 2013 | | | Netting and Collateral (1) | Total |
|---|-------------------|------------------|--------------|----------------------------------|------------------|
| | Level 1 | Level 2 | Level 3 | | |
| Assets: | | | | | |
| Money market funds | \$0.1 | \$— | \$— | \$— | \$0.1 |
| Certificate of deposits | 3.0 | — | — | — | 3.0 |
| Unrestricted cash equivalents | 3.1 | — | — | — | 3.1 |
| Commodities warehouse receipts | 14.5 | — | — | — | 14.5 |
| U.S. government obligations | — | 19.0 | — | — | 19.0 |
| Securities and other assets segregated under federal and other regulations | 14.5 | 19.0 | — | — | 33.5 |
| Money market funds | 776.8 | — | — | — | 776.8 |
| U.S. government obligations | — | 590.0 | — | — | 590.0 |
| Mortgage-backed securities | — | 3.5 | — | — | 3.5 |
| Derivatives | 1,577.2 | — | — | (1,594.0) | (16.8) |
| Deposits and receivables from exchange-clearing organizations | 2,354.0 | 593.5 | — | (1,594.0) | 1,353.5 |
| Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives | 0.3 | 0.9 | — | (6.3) | (5.1) |
| Common and preferred stock and American Depositary Receipts ("ADRs") | 62.3 | 15.8 | 0.7 | — | 78.8 |
| Exchangeable foreign ordinary equities and ADRs | 28.8 | — | — | — | 28.8 |
| Corporate and municipal bonds | 17.2 | — | 3.4 | — | 20.6 |
| U.S. government obligations | — | 0.3 | — | — | 0.3 |
| Foreign government obligations | 9.8 | — | — | — | 9.8 |
| Derivatives | 146.4 | 553.8 | — | (681.6) | 18.6 |
| Commodities leases | — | 40.4 | — | (39.7) | 0.7 |
| Exchange firm common stock | 4.7 | — | — | — | 4.7 |
| Mutual funds and other | 5.2 | — | — | — | 5.2 |
| Mortgage-backed securities | — | 1.5 | — | — | 1.5 |
| Financial instruments owned | 274.4 | 611.8 | 4.1 | (721.3) | 169.0 |
| Total assets at fair value | \$2,646.3 | \$1,225.2 | \$4.1 | \$(2,321.6) | \$1,554.0 |
| Liabilities: | | | | | |
| Accounts payable and other accrued liabilities - contingent liabilities | \$— | \$— | \$9.1 | \$— | \$9.1 |
| Payable to customers - derivatives | 1,494.1 | — | — | (1,494.1) | — |
| Common and preferred stock and ADRs | 91.5 | 11.3 | — | — | 102.8 |
| Exchangeable foreign ordinary equities and ADRs | 15.0 | — | — | — | 15.0 |
| Corporate and municipal bonds | 15.7 | 0.2 | — | — | 15.9 |
| Derivatives | 151.9 | 542.4 | — | (660.0) | 34.3 |
| Commodities leases | — | 82.2 | — | (38.8) | 43.4 |

Edgar Filing: INTL FCSTONE INC. - Form 10-Q

| | | | | | |
|---|-----------|---------|-------|------------|-----------|
| Financial instruments sold, not yet purchased | 274.1 | 636.1 | — | (698.8 |) 211.4 |
| Total liabilities at fair value | \$1,768.2 | \$636.1 | \$9.1 | \$(2,192.9 |) \$220.5 |

(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.

10

Table of Contents

| (in millions) | September 30, 2013 | | | Netting and Collateral (1) | Total |
|---|--------------------|-----------|---------|----------------------------------|-----------|
| | Level 1 | Level 2 | Level 3 | | |
| Assets: | | | | | |
| Money market funds | \$0.1 | \$— | \$— | \$— | \$0.1 |
| Certificate of deposits | 2.9 | — | — | — | 2.9 |
| Unrestricted cash equivalents | 3.0 | — | — | — | 3.0 |
| Money market funds | 75.0 | — | — | — | 75.0 |
| Commodities warehouse receipts | 13.1 | — | — | — | 13.1 |
| U.S. government obligations | — | 19.5 | — | — | 19.5 |
| Securities and other assets segregated under federal and other regulations | 88.1 | 19.5 | — | — | 107.6 |
| Money market funds | 841.4 | — | — | — | 841.4 |
| U.S. government obligations | — | 594.8 | — | — | 594.8 |
| Mortgage-backed securities | — | 5.3 | — | — | 5.3 |
| Derivatives | 2,263.2 | — | — | (2,333.0) | (69.8) |
| Deposits and receivables from exchange-clearing organizations | 3,104.6 | 600.1 | — | (2,333.0) | 1,371.7 |
| Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives | 1.8 | 0.2 | — | (15.1) | (13.1) |
| Common and preferred stock and American Depositary Receipts (“ADRs”) | 49.3 | 19.8 | 0.7 | — | 69.8 |
| Exchangeable foreign ordinary equities and ADRs | 36.7 | — | — | — | 36.7 |
| Corporate and municipal bonds | 0.1 | — | 3.5 | — | 3.6 |
| U.S. government obligations | — | 0.3 | — | — | 0.3 |
| Foreign government obligations | 7.7 | — | — | — | 7.7 |
| Derivatives | 173.6 | 440.6 | — | (592.3) | 21.9 |
| Commodities leases | — | 56.1 | — | (50.0) | 6.1 |
| Commodities warehouse receipts | 4.0 | — | — | — | 4.0 |
| Exchange firm common stock | 4.4 | — | — | — | 4.4 |
| Mutual funds and other | 4.0 | — | — | — | 4.0 |
| Financial instruments owned | 279.8 | 516.8 | 4.2 | (642.3) | 158.5 |
| Total assets at fair value | \$3,477.3 | \$1,136.6 | \$4.2 | \$(2,990.4) | \$1,627.7 |
| Liabilities: | | | | | |
| Accounts payable and other accrued liabilities - contingent liabilities | \$— | \$— | \$9.6 | \$— | \$9.6 |
| Payable to customers - derivatives | 2,328.2 | — | — | (2,328.2) | — |
| Common and preferred stock and ADRs | 82.9 | 16.6 | — | — | 99.5 |
| Exchangeable foreign ordinary equities and ADRs | 8.7 | — | — | — | 8.7 |
| Derivatives | 174.0 | 473.2 | — | (616.5) | 30.7 |
| Commodities leases | — | 85.5 | — | (44.5) | 41.0 |
| Financial instruments sold, not yet purchased | 265.6 | 575.3 | — | (661.0) | 179.9 |
| Total liabilities at fair value | \$2,593.8 | \$575.3 | \$9.6 | \$(2,989.2) | \$189.5 |

(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.

Table of Contents

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 December 31, 2013 and September 30, 2013 are summarized below:

| (in millions) | December 31, 2013 | September 30, 2013 | | |
|--|----------------------|-----------------------|--|---|
| Total level 3 assets | \$4.1 | \$4.2 | | |
| Level 3 assets for which the Company bears economic exposure | \$4.1 | \$4.2 | | |
| Total assets | \$2,743.9 | \$2,848.0 | | |
| Total financial assets at fair value | \$1,554.0 | \$1,627.7 | | |
| 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 | 0.3 | % 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 December 31, 2013 and 2012, 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 December 31, 2013.

| (in millions) | Level 3 Financial Assets and Financial Liabilities For the Three Months Ended December 31, 2013 | | | | | | Balances at end of period |
|-------------------------------|--|---|---|---------------------|-------------|--|------------------------------|
| | Balances at beginning of period | Realized gain/ (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 | \$ — | \$0.2 | \$ — | \$ (0.7) | \$ — | \$9.1 |

| (in millions) | Level 3 Financial Assets and Financial Liabilities For the Three Months Ended December 31, 2012 | | | | | | Balances at end of period |
|-------------------------------|--|---|---|---------------------|-------------|--|------------------------------|
| | Balances at beginning of period | Realized gain/ (losses) during period | Unrealized gains (losses) during period | Purchases/issuances | Settlements | Transfers in or (out) of Level 3 | |
| Assets: | | | | | | | |
| Common stock and ADRs | \$0.9 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 0.9 |
| Corporate and municipal bonds | 3.6 | — | — | — | — | — | 3.6 |
| | \$4.5 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 4.5 |
| Liabilities: | | | | | | | |
| Contingent liabilities | \$14.8 | \$ — | \$0.3 | \$ 3.1 | \$ (0.3) | \$ — | \$ 17.9 |

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 December 31, 2013, the Company's investment in the hotel is \$3.4 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. The Company continues to monitor the hotel renovation process and evaluate the fair value of the debentures. 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 December 31, 2013 and 2012.

The Company is required to make additional future cash payments based on certain financial performance measures of its acquired businesses. 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

Table of Contents

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 December 31, 2013, 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 \$0.2 million and \$0.3 million during the three months ended December 31, 2013 and 2012, 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 for the three months ended December 31, 2013 and 2012.

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 December 31, 2013, the cost and fair value of all the equity investments in exchange firms was \$3.7 million and \$4.7 million, respectively. As of September 30, 2013, the cost and fair value of the equity investments in exchange firms was \$3.7 million and \$4.4 million, respectively.

In June 2012, the board of LME Holdings Limited ("LME Holdings"), the parent company of The London Metal Exchange ("LME"), entered into a framework agreement regarding the terms of a recommended cash offer for the entire issued and outstanding ordinary share capital of LME Holdings. In July 2012, the shareholders of LME Holdings approved the sale of LME Holdings to the Hong Kong Exchanges & Clearing Limited. In December 2012, the Company received proceeds of \$8.6 million from the sale of its shares in the LME. The shares of the LME were previously held by the Company as available-for-sale and the unrealized gain for those shares was reflected in OCI. For the three months ended December 31, 2012, the Company reclassified the unrealized gain remaining in AOCI of approximately \$6.3 million, net of income tax expense of \$2.0 million, into the current period earnings.

In December 2012, the Company sold its exchange membership seats in the Board of Trade of Kansas City, Missouri, Inc. ("KCBT"), in connection with the acquisition of the KCBT by Chicago Mercantile Exchange ("CME"). The Company was required to hold these exchange membership seats for clearing purposes and, as a result, the associated KCBT shares were being held at cost on the condensed consolidated balance sheet. The Company received proceeds of \$1.5 million and recognized a gain of \$0.9 million before taxes, during the three months ended December 31, 2012, in connection with the sale of these seats.

The Company recorded unrealized gains of \$0.7 million, net of income tax expense of \$0.4 million as of December 31, 2013, and unrealized gains of \$0.5 million, net of income tax expense of \$0.3 million as of September 30, 2013, 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.

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 December 31, 2013 and September 30, 2013:

December 31, 2013

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

| (in millions) | Amortized Cost | Unrealized Holding Gains | (Losses) | Estimated Fair Value |
|-----------------------------|-------------------|-----------------------------|----------|-------------------------|
| U.S. government obligations | \$562.8 | \$0.1 | \$— | \$562.9 |
| Mortgage-backed securities | 4.9 | 0.1 | — | 5.0 |
| | \$567.7 | \$0.2 | \$— | \$567.9 |

Table of Contents

September 30, 2013

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

| (in millions) | Amortized Cost | Unrealized Gains | Holding ⁽¹⁾ (Losses) | Estimated Fair Value |
|-----------------------------|-------------------|---------------------|------------------------------------|-------------------------|
| U.S. government obligations | \$568.5 | \$— | \$— | \$568.5 |
| Mortgage-backed securities | 5.2 | 0.1 | — | 5.3 |
| | \$573.7 | \$0.1 | \$— | \$573.8 |

(1) Unrealized gain/loss on U.S. government obligations as of September 30, 2013, were less than \$0.1 million.

As of December 31, 2013 and September 30, 2013, investments in debt securities classified as available-for-sale (“AFS”) mature as follows:

December 31, 2013

| (in millions) | Due in Less than 1 year | 1 year or more | Estimated Fair Value |
|-----------------------------|----------------------------|----------------|-------------------------|
| U.S. government obligations | \$562.9 | \$— | \$562.9 |
| Mortgage-backed securities | — | 5.0 | 5.0 |
| | \$562.9 | \$5.0 | \$567.9 |

September 30, 2013

| (in millions) | Due in Less than 1 year | 1 year or more | Estimated Fair Value |
|-----------------------------|----------------------------|----------------|-------------------------|
| U.S. government obligations | \$568.5 | \$— | \$568.5 |
| Mortgage-backed securities | — | 5.3 | 5.3 |
| | \$568.5 | \$5.3 | \$573.8 |

Except as discussed previously, there were no other sales of AFS securities during the three months ended December 31, 2013 and 2012, and as a result, no realized gains or losses were recorded for the three months ended December 31, 2013 and 2012.

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 December 31, 2013 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 December 31, 2013. The total of \$211.4 million as of December 31, 2013 includes \$34.3 million for derivative contracts, which represents a liability to the Company based on their fair values as of December 31, 2013.

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, by using a strip of interest rate swaps that mature every

quarter, in order to achieve the two year moving average of the two year swap rate. 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

14

Table of Contents

value, with changes in the marked-to-market valuation of the financial instruments recorded in ‘trading gains, net’ in the consolidated income statements. The Company did not have any interest rate swaps outstanding at December 31, 2013.

Listed below are the fair values of the Company’s derivative assets and liabilities as of December 31, 2013 and September 30, 2013. Assets represent net unrealized gains and liabilities represent net unrealized losses.

| (in millions) | December 31, 2013 | | September 30, 2013 | |
|--|-----------------------|----------------------------|-----------------------|----------------------------|
| | Assets ⁽¹⁾ | Liabilities ⁽¹⁾ | Assets ⁽¹⁾ | Liabilities ⁽¹⁾ |
| Derivative contracts not accounted for as hedges: | | | | |
| Exchange-traded commodity derivatives | \$1,430.0 | \$1,311.0 | \$2,036.6 | \$2,046.3 |
| OTC commodity derivatives | 411.9 | 419.9 | 481.4 | 484.9 |
| Exchange-traded foreign exchange derivatives | 75.3 | 77.9 | 89.3 | 104.2 |
| OTC foreign exchange derivatives | 287.7 | 274.4 | 132.3 | 162.3 |
| Exchange-traded interest rate derivatives | 8.6 | 3.9 | 4.3 | 36.0 |
| Equity index derivatives | 65.1 | 101.3 | 135.5 | 141.7 |
| Gross fair value of derivative contracts | 2,278.6 | 2,188.4 | 2,879.4 | 2,975.4 |
| Impact of netting and collateral | (2,281.9) | (2,154.1) | (2,940.4) | (2,944.7) |
| Total fair value included in ‘Deposits and receivables from exchange-clearing organizations’ | \$ (16.8) | | \$ (69.8) | |
| Total fair value included in ‘Deposits and receivables from broker-dealers, clearing organizations and counterparties’ | \$ (5.1) | | \$ (13.1) | |
| Total fair value included in ‘Financial instruments owned, at fair value’ | \$18.6 | | \$21.9 | |
| Fair value included in ‘Financial instruments sold, not yet purchased, at fair value’ | | \$34.3 | | \$30.7 |

(1) As of December 31, 2013 and September 30, 2013, the Company’s derivative contract volume for open positions were approximately 3.0 million and 4.1 million contracts, respectively.

The Company’s derivative contracts are principally held in its Commodities and Risk Management Services (“C&RM”) segment. The Company assists its C&RM 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 C&RM 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.

The following table sets forth the Company’s gains (losses) related to derivative financial instruments for the three months ended December 31, 2013 and 2012, in accordance with the Derivatives and Hedging Topic of the ASC. The gains (losses) set forth below are included in ‘trading gains, net’ in the condensed consolidated income statements.

| (in millions) | Three Months Ended | |
|--|--------------------|-------------------|
| | December 31, 2013 | December 31, 2012 |
| Commodities | \$8.7 | \$30.6 |
| Foreign exchange | 2.1 | 2.6 |
| Interest rate | — | 0.1 |
| Net gains (losses) from derivative contracts | \$10.8 | \$33.3 |
| 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

15

Table of Contents

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 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 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. 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 December 31, 2013 and September 30, 2013 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 \$1.4 million and \$1.1 million as of December 31, 2013 and September 30, 2013, respectively. The allowance for doubtful accounts related to notes receivable was \$0.1 million as of December 31, 2013 and September 30, 2013.

During the three months ended December 31, 2013, the Company recorded bad debt expense of \$0.4 million, including provision increases of \$0.3 million and direct write-offs of \$0.1 million. During the three months ended

December 31, 2012, the Company recorded bad debt expense of \$0.4 million, representing provision increases. 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 \$17.3 million and \$21.1 million as of December 31, 2013 and September 30, 2013, respectively. The Company has sold \$16.0 million and \$18.7 million of the insured portion of the notes through non-recourse participation agreements with other third parties as of December 31, 2013 and September 30, 2013, respectively. See discussion of notes receivable related to commodity repurchase agreements in Note 10.

Table of Contents

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. Commodities in process include commodities in the process of being recycled. The carrying values of the Company’s inventory as of December 31, 2013 and September 30, 2013 are shown below.

| (in millions) | December 31, 2013 | September 30, 2013 |
|---|----------------------|-----------------------|
| Physical commodities inventory - finished commodities | \$ 26.6 | \$ 59.0 |

As a result of declining market prices for some commodities, the Company has recorded LCM adjustments for physical commodities inventory of \$0.3 million and \$0.9 million as of December 31, 2013 and September 30, 2013, 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 by segment is as follows:

| (in millions) | December 31, 2013 | September 30, 2013 |
|--|----------------------|-----------------------|
| Commodity and Risk Management Services | \$ 33.1 | \$ 33.1 |
| Foreign Exchange | 6.3 | 6.3 |
| Securities | 8.1 | 8.1 |
| Goodwill | \$ 47.5 | \$ 47.5 |

Note 8 – Intangible Assets

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) | December 31, 2013 | | | September 30, 2013 | | |
|---|-------------------|-----------------------------|------------|--------------------|-----------------------------|------------|
| | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Intangible assets subject to amortization | | | | | | |
| Noncompete agreement | \$— | \$— | \$— | \$3.7 | \$(3.7) | \$— |
| Trade name | — | — | — | 0.7 | (0.7) | — |
| Software programs/platforms | 2.2 | (1.6) |) 0.6 | 2.2 | (1.5) |) 0.7 |
| Customer base | 12.4 | (2.8) |) 9.6 | 12.4 | (2.6) |) 9.8 |
| | 14.6 | (4.4) |) 10.2 | 19.0 | (8.5) |) 10.5 |
| Intangible assets not subject to amortization | | | | | | |
| Trade name | 1.1 | — | 1.1 | 1.1 | — | 1.1 |
| Total intangible assets | \$ 15.7 | \$(4.4) |) \$ 11.3 | \$ 20.1 | \$(8.5) |) \$ 11.6 |

Amortization expense related to intangible assets was \$0.3 million and \$0.6 million for the three months ended December 31, 2013 and 2012, respectively.

Table of Contents

As of December 31, 2013, the estimated future amortization expense was as follows:

(in millions)

| | |
|-------------------------------------|--------|
| Fiscal 2014 (remaining nine months) | \$1.0 |
| Fiscal 2015 | 1.1 |
| Fiscal 2016 | 0.7 |
| Fiscal 2017 | 0.7 |
| Fiscal 2018 | 0.7 |
| Fiscal 2019 and thereafter | 6.0 |
| | \$10.2 |

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 \$315.0 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, committed until September 20, 2016. The facility is secured by a pledge of shares held in certain of the Company's subsidiaries.

\$75.0 million facility available to the Company's wholly owned subsidiary, FCStone, LLC, for short-term funding of margin to commodity exchanges, committed until April 10, 2014. The facility is subject to annual review and guaranteed by INTL FCStone Inc.

\$75.0 million facility available to the Company's wholly owned subsidiary, FCStone Merchant Services, LLC, for financing traditional commodity financing arrangements and commodity repurchase agreements, committed until May 1, 2014. The facility is subject to annual review, and is secured by the assets of FCStone Merchants and guaranteed by INTL FCStone Inc.

\$25.0 million facility available to the Company's wholly owned subsidiary, INTL FCStone Ltd, for short-term funding of margin to commodity exchanges, committed until November 10, 2014. The facility is subject to annual review, and the facility is guaranteed by INTL FCStone Inc.

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 were issued under an Indenture dated as of July 22, 2013, between the Company and The Bank of New York Mellon, as Trustee. 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.

Table of Contents

The following table sets forth a listing of credit facilities, the committed amounts as of December 31, 2013 on the facilities, and outstanding borrowings on the facilities as well as indebtedness on senior notes as of December 31, 2013 and September 30, 2013:

(in millions)

| Credit Facilities | | | Total Commitment | Amounts Outstanding | |
|---------------------------------------|-------------------------------|---------------------------|---------------------|---------------------|--------------------|
| Borrower | Security | Renewal / Expiration Date | | December 31, 2013 | September 30, 2013 |
| INTL FCStone Inc. | Certain pledged shares | September 20, 2016 | \$140.0 | \$49.0 | \$ 55.0 |
| FCStone, LLC | None | April 10, 2014 | 75.0 | — | — |
| FCStone Merchants | Certain commodities assets | May 1, 2014 | 75.0 | 11.2 | 6.0 |
| INTL FCStone, Ltd. | None | November 10, 2014 | 25.0 | — | — |
| | | | \$315.0 | \$60.2 | \$ 61.0 |
| Senior Unsecured | | | | | |
| Notes | | | | | |
| 8.50% senior notes, due July 30, 2020 | | | | 45.5 | 45.5 |
| Total indebtedness | | | | \$105.7 | \$ 106.5 |

As shown above, \$175 million of the Company's committed credit facilities are scheduled to expire during the next twelve months. 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.

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 December 31, 2013, the Company was in compliance with all of its financial covenants under its credit facilities.

The agreement with INTL FCStone Inc. as borrower also includes a non-financial covenant that requires the Company to provide audited financial statements for each fiscal year within ninety days after the end of the fiscal year. The Company was unable to deliver the audited financial statements for the fiscal year ended September 30, 2013 within the required time period. The Company requested and was granted a waiver from the lenders, dated December 23, 2013, extending the time period the Company had to provide the audited financial statements. The Company provided its audited financial statements for the fiscal year ended September 30, 2013 within the extended period.

Note 10 – Commodity and Other Repurchase Agreements

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 December 31, 2013 and September 30, 2013 were \$22.0 million and \$9.2 million, respectively.

The obligations outstanding related to commodities sold under repurchase agreements that are recorded in 'lenders under loans' as of December 31, 2013 and September 30, 2013 were \$11.2 million and \$6.0 million, respectively.

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.

Table of Contents

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 December 31, 2013 and September 30, 2013, the condensed consolidated balance sheets include loss contingency accruals recorded prior to September 30, 2013 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 August 2008, shareholders filed a derivative action against FCStone and certain directors of FCStone in the Circuit Court of Platte County, Missouri, alleging breaches of fiduciary duties, waste of corporate assets and unjust enrichment. Shareholders subsequently filed an amended complaint in May 2009 to add claims based upon the losses sustained by FCStone arising out of a customer energy trading account. In July 2009, the same plaintiff filed a motion for leave to amend the existing case to add a purported class action claim on behalf of the holders of FCStone common stock.

In July 2009, plaintiffs filed a purported shareholder class action complaint against FCStone and its directors, as well as the Company in the Circuit Court of Clay County, Missouri. The complaint alleged that FCStone and its directors breached their fiduciary duties by failing to maximize stockholder value in connection with the contemplated acquisition of FCStone by the Company. This complaint was subsequently consolidated with the complaint filed in the Circuit Court of Platte County, Missouri. The plaintiffs subsequently filed an amended consolidated complaint which does not assert any claims against the Company. This complaint purports to be filed derivatively on FCStone's and the Company's behalf and against certain of FCStone's current and former directors and officers and directly against the same individuals. The Company, FCStone, and the defendants filed motions to dismiss on multiple grounds. The parties to the litigation have reached an agreement in principle to settle this matter. This agreement was provisionally approved by the court on December 4, 2013, and is expected to be finally approved on March 19, 2014. The agreement, if finally approved, would result in the Company incurring a legal cost of \$265,000 after consideration of expected insurance coverage.

In November 2011, the Commodity Futures Trading Commission ("CFTC") Division of Enforcement Staff ("Staff") requested the Company to voluntarily produce specified documents to the Staff in connection with its then informal investigation of the losses that occurred in 2008 and 2009 in the customer energy trading account of FCStone, LLC. In September 2012, the Staff provided the Company with a Wells notice, indicating the Staff's intention to recommend that the CFTC bring certain charges against FCStone, LLC. The Company filed its Wells submission with the Staff in October 2012. On May 29, 2013, the Company reached a settlement with the CFTC in this matter. The CFTC's findings, neither admitted nor denied by the Company, were that FCStone, LLC violated CFTC Regulation 166.3 in that it failed to diligently supervise its officers' and employees' activities relating to risks associated with its customers' accounts, and in particular one account controlled by two of FCStone's customers who traded in natural gas futures, swaps and option contracts.

The settlement, with appropriate waivers and consents, required FCStone, LLC to appoint an independent third party reviewer to review and evaluate FCStone LLC's existing policies and procedures relating to certain risks, to ensure that we have made sufficient modifications to its risk controls since 2008. An independent third party reviewer was appointed, and the review process is progressing, but has not yet been completed.

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 and \$15.5 million of FCStone, LLC's \$21.9 million in

invested funds were returned to it.

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 is seeking 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 seeks recovery of pre- and post-petition transfers totaling approximately \$15.5 million. In April 2009, the trustee filed an amended complaint adding a claim for unjust enrichment. FCStone, LLC answered the complaints and all parties entered into the discovery phase of the litigation. In January 2011, the trustee filed a motion for summary judgment on various counts in the

Table of Contents

adversary proceedings filed in August 2008 against FCStone, LLC and a number of other FCMs. In January 2012, FCStone, LLC filed a motion for summary judgment in its favor with respect to the transfer of approximately \$1.1 million to its customer segregated account on August 17, 2007, pursuant to the “safe harbor” provisions of Section 546(e) of the U.S. Bankruptcy Code. In April 2012, FCStone, LLC filed a motion to dismiss a portion of the trustee’s claims set forth in its amended complaint. 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. By agreement, FCStone, LLC was required to post an appeal cash deposit of \$8.0 million with the court, which was deposited on January 18, 2013. The oral arguments in the appeal were heard on December 10, 2013. Based on the merits of the Company’s appeal, management believes a loss is not probable, and thus has not recorded a provision for this matter. The Company believes that if the appeal is unsuccessful, the resulting pre-tax loss to FCStone, LLC would be in the range of \$4 million to \$6 million.

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 \$9.1 million and \$9.6 million are included in ‘accounts payable and other accrued liabilities’ in the condensed consolidated balance sheets as of December 31, 2013 and September 30, 2013. 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 three months ended December 31, 2013 and 2012 were increases of \$0.2 million and \$0.3 million, respectively, and are included in ‘other’ in the 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 change in fair value during the three months ended December 31, 2013 was an increase of \$0.2 million, included in ‘other’ in the consolidated income statement. The present value of the estimated total purchase price, including contingent consideration, is \$6.6 million as of December 31, 2013, which remains outstanding and is included in ‘accounts payable and other accrued liabilities’ in the consolidated balance sheet.

The Company has a contingent liability relating to the November 2011 acquisition of Coffee Network, LLC, subsequently reorganized as a division of FCStone, 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 the three annual periods following the closing of the acquisition plus a final contingent payment. The acquisition date fair value of additional consideration was estimated to be less than \$0.1 million. There was no significant change in fair value for the three months ended December 31, 2013 and 2012. The present value of the estimated total purchase price, including contingent consideration, is less than \$0.1 million as of December 31, 2013, which has not been paid and is included in ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet.

The Company has a contingent liability relating to the October 2010 acquisition of Hencorp Becstone Futures, L.C., subsequently reorganized as a division of FCStone, 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 the fourth fiscal year following the closing of the acquisition plus an additional final estimated contingent payment and a discount rate being applied to the future payments. There was no significant change in fair value for the three months ended December 31, 2013. The change in fair value for the three months ended December 31, 2012 was an increase of \$0.1 million, included in ‘other expense’ in the condensed consolidated income statements. The present value of the estimated total purchase price, including

contingent consideration, is \$7.5 million as of December 31, 2013, of which \$2.5 million has not been paid and is included in 'accounts payable and other liabilities' in the condensed consolidated balance sheet.

Table of Contents

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.

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 December 31, 2013, as follows:

| | | As of December 31, 2013 | | |
|-----------------------------------|---|----------------------------|-----------|---------------------|
| (in millions) | | | | |
| Subsidiary | Regulatory Authority | Requirement Type | Actual | Minimum Requirement |
| FCStone, LLC | CFTC | Net capital | \$106.9 | \$63.3 |
| FCStone, LLC | CFTC | Segregated funds | \$1,606.1 | \$1,582.7 |
| FCStone, LLC | CFTC | Secured funds | \$69.0 | \$52.4 |
| INTL FCStone Ltd | FCA (United Kingdom) | Net capital | \$59.7 | \$25.8 |
| INTL FCStone Ltd | FCA (United Kingdom) | Segregated funds | \$65.4 | \$64.2 |
| INTL Global Currencies Limited | FCA (United Kingdom) | Net capital | \$20.5 | \$0.5 |
| INTL FCStone Securities Inc. | SEC | Net capital | \$4.8 | \$1.0 |
| FCC Investments, Inc. | SEC | Net capital | \$0.3 | \$0.3 |
| FCStone Australia | Australian Securities and Investment Commission | Net capital | \$1.7 | \$0.9 |
| FCStone Australia | New Zealand Clearing Ltd | Capital adequacy | \$11.5 | \$4.1 |
| INTL FCStone DTVM Ltda. | Brazilian Central Bank and Securities and Exchange Commission of Brazil | Capital adequacy | \$1.0 | \$0.6 |
| INTL Capital S.A. | Rosario Futures Exchange (Argentina) | Capital adequacy | \$5.7 | \$0.1 |
| INTL Capital S.A. | General Inspector of Justice (Argentina) | Net capital | \$7.6 | \$6.7 |
| INTL CIBSA Sociedad de Bolsa S.A. | Superintendent of Securities Markets of Buenos Aires (Argentina) | Net capital | \$6.4 | \$0.2 |

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 December 31, 2013, 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 \$1.1 million and \$1.6 million for the three months ended December 31, 2013 and 2012, respectively.

Stock Option Plan

The Company sponsors a stock option plan for its directors, officers, employees and consultants. 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 December 31, 2013, there were 1.0 million shares available for future grant under this plan. The Company settles stock option exercises with newly issued shares of common stock. There were no options granted during the three months ended December 31, 2013.

Table of Contents

The following is a summary of stock option activity for the three months ended December 31, 2013:

| | 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, 2013 | 1,000,000 | 1,779,983 | \$ 24.76 | \$ 11.44 | 4.87 | \$4.8 |
| Granted | — | — | \$ — | \$ — | | |
| Exercised | | (44,920) | \$ 12.05 | \$ 6.22 | | |
| Forfeited | — | — | \$ — | \$ — | | |
| Expired | — | (32,647) | \$ 50.64 | \$ 14.27 | | |
| Balances as of December 31, 2013 | 1,000,000 | 1,702,416 | \$ 24.60 | \$ 11.52 | 4.81 | \$3.3 |
| Exercisable as of December 31, 2013 | | 761,103 | \$ 23.91 | \$ 9.75 | 1.73 | \$3.3 |

The total compensation cost not yet recognized for non-vested awards of \$9.5 million as of December 31, 2013 has a weighted-average period of 6.31 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 three months ended December 31, 2013 and 2012 was \$0.6 million and \$0.5 million, respectively.

Restricted Stock Plan

The Company sponsors a restricted stock plan for its directors, officers and employees. As of December 31, 2013, 1,138,250 shares were authorized for future grant under the 2012 Restricted Stock Plan. Awards that expire or are canceled 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 three months ended December 31, 2013:

| | 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, 2013 | 1,154,862 | 363,638 | \$ 20.53 | 1.74 | \$7.4 |
| Granted | (47,423) | 47,423 | \$ 20.35 | | |
| Vested | | (102,581) | \$ 19.76 | | |
| Forfeited | 30,811 | (54,447) | \$ 21.68 | | |
| Balances as of December 31, 2013 | 1,138,250 | 254,033 | \$ 20.55 | 2.01 | \$4.7 |

The total compensation cost not yet recognized of \$4.1 million as of December 31, 2013 has a weighted-average period of 2.04 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.

Table of Contents

Note 14 – Other Expenses

Other expenses for the three months ended December 31, 2013 and 2012 consisted of the following:

Three Months Ended
December 31,

(in millions)