INTL FCSTONE INC.
Form 10-K
January 15, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 30, 2013
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)	59-2921318 (I.R.S. Employer Identification No.)

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)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	NASDAQ Global Market
8.5% Senior Notes due 2020	NASDAQ Global Market

Securities registered under Section 12(g) of the Exchange Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o

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

As of March 31, 2013, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $184.3 million.

As of January 13, 2014, there were 19,188,599 shares of the registrant’s common stock outstanding.

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Document Incorporated by Reference

Certain portions of the definitive Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on February 27, 2014 are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPLANATORY NOTE

Throughout this document, unless the context otherwise requires, the terms "Company", "we", "us" and "our" refer to INTL FCStone Inc. and its consolidated subsidiaries. INTL FCStone Inc., formerly known as International Assets Holding Corporation, is a Delaware corporation.

This Form 10-K includes the restatement of certain of the Company's previously issued consolidated financial statements and financial information. It also amends previously filed management's discussion and analysis of financial condition and results of operations and other disclosures for the periods presented in this Form 10-K.

On January 9, 2014, we filed on Form 8-K, Item 4.02(a) Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review with the Securities and Exchange Commission. As indicated in the Form 8-K and in Note 2 of the "Notes to Consolidated Financial Statements" contained in Item 8 of this Annual Report on Form 10-K, in connection with the preparation of its consolidated financial statements for the fiscal year ended September 30, 2013, the Company identified errors in the reconciliation of the Company's subsidiary INTL FCStone Markets, LLC's accounting records to its back office system which occurred in 2013, 2012, 2011, and 2010. Corrections made by the Company related to these errors in aggregate resulted in a reduction in net income of $5.9 million collectively for the years ended September 30, 2012, 2011 and 2010. The correction of these errors had no impact on the net cash flows related to operating activities, investing activities, or financing activities in our previously reported consolidated statements of cash flows for the fiscal years ended September 30, 2012 and 2011.

As a result, the Audit Committee of the Board of Directors, along with senior management of the Company in consultation with the Company's independent registered public accountants, concluded that the consolidated financial statements as of and for the years ended September 30, 2012 and September 30, 2011 included in the Company's Annual Reports on Form 10-K for the fiscal years ended September 30, 2012 and September 30, 2011, respectively, and the unaudited consolidated financial statements included in interim reports filed for such periods, should no longer be relied upon.

In this Form 10-K, we therefore amend or restate the following types of financial information as of and for the periods (collectively, the "Restated Periods") noted in the table below.

Type of Financial Information	Date or Period
Consolidated balance sheet	As of September 30, 2012
Consolidated income statements, comprehensive income, stockholders' equity, and cash flows	Years ended September 30, 2012 and 2011
Selected financial data	Years ended and as of September 30, 2012, 2011, and 2010
Quarterly financial information (Unaudited)	Each quarter in the year ended September 30, 2012
Management's discussion and analysis of financial condition and results of operations	As of and for the years ended September 30, 2012 and 2011

We believe that presenting all of the amended and restated information regarding the Restated Periods in this Form 10-K allows investors to review all pertinent data in a single presentation. We have not filed and do not intend to file amendments to our Annual Report on Form 10-K for the years ended September 30, 2012 and 2011 (collectively, the "Affected Periods"). Accordingly, investors should rely only on the financial information and other disclosures regarding the Restated Periods in this Form 10-K or in future filings with the SEC (as applicable), and not on any previously issued or filed reports, earnings releases or similar communications relating to these periods.

The combined impact of the adjustments and specified line items in the Affected Periods resulting from the restatement is set forth in Note 2 to the Notes to Consolidated Financial Statements. The following items of this Form 10-K are impacted as a result of the restatement.

· Part II, Item 6, Selected Financial Data

· Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations

· Part II, Item 8, Financial Statements and Supplementary Data

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Annual Report on Form 10-K for the Fiscal Year Ended September 30, 2013
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Cautionary Statement about Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risk Factors" (refer to Part I, Item 1A). We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

Overview of Business and Strategy

We are a financial services group employing nearly 1,100 people in offices in eleven countries. We provide comprehensive risk management advisory services to mid-sized commercial customers. We also utilize our expertise and capital to provide foreign exchange and treasury services, securities execution, trading services in certain physical commodities and execution in both listed futures and options-on-futures contracts as well as structured over-the-counter ("OTC") products in a wide range of commodities.

We are a customer-centric organization focused on acquiring and building long-term relationships with our customers by providing consistent, quality execution and value-added financial solutions, with the goal of earning returns that allow us to achieve our financial objectives.

We provide these services to a diverse group of more than 20,000 accounts, representing approximately 11,000 consolidated customers located in more than 100 countries, including producers, processors and end-users of nearly all widely-traded physical commodities whose margins are sensitive to commodity price movements; to commercial counterparties who are end-users of our products and services; to governmental and non-governmental organizations; and to commercial banks, brokers, institutional investors and major investment banks.

We engage in direct sales efforts to seek new customers, with a strategy of extending our services to potential customers who are similar in size and operations to our existing customer base, as well as other kinds of customers that have risk management needs that could be effectively met by our services. We plan to expand our services into new business product lines and new geographic regions, particularly in Asia, Europe, Australia, Latin America and Canada. In executing this plan, we intend to both target new geographic locations and expand the services offered in current locations, where there is an unmet demand for our services particularly in areas where commodity price controls have been recently lifted. In addition, in select instances we pursue small to medium sized acquisitions in which we target customer-centric organizations to expand our product offerings and/or geographic presence.

In the last 24 months, we opened our first office in Paraguay, a second office in China and four additional offices in Brazil to address the rapidly growing demand for our services in those countries. We also expanded our product offering, primarily in our Commodity & Risk Management segment, in our London and Singapore offices by relocating experienced risk management consultants to these offices to address a growing demand for our services in Europe and Asia. In addition, we completed nine acquisitions in the last 36 months. This allowed us to expand our commodity product offerings and the scope of services provided to our commercial customer base and to expand the geographic locations in which we provide the services.

Our strategy is to utilize a centralized and disciplined process for capital allocation, risk management and cost control, while delegating the execution of strategic objectives and day-to-day management to experienced individuals. This requires high quality managers, a clear communication of performance objectives and strong financial and compliance controls. We believe this strategy will enable us to build a scalable and significantly larger organization that embraces an entrepreneurial approach to business, supported and underpinned by strong central controls.

Each of our businesses is volatile, and their financial performance can change due to a variety of factors which are both outside of management's control and not readily predictable. To address this volatility, we attempt to diversify into a number of uncorrelated businesses.

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Available Information
Our internet address is www.intlfcstone.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of changes in beneficial ownership and press releases are available in the Investor Relations section of this website. Our website also includes information regarding our corporate governance, including our Code of Ethics, which governs our directors, officers and employees.

Capabilities

Clearing and Execution
We provide execution services on a wide variety of technology platforms in a number of markets. We provide clearing and execution of listed futures and options-on-futures contracts on all major commodity exchanges worldwide, and are a member of all major U.S. and European commodity exchanges. We provide global payments and treasury services in more than 130 countries to a broad array of commercial customers, including financial institutions, multi-national corporations, and governmental and charitable organizations.

Advisory Services
We provide value-added advisory services in a variety of financial markets by working with commercial clients to systematically identify and quantify exposures to commodity price risks. We then develop strategic plans to effectively manage these risks with a view to protecting margins and mitigating exposures through our proprietary Integrated Risk Management Program ("IRMP®").

We provide commercial customers with a full range of investment banking services from optimizing the customer's capital structure through the issuance of loans, debt or equity securities, and advisory services including mergers, acquisitions and restructurings.

Through our asset management activities, we leverage our specialist expertise in niche markets to provide institutional investors with tailored investment products.

Physical Trading
We trade in a variety of physical commodities, primarily precious metals, as well as select soft commodities including various agricultural oils, animal fats and feed ingredients. We offer customers efficient off-take or supply services, as well as logistics management. Through these trading activities, we have the ability to offer complex hedging structures as part of each physical contract to provide customers with enhanced price risk mitigation.

OTC / Market-Making
We offer customized and complex solutions in the OTC markets designed to help customers mitigate their specific market risks. We offer these solutions on a global basis across many markets, including virtually all traded commodities, foreign currencies and interest rates. We integrate this process from product design through execution of the underlying components of the structured risk product.

We also provide market-making in a variety of financial products including commodity options, unlisted American Depository Receipts ("ADRs"), foreign common shares, and foreign currencies.

Trading Revenues
In our business, we may act as principal in the purchase and sale of individual securities, currencies, commodities, or derivative instruments with our customers. These transactions may be offset simultaneously with another customer or counterparty, offset with similarly but not identical positions on an exchange, made from inventory, or aggregated with other purchases to provide liquidity intra-day, for a number of days, or in some cases even longer periods (during which fair value may fluctuate). In addition, in our foreign exchange segment, we operate a proprietary foreign exchange desk which arbitrages the futures and cash markets.

Operating Segments
We divide our activities into five functional areas: Commodity and Risk Management Services, Foreign Exchange, Securities, Clearing and Execution Services, and Other.

Commodity and Risk Management Services ("C&RM")
We serve our commercial customers by providing high value-added service that differentiates us from our competitors and maximizes the opportunity to retain customers. The IRMP provides customers with commodity risk management consulting services designed to develop a customized long term hedging program to help them mitigate their exposure to commodity price risk and maximize the amount and certainty of their operating profits. We assist customers in the

execution of their hedging

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strategies through our exchange-traded futures and options-on-futures clearing and execution operations and through access to more customized alternatives provided by our OTC trading desk. Generally, customers direct their own trading activity and risk management consultants do not have discretionary authority to transact trades on behalf of customers. When transacting OTC contracts with a customer, we ordinarily mitigate our risk by offsetting the customer's transaction simultaneously with one of our trading counterparties or with a similar but not identical position on the exchange.

We also provide a full range of trading and hedging capabilities to select producers, consumers, recyclers and investors in precious and base metals, as well as certain other related commodities. For base metals, following the exit of the physical trading business, this will involve acting as a Category One ring dealing member of the London Metals Exchange ("LME") and providing execution, clearing and advisory services in exchange-traded futures and OTC products. In precious metals, in addition to offering OTC products, we act as a principal, committing our own capital to buy and sell precious metals on a spot and forward basis.

Within this segment, the risk management consultants organize their marketing efforts into customer industry product lines, and currently serve customers in the following areas:

- Commercial Grain — Customers in this product line include grain elevator operators, traders, processors, manufacturers and end-users.
- Energy — The energy customer product line targets companies where energy represents a significant input cost in the production of their product or service. Customers in this product line include producers, refiners, wholesalers, transportation companies, convenience store chains, automobile and truck fleet operators, industrial companies, railroads, and municipalities.
- Renewable Fuels — The renewable fuels customer product line targets producers of ethanol and biodiesel products.
- Latin America/Brazil — The customers within this product line are involved in all sectors of agribusiness, including livestock production and feeding, flour milling and baking, oilseed crushing and refining, coffee, grain merchandising, meat processing, and sugar/ethanol production.
- China — The China customer product line represents both Chinese futures commission merchants ("FCMs") as well as commercial companies seeking to hedge their commodity risk exposures. The Chinese FCMs are similar to introducing brokers, facilitating the transactions of their clients in the U.S. commodities markets. The commercial accounts generally represent significant processors of grain or other commodities.
- Dairy/Food Service — The dairy and food service product line targets the dairy industry and users of agricultural commodities in the food industry.
- Cotton/Textiles — The cotton product line targets both the domestic and international markets with a focus on providing trading, consulting and information services to the global fiber, textile and apparel industry.
- Precious Metals — This product line targets mining producers and scrap merchants, as well as wholesale jewelry manufactures and other commercial customers globally.
- Base Metals — Through our LME operations we serve institutional investors and financial services firms in the Americas, Europe, and the Asia-Pacific region.
- Natural Gas — This product line focuses on consumers of natural gas and has relationships with some of the largest natural gas consumers in North America, including municipalities and large manufacturing firms, as well as major utilities.
- Introducing Brokers — The customers within this product line include introducing brokers that maintain relationships with customers and intermediate transactions between these customers and FCStone, LLC, our wholly owned FCM. The customers within this product line are primarily agricultural producers.

We record all of our physical commodities revenues on a gross basis. Operating revenues and losses from our commodities derivatives activities are included in 'trading gains, net' in the consolidated income statements. Inventory for the commodities business is valued at the lower of cost or fair value, under the provisions of the Inventory Topic of the Accounting Standards Codification ("ASC"). We generally mitigate the price risk associated with commodities held in inventory through the use of derivatives. We do not elect hedge accounting under accounting principles generally accepted in the U.S. ("U.S. GAAP") in accounting for this price risk mitigation. In such situations, unrealized gains in inventory are not recognized under U.S. GAAP, but unrealized gains and losses in related derivative positions are recognized under U.S. GAAP. As a result, our reported earnings from commodities trading may be subject to significant volatility when calculated under U.S. GAAP.

Foreign Exchange

We provide treasury, global payment, and foreign exchange services to financial institutions, multi-national corporations, government organizations and charitable organizations. We also assist commercial customers with the execution of foreign exchange hedging strategies. We transact in over 130 currencies and specializes in smaller, more difficult emerging markets

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where there is limited liquidity. In addition, we execute trades based on the foreign currency flows inherent in our existing business activities. We primarily act as a principal in buying and selling foreign currencies on a spot basis. We derive revenue from the difference between the purchase and sale prices.

We also provide spot foreign currency trading for eligible contract participants and high net worth retail customers and operate a proprietary foreign exchange desk which arbitrages the futures and cash markets.

Securities

Through INTL FCStone Securities Inc. (“INTL FCStone Securities”), a registered broker-dealer, we act as a wholesale market maker in select foreign securities including unlisted ADRs and foreign ordinary shares and provides execution in select debt instruments and exchange-traded funds (“ETFs”). INTL FCStone Securities provides execution and liquidity to national and regional broker-dealers and institutional investors.

We make markets in approximately 800 ADRs and foreign ordinary shares traded in the OTC market. In addition, we will, on request, make prices in more than 8,000 other ADRs and foreign common shares. As a market maker, we provide trade execution services by offering to buy shares from, or sell shares to, broker-dealers and institutions. We display the prices at which we are willing to buy and sell these securities and adjusts our prices in response to market conditions. When acting as principal, we commit our own capital and derive revenue from the difference between the prices at which we buy and sell shares. We also earn commissions by executing trades on an agency basis.

While our customers are other broker-dealers and institutions, the business tends to be driven by the needs of the private clients of those broker-dealers and institutions. The size of private client trades may be uneconomical for the in-house international equities trading desks of our customers to execute. We are able to provide execution of smaller trades at profitable margins.

We provide commercial customers with a full range of investment banking services from optimizing the customer’s capital structure through the issuance of loans, debt or equity securities and advisory services including mergers, acquisitions and restructurings. We seek to market these services to our existing commercial customer base, particularly in North and South America, and to develop new customer relationships with whom we can cross-sell our full suite of financial services. From time-to-time, we may invest our own capital in debt instruments before selling them into the market.

Clearing and Execution Services (“CES”)

We provide competitive and efficient clearing and execution of exchange-traded futures and options-on-futures for the institutional and professional traders through our subsidiary, FCStone, LLC. Through its platform, we accept customer orders and direct them to the appropriate exchange for execution. We then facilitate the clearing of customers’ transactions. Clearing involves the matching of customers’ trades with an exchange, the collection and management of margin deposits to support the transactions, and the accounting and reporting of the transactions to customers. We seek to leverage our capabilities and capacity by offering facilities management or outsourcing solutions to other FCMs.

FCStone, LLC is a registered FCM and a clearing member of all major U.S. commodity futures exchanges including the Chicago Mercantile Exchange and its divisions: the Chicago Board of Trade, the New York Mercantile Exchange and the COMEX Division; InterContinental Exchange, Inc. (“ICE”) Futures US, and the Minneapolis Grain Exchange (“MGEX”). As of September 30, 2013, FCStone, LLC was the third largest independent FCM in the United States, as measured by required customer segregated assets, not affiliated with a major financial institution or commodity intermediary, end-user or producer. As of September 30, 2013, FCStone, LLC had $1.7 billion in required customer segregated assets.

Other

This segment consists of our asset management and commodity financing and facilitation business. The asset management revenues include fees, commissions and other revenues we receive for management of third-party assets and investment gains or losses on our investments in funds and proprietary accounts managed either by our investment managers or by independent investment managers.

We operate a commodity financing and facilitation business that makes loans to commercial commodity-related companies against physical inventories, including grain, lumber, meats, energy products, and renewable fuels. We use sale and repurchase agreements to purchase commodities evidenced by warehouse receipts, subject to a simultaneous agreement to sell such commodities back to the original seller at a later date. We account for these transactions as product financing arrangements, and accordingly no commodity inventory, purchases or sales are recorded. Additionally, we engage as a principal in physical purchase and sale transactions related to inputs to the renewable fuels and feed ingredient industries.

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Acquisitions and Disposals during Fiscal Year 2013

During fiscal year 2013, we acquired certain institutional accounts from Tradewire Securities, LLC (“Tradewire Securities”). This acquisition was not significant. Our consolidated financial statements include the operating results of the acquired business from the date of acquisition. Also during fiscal year 2013, we sold our ownership interest in Gletir Agente De Valores S.A. (“Gletir Agente”) and commenced and executed a plan to exit the physical base metals business.

Tradewire Acquisition

On December 12, 2012, we acquired certain institutional accounts from Tradewire Securities, a Miami-based securities broker-dealer servicing customers throughout Latin America and a wholly owned subsidiary of Tradewire Group Ltd. We transferred these accounts to our broker-dealer subsidiary, INTL FCStone Securities. As part of the transaction, we hired more than 20 professional staff from Tradewire Securities’ securities broker-dealer business based in Miami, Florida. These professionals provide global brokerage services to a wide range of customers, including hedge funds, pension funds, broker-dealers and banks located in Latin America, the Caribbean, North America and Europe.

Gletir Agente De Valores S.A. Disposal

On February 28, 2013, we sold all of our ownership interest in Gletir Agente De Valores S.A., to Gletir Financial Corp held by our subsidiaries INTL Netherlands B.V. and Gainvest Asset Management Ltda.

Planned Exit of Physical Base Metals Business

During the quarter ended March 31, 2013, as a result of a change in management strategy in our base metals product line, we elected to pursue an exit of our physical base metals business through the sale and orderly liquidation of current open positions. During the following six months ended September 30, 2013, we completed a sale of a portion of the physical base metals open contract positions and the liquidation of the majority of the remaining physical base metals inventory, as well as all but two of the remaining open contract positions. We will fulfill the two remaining open contract positions by January 2014, at which time we will reflect the physical base metals activities in our financial statements as discontinued operations. We will continue to operate the component of our base metals business related to non-physical assets conducted primarily through the London Metals Exchange.

Acquisitions during Fiscal Year 2012

During fiscal year 2012, we acquired three businesses (Coffee Network, TRX Futures Limited and Aporte DTVM) and certain assets of the Metals Division of MF Global UK Limited. These acquisitions were not considered significant on an individual or aggregate basis. Our consolidated financial statements include the operating results of the acquired businesses from the dates of acquisition.

The Metals Division of MF Global UK Limited

In November 2011, we arranged with the trustee of MF Global’s UK operations to hire more than 50 professionals from MF Global’s metals trading business based in London. This business serves institutional investors and financial services firms in the Americas, Europe and the Asia-Pacific region. As part of this transaction, INTL FCStone Ltd. upgraded its LME Category Two membership to a LME Category One ring dealing membership.

Coffee Network

In November 2011, we acquired 100% of the ownership interests in Coffee Network LLC (“Coffee Network”), an online news and analysis portal for the global coffee industry. Coffee Network provides up-to-the-minute news and in-depth analysis to subscribers around the globe from a network of correspondents and commodity analysts located in key coffee producing and consuming regions. These services provide a unique information solution to subscribers and a competitive advantage in today’s information-driven marketplace which we intend to expand into other commodity markets. Following the acquisition, we reorganized the activities of Coffee Network as a division of FCStone, LLC.

TRX Futures Limited

In April 2012, our wholly owned subsidiary in the UK, INTL Holding (UK) Limited, acquired 100% of the outstanding shares of TRX Futures Limited (“TRX”) from Neumann Grupe GmbH. TRX was a London-based niche clearing firm for commercial coffee and cocoa customers, as well as energy and financial products. During fiscal 2013, we reorganized the activities of TRX Futures Limited within INTL FCStone Ltd.

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Aporte DTVM

In February 2012, our subsidiaries, INTL Participacoes LTDA and FCStone do Brasil, acquired 100% of the shares of Aporte DTVM. Following the acquisition, Aporte DTVM was renamed INTL FCStone DTVM Ltda. INTL FCStone DTVM Ltda. is based in Brazil and is a broker-dealer regulated by the Central Bank of Brazil.

Acquisitions during Fiscal Year 2011

During fiscal year 2011, we acquired two businesses, Hencorp Becstone Futures, L.C. and Ambrian Commodities Limited, and certain assets from Hudson Capital Energy, LLC. These acquisitions were not significant on an individual or aggregate basis. Our consolidated financial statements include the operating results of the two businesses and certain purchased assets from the related dates of acquisition.

Hencorp Futures

In October 2010, we acquired Hencorp Becstone Futures, L.C., the futures operation of Miami-based Hencorp Group, which we renamed INTL Hencorp Futures, LLC ("Hencorp Futures"). Hencorp Futures specializes in the development and execution of risk-management programs designed to hedge price volatility in a number of widely traded commodities, including coffee, sugar, cocoa, grains and energy products. The transaction expanded our portfolio of commodity risk management services to include a more robust capability in soft commodities, especially coffee, where Hencorp Futures has a substantial presence and reputation globally, especially in Central and South America. During fiscal 2012, we reorganized the activities of Hencorp Futures as a division of FCStone, LLC.

Ambrian Commodities Limited

In August 2011, we acquired the issued share capital of Ambrian Commodities Limited ("Ambrian"), the London Metals Exchange brokerage subsidiary of Ambrian Capital Plc. Following the acquistion, Ambrian was renamed INTL FCStone Ltd. Ambrian was a non-clearing LME member, specializing in the development and execution of risk-management programs designed to hedge price fluctuations in base metals for a wide variety of producers, manufacturers and fabricators. INTL FCStone Ltd. has a niche focus on smaller industrial clients, including lead recyclers, brass producers, zinc galvanizers, metal refineries, and copper foil producers that use LME futures and options for hedging raw material costs or output prices.

Certain Assets Purchased from Hudson Capital Energy, LLC

In April 2011, we acquired certain assets of Hudson Capital Energy LLC ("HCEnergy"), a New York-based energy risk-management firm. The transaction expanded our energy risk management services to include a more robust capability in crude oil and refined products.

Subsequent Acquisition

In November 2013, we received conditional regulatory approval of an agreement by which First American Capital and Trading Corp. ("FACT") agreed to transfer its customer accounts to our broker-dealer subsidiary, INTL FCStone Securities Inc. FACT provides correspondent clearing services to institutional customers directly and through a global network of partners. FACT serves a wide range of customers, including broker-dealers, investment advisors, and fund managers. We completed this transaction in the first quarter of fiscal 2014.

Competition

The international commodities and financial markets are highly competitive and rapidly evolving. In addition, these markets are dominated by firms with significant capital and personnel resources that are not matched by our resources. We expect these competitive conditions to continue in the future, although the nature of the competition may change as a result of ongoing changes in the regulatory environment. The crisis has produced opportunities for us to expand our activities and may produce further opportunities. We believe that we can compete successfully with other commodities and financial intermediaries in the markets we seek to serve, based on our expertise, products and quality of consulting and execution services.

We compete with a large number of firms in the exchange-traded futures and options execution sector and in the OTC derivatives sector. We compete primarily on the basis of diversity and value of services offered, and to a lesser extent on price. Our competitors in the exchange-traded futures and options sector include international brokerage firms, national brokerage firms, regional brokerage firms (both cooperatives and non-cooperatives) as well as local introducing brokers, with competition driven by price level and quality of service. Many of these competitors also offer OTC trading programs. In addition, there are a number of financial firms and physical commodities firms that participate in the OTC markets, both directly in competition with us and indirectly through firms like us. We compete in the OTC market by making specialized OTC transactions available to our customers in contract sizes that are smaller than those usually available from major counterparties.

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Investor interest in the markets we serve impact and will continue to impact our activities. The instruments traded in these markets compete with a wide range of alternative investment instruments. We seek to counterbalance changes in demand in specified markets by undertaking activities in multiple uncorrelated markets.
Technology has increased competitive pressures on commodities and financial intermediaries by improving dissemination of information, making markets more transparent and facilitating the development of alternative execution mechanisms. In certain instances, we compete by providing technology-based solutions to facilitate customer transactions and solidify customer relationships.

Administration and Operations

We employ operations personnel to supervise and, for certain products, complete the clearing and settlement of transactions.
INTL FCStone Securities' securities transactions are cleared through Broadcourt, a division of Merrill Lynch, Pierce, Fenner & Smith, Inc and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation. INTL FCStone Securities does not hold customer funds or directly clear or settle securities transactions.
We utilize front-end electronic trading, back office and accounting systems to process transactions on a daily basis. In some cases these systems are integrated. The systems provide record keeping, trade reporting to exchange clearing, internal risk controls, and reporting to government and regulatory entities, corporate managers, risk managers and customers. A third-party service bureau located in Chicago, Illinois maintains our futures and options back office system. It has a disaster recovery site in New York City, New York.
We hold customer funds in relation to certain of our activities. In regulated entities, these customer funds are segregated, but in unregulated entities they are not. For a further discussion of customer segregated funds in our regulated entities, please see the "Customer Segregated Assets" discussion below.
Our administrative staff manages our internal financial controls, accounting functions, office services and compliance with regulatory requirements.

Governmental Regulation and Exchange Membership

Our activities are subject to significant governmental regulation, both in the United States and overseas. Failure to comply with regulatory requirements could result in administrative or court proceedings, censure, fines, issuance of cease-and-desist orders, or suspension or disqualification of the regulated entity, its officers, supervisors or representatives. The regulatory environment in which we operate is subject to frequent change and these changes directly impact our business and operating results.
The commodities industry in the United States is subject to extensive regulation under federal law. We are required to comply with a wide range of requirements imposed by the Commodity Futures Trading Commission (the "CFTC"), the National Futures Association (the "NFA") and the Chicago Mercantile Exchange, which is our designated self-regulatory organization. We are also a member of the Chicago Mercantile Exchange's divisions: the Chicago Board of Trade, the New York Mercantile Exchange and COMEX, ICE Futures US, ICE Europe Ltd, and the Minneapolis Grain Exchange. These regulatory bodies protect customers by imposing requirements relating to capital adequacy, licensing of personnel, conduct of business, protection of customer assets, record-keeping, trade-reporting and other matters.
The securities industry in the United States is subject to extensive regulation under federal and state securities laws. We must comply with a wide range of requirements imposed by the Securities and Exchange Commission (the "SEC"), state securities commissions and Financial Industry Regulatory Authority ("FINRA"). These regulatory bodies safeguard the integrity of the financial markets and protect the interests of investors in these markets. They also impose minimum capital requirements on regulated entities. The activities of our broker-dealer subsidiaries in the United States, INTL FCStone Securities and FCC Investments, Inc., are primarily regulated by FINRA and the SEC.
The Financial Conduct Authority ("FCA"), the regulator of the financial services industry in the United Kingdom, regulates our subsidiary, INTL FCStone Ltd., as a Financial Services Firm under part IV of the Financial Services and Markets Act 2000. The regulations impose daily regulatory capital, as well as conduct of business, governance, and other requirements. The conduct of business rules include those that govern the treatment of client money and other assets which, under certain circumstances for certain classes of clients must be segregated from the firm's own assets.

On July 21, 2010, the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act created a comprehensive new regulatory regime governing the OTC and listed derivatives markets and their participants by requiring, among other things: centralized clearing of standardized derivatives (with certain stated exceptions); the trading of clearable derivatives on swap execution facilities or exchanges; and registration and comprehensive regulation of new categories of market participants as "swap dealers" and swap "introducing brokers." We registered our subsidiary, INTL FCStone Markets, LLC, as a swap dealer on December 31, 2012. Most of the rules affecting this business are now final, and external business conduct rules came into effect on May 1, 2013. Nevertheless, some important rules, such as

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those setting capital and margin requirements, have not been finalized or fully implemented, and it is too early to predict with any degree of certainty how we will be affected. We will continue to monitor all applicable developments in the implementation of the Dodd-Frank Act. The legislation and implementing regulations affect not only us, but also many of our customers and counterparties. Failure to comply with current or future legislation or regulations that apply to our operations could subject us to fines, penalties, or material restrictions on our business in the future.

The USA PATRIOT Act contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to broker-dealers and other financial services companies. The USA PATRIOT Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. Anti-money laundering laws outside of the U.S. contain similar provisions. We believe that we have implemented, and that we maintain, appropriate internal practices, procedures and controls to enable us to comply with the provisions of the USA PATRIOT Act and other anti-money laundering laws.

The U.S. maintains various economic sanctions programs administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). The OFAC administered sanctions take many forms, but generally prohibit or restrict trade and investment in and with sanctions targets; and in some cases require blocking of the target's assets. Violations of any of the OFAC-administered sanctions are punishable by civil fines, criminal fines, and imprisonment. We established policies and procedures designed to comply with applicable OFAC requirements. Although we believe that our policies and procedures are effective, there can be no assurance that our policies and procedures will effectively prevent us from violating the OFAC-administered sanctions in every transaction in which we may engage.

Net Capital Requirements

FCStone, LLC is subject to minimum capital requirements under Section 4(f)(b) of the Commodity Exchange Act and Part 1.17 of the rules and regulations of the CFTC. These rules specify the minimum amount of capital that must be available to support our clients' open trading positions, including the amount of assets that FCStone, LLC must maintain in relatively liquid form, and are designed to measure general financial integrity and liquidity. Net capital and the related net capital requirement may fluctuate on a daily basis. Compliance with minimum capital requirements may limit our operations if we cannot maintain the required levels of capital. Moreover, any change in these rules or the imposition of new rules affecting the scope, coverage, calculation or amount of capital we are required to maintain could restrict our ability to operate our business and adversely affect our operations.

The FCA regulates INTL FCStone Ltd. and INTL Global Currencies Limited. Each is subject to a net capital requirement.

INTL FCStone Securities is subject to the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934. These requirements ensure the financial integrity and liquidity of broker-dealers. They establish minimum levels of capital and liquid assets. The net capital requirements restrict the payments of dividends, redemption of stock, the prepayment of subordinated indebtedness and the making of any unsecured advances or loans to any stockholder, employee or affiliate, if such payment would reduce the broker-dealer's net capital below required levels. The net capital requirements restrict the ability of INTL FCStone Securities to make distributions to us. They also restrict the ability of INTL FCStone Securities to expand its business beyond a certain point without additional capital.

FCC Investments, Inc., a broker-dealer subsidiary, is subject to the net capital requirements of the SEC relating to liquidity and net capital levels.

The Australian Securities and Investment Commission regulates FCStone Australia Pty, Ltd ("FCStone Australia"). It is subject to a net tangible asset capital requirement. New Zealand Clearing Limited, also regulates FCStone Australia. It is subject to a capital adequacy requirement.

The Central Bank of Ireland regulates FCStone Commodity Services (Europe), Ltd. which is domiciled in Ireland and is subject to a net capital requirement.

The Brazilian Central Bank and Securities and Exchange Commission of Brazil regulates INTL FCStone DTVM Ltda. ("INTL FCStone DTVM"). It is a registered broker-dealer and is subject to a capital adequacy requirement.

The Comision de Valores and Mercado de Valores S.A. ("MERVAL") regulate INTL Gainvest and Compania Inversora Bursatil S.A. Sociedad de Bolsa ("CIBSA") and they are subject to net capital and capital adequacy requirements. The Rosario Futures Exchange, the General Inspector of Justice and the Superintendent of Securities Markets of Buenos

Aires regulates INTL Capital, S.A. It is subject to a capital adequacy requirement.
Certain of our other non-U.S. subsidiaries are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate.

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All of our subsidiaries are in compliance with all of their capital regulatory requirements as of September 30, 2013. Additional information on these net capital and minimum net capital requirements can be found in Note 13 to the Consolidated Financial Statements.

Segregated Customer Assets

FCStone, LLC maintains customer segregated deposits from its customers relating to their trading of futures and options-on-futures on U.S. commodities exchanges held with FCStone, LLC, making it subject to CFTC regulation 1.20, which specifies that such funds must be held in segregation and not commingled with the firm's own assets. FCStone, LLC maintains acknowledgment letters from each depository at which it maintains customer segregated deposits in which the depository acknowledges the nature of funds on deposit in the account. In addition, CFTC regulations require performance of a daily segregation calculation which compares the assets held in customers segregated depositories ("segregated assets") to the firm's total segregated assets held on deposit from customers ("segregated liabilities"). The amount of customer segregated assets must be in excess of the segregated liabilities owed to customers and any shortfall in such assets must be immediately communicated to the CFTC. As of September 30, 2013, FCStone, LLC maintained $23.9 million in segregated assets in excess of its segregated liabilities.

In addition, FCStone, LLC is subject to CFTC regulation 1.25, which governs the acceptable investment of customer segregated assets. This regulation allows for the investment of customer segregated assets in readily marketable instruments including U.S. Treasury securities, municipal securities, government sponsored enterprise securities, certificates of deposit, commercial paper, corporate notes or bonds, interest in money market mutual funds, and repurchase transactions with unaffiliated entities in otherwise allowable securities. FCStone, LLC predominately invests its customer segregated assets in U.S. Treasury bills and money market mutual funds.

INTL FCStone Ltd. is subject to certain business rules, including those that govern the treatment of client money and other assets which under certain circumstances for certain classes of client must be segregated from the firm's own assets. INTL FCStone Ltd. currently maintains segregated funds in excess of all applicable requirements.

Secured Customer Assets

FCStone, LLC maintains customer secured deposits from its customers funds relating to their trading of futures and options-on-futures traded on, or subject to the rules of, a foreign board of trade held with FCStone, LLC, making it subject to CFTC Regulation 30.7, which requires that such funds must be carried in separate accounts in an amount sufficient to satisfy all of FCStone LLC's current obligations to customers trading foreign futures and foreign options on foreign commodity exchanges or boards of trade, which are designated as secured customers' accounts. As of September 30, 2013, FCStone, LLC maintained $22.7 million in secured assets in excess of its secured liabilities.

Foreign Operations

We operate in a number of foreign jurisdictions, including Canada, Ireland, the United Kingdom, Argentina, Brazil, Uruguay, Paraguay, Mexico, Nigeria, Dubai, China, South Korea, Hong Kong, Australia and Singapore. We established wholly owned subsidiaries in Mexico, Uruguay and Nigeria but do not have offices or employees in those countries.

FCStone Commodity Services (Europe) Ltd. is domiciled in Ireland and subject to regulation by the Central Bank of Ireland.

INTL FCStone Ltd. is domiciled in the United Kingdom, and subject to regulation by the United Kingdom FCA. INTL FCStone Securities and INTL Commodities, Inc. each have branch offices in the United Kingdom. As a result, their activities are also subject to regulation by the United Kingdom FCA.

In Argentina, the activities of INTL Gainvest and Compania Inversora Bursatil S.A. Sociedad de Bolsa ("CIBSA") are subject to regulation by the Comision de Valores and MERVAL and the activities of INTL Capital, S.A. are subject to regulation by the Rosario Futures Exchange, the General Inspector of Justice and the Superintendent of Securities Markets of Buenos Aires.

In Brazil, the activities of FCStone do Brasil are subject to regulation by BM&F Bovespa, and the activities of INTL FCStone DTVM Ltda. are regulated by the Brazilian Central Bank and Securities and Exchange Commission of Brazil.

The activities of INTL Commodities DMCC are subject to regulation by the Dubai Multi Commodities Centre.

FCStone Australia Pty. Ltd. is subject to regulation by the Australian Securities and Investments Commission and New Zealand Clearing Ltd.

Business Risks

We seek to mitigate the market and credit risks arising from our financial trading activities through an active risk management program. The principal objective of this program is to limit trading risk to an acceptable level while maximizing the return generated on the risk assumed.

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We have a defined risk policy administered by our risk committee, which reports to our audit committee. We established specific exposure limits for inventory positions in every business, as well as specific issuer limits and counterparty limits. We designed these limits to ensure that in a situation of unexpectedly large or rapid movements or disruptions in one or more markets, systemic financial distress, the failure of a counterparty or the default of an issuer, the potential estimated loss will remain within acceptable levels. The audit committee reviews the performance of the risk committee on a quarterly basis to monitor compliance with the established risk policy.

Employees

As of September 30, 2013, we employed 1,094 people globally: 724 in the U.S., 2 in Canada, 60 in Argentina, 80 in Brazil, 7 in Paraguay, 144 in the United Kingdom, 6 in Ireland, 12 in Dubai, 27 in Singapore, 12 in China and 17 in Australia. None of our employees operate under a collective bargaining agreement, and we have not suffered any work stoppages or labor disputes. Many of our employees are subject to employment agreements, certain of which contain non-competition provisions.

Item 1A. Risk Factors

We face a variety of risks that could adversely impact our financial condition and results of operations, including the following:

Our ability to achieve consistent profitability is subject to uncertainty due to the nature of our businesses and the markets in which we operate. During the fiscal year ended September 30, 2013 we recorded net income of $19.3 million, compared to net income of $12.8 million in fiscal 2012, and net income of $34.8 million in fiscal 2011.

Our revenues and operating results may fluctuate significantly in the future because of the following factors:

- Market conditions, such as price levels and volatility in the commodities, securities and foreign exchange markets in which we operate;
- Changes in the volume of our market-making and trading activities;
- Changes in the value of our financial instruments, currency and commodities positions and our ability to manage related risks;
- The level and volatility of interest rates;
- The availability and cost of funding and capital;
- Our ability to manage personnel, overhead and other expenses;
- Changes in execution and clearing fees;
- The addition or loss of sales or trading professionals;
- Changes in legal and regulatory requirements; and
- General economic and political conditions.

Although we continue our efforts to diversify the sources of our revenues, it is likely that our revenues and operating results will continue to fluctuate substantially in the future and such fluctuations could result in losses. These losses could have a material adverse effect on our business, financial condition and operating results.

The manner in which we account for our commodities inventory and forward commitments may increase the volatility of our reported earnings. Our net income is subject to volatility due to the manner in which we report our commodities inventory. This inventory is stated at the lower of cost or fair value. We generally mitigate the price risk associated with our commodities inventory through the use of derivatives. This price risk mitigation does not generally qualify for hedge accounting under U.S. GAAP. In such situations, any unrealized gains in inventory are not recognized under U.S. GAAP, but unrealized gains and losses in related derivative positions are recognized under U.S. GAAP. Additionally, in certain circumstances, U.S. GAAP does not permit us to reflect changes in estimated values of forward commitments to purchase and sell commodities. The forward commitments to purchase and sell commodities, which we do not reflect in our consolidated balance sheets, do not qualify as a derivative under the Derivatives and Hedging Topic of the ASC. As a result, our reported earnings from these business segments are subject to greater volatility than the earnings from our other business segments.

Our indebtedness could adversely affect our financial condition. As of September 30, 2013, our total consolidated indebtedness to lenders was $106.5 million, and we expect to increase our indebtedness in the future as we continue to expand our business. Our indebtedness could have important consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;

- requiring that a portion of our cash flow from operations be used for the payment of interest on our debt, thereby reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions and general corporate requirements;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions and general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the securities industry; and
- restricting our ability to pay dividends or make other payments.

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We may be able to incur additional indebtedness in the future, including secured indebtedness. If new indebtedness is added to our current indebtedness levels, the related risks that we now face could intensify.

Committed credit facilities currently available to us might not be renewed. We currently have three committed credit facilities under which we may borrow up to $290.0 million, consisting of:

- a $140.0 million facility available to INTL FCStone Inc., for general working capital requirements, committed until September 20, 2016.
- a $75.0 million facility available to our wholly owned subsidiary, FCStone, LLC, for short-term funding of margin to commodity exchanges, committed until April 10, 2014.
- a $75.0 million committed facility available to our wholly owned subsidiary, FCStone Merchant Services, LLC, for financing traditional commodity financing arrangements and commodity repurchase agreements, committed until May 1, 2014.

During fiscal 2014, $150.0 million of our committed credit facilities are scheduled to expire. There is no guarantee that we will be successful in renewing, extending or rearranging these facilities.

It is possible that these facilities might not be renewed at the end of their commitment periods and that we will be unable to replace them with other facilities. If our credit facilities are unavailable or insufficient to support future levels of business activities, we may need to raise additional funds externally, either in the form of debt or equity. If we cannot raise additional funds on acceptable terms, we may not be able to develop or enhance our business, take advantage of future opportunities or respond to competitive pressure or unanticipated requirements, leading to reduced profitability.

Our failure to successfully integrate the operations of businesses acquired by us in the last twelve months could have a material adverse effect on our business, financial condition and operating results. Since September 30, 2012, we have acquired Tradewire Securities, LLC. Additionally, subsequent to September 30, 2013, we have acquired First American Capital and Trading Corp. We will need to meet challenges to realize the expected benefits and synergies of these acquisitions, including:

- integrating the management teams, strategies, cultures, technologies and operations of the acquired companies;
- retaining and assimilating the key personnel of acquired companies;
- retaining existing clients of the acquired companies;
- creating uniform standards, controls, procedures, policies and information systems; and
- achieving revenue growth because of risks involving (1) the ability to retain clients, (2) the ability to sell the services and products of the acquired companies to the existing clients of our other business segments, and (3) the ability to sell the services and products of our other business segments to the existing clients of the acquired companies.

The accomplishment of these objectives will involve considerable risk, including:

- the potential disruption of each company’s ongoing business and distraction of their respective management teams;
- unanticipated expenses related to technology integration; and
- potential unknown liabilities associated with the acquisition.

It is possible that the integration process could result in the loss of the technical skills and management expertise of key employees, the disruption of the ongoing businesses or inconsistencies in standards, controls, procedures and policies due to possible cultural conflicts or differences of opinions on technical decisions and product road maps that adversely affect our ability to maintain relationships with customers, counterparties, and employees or to achieve the anticipated benefits of the acquisition.

We face risks associated with our market-making and trading activities. We conduct our market-making and trading activities predominantly as a principal, which subjects our capital to significant risks. These activities involve the purchase, sale or short sale for customers and for our own account of financial instruments, including equity and debt securities, commodities and foreign exchange. These activities are subject to a number of risks, including risks of price fluctuations, rapid changes in the liquidity of markets and counterparty creditworthiness.

These risks may limit our ability to either resell financial instruments we purchased or to repurchase securities we sold in these transactions. In addition, we may experience difficulty borrowing financial instruments to make delivery to purchasers to whom we sold short, or lenders from whom we have borrowed. From time to time, we have large position concentrations in securities of a single issuer or issuers in specific countries and markets. This concentration

could result in higher trading losses than would occur if our positions and activities were less concentrated.
The success of our market-making activities depends on:

- the price volatility of specific financial instruments, currencies and commodities,
- our ability to attract order flow;
- the skill of our personnel;

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- the availability of capital; and
- general market conditions.

To attract market-trading, market-making and trading business, we must be competitive in:

- providing enhanced liquidity to our customers;
- the efficiency of our order execution;
- the sophistication of our trading technology; and
- the quality of our customer service.

In our role as a market maker and trader, we attempt to derive a profit from the difference between the prices at which we buy and sell financial instruments, currencies and commodities. However, competitive forces often require us to:

- match the quotes other market makers display; and
- hold varying amounts of financial instruments, currencies and commodities in inventory.

By having to maintain inventory positions, we are subject to a high degree of risk. We cannot ensure that we will be able to manage our inventory risk successfully or that we will not experience significant losses, either of which could materially adversely affect our business, financial condition and operating results.

We operate as a principal in the OTC derivatives markets which involves the risks associated with commodity derivative instruments. We offer OTC derivatives to our customers in which we act as a principal counterparty. We endeavor to simultaneously offset the commodity price risk of the instruments by establishing corresponding offsetting positions with commodity counterparties, or alternatively we may offset those transactions with similar but not identical positions on an exchange. To the extent that we are unable to simultaneously offset an open position or the offsetting transaction is not fully effective to eliminate the commodity derivative risk, we have market risk exposure on these unmatched transactions. Our exposure varies based on the size of the overall positions, the terms and liquidity of the instruments brokered, and the amount of time the positions remain open.

To the extent an unhedged position is not disposed of intra-day, adverse movements in the commodities underlying these positions or a downturn or disruption in the markets for these positions could result in a substantial loss. In addition, any principal gains and losses resulting from these positions could on occasion have a disproportionate effect, positive or negative, on our financial condition and results of operations for any particular reporting period.

Transactions involving OTC derivative contracts may be adversely affected by fluctuations in the level, volatility, correlation or relationship between market prices, rates, indices and/or other factors. These types of instruments may also suffer from illiquidity in the market or in a related market.

OTC derivative transactions are subject to unique risks. OTC derivative transactions are subject to the risk that, as a result of mismatches or delays in the timing of cash flows due from or to counterparties in OTC derivative transactions or related hedging, trading, collateral or other transactions, we or our counterparty may not have adequate cash available to fund its current obligations.

We could incur material losses pursuant to OTC derivative transactions because of inadequacies in or failures of our internal systems and controls for monitoring and quantifying the risk and contractual obligations associated with OTC derivative transactions and related transactions or for detecting human error, systems failure or management failure.

OTC derivative transactions may be modified or terminated only by mutual consent of the original parties and subject to agreement on individually negotiated terms. Accordingly it may not be possible to modify, terminate or offset obligations or exposure to the risk associated with a transaction prior to its scheduled termination date.

We may have difficulty managing our growth. We have experienced significant growth in our business. Our operating revenues grew from $90.6 million in the 2009 fiscal year to $478.4 million in fiscal 2013. We expect the acquisition of additional businesses since September 30, 2012 to increase operating revenues in 2014.

This growth required, and will continue to require, us to increase our investment in management personnel, financial and management systems and controls, and facilities. In the absence of continued revenue growth, the costs associated with our expected growth would cause our operating margins to decline from current levels. In addition, as is common in the financial industry, we are and will continue to be highly dependent on the effective and reliable operation of our communications and information systems.

The scope of procedures for assuring compliance with applicable rules and regulations changes as the size and complexity of our business increases. In response, we have implemented and continue to revise formal compliance procedures.

It is possible that we will not be able to manage our growth successfully. Our inability to do so could have a material adverse effect on our business, financial condition and operating results.

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We have identified a material weakness in our internal control over financial reporting which existed as of September 30, 2013. If we fail to properly remediate this or any future weaknesses or deficiencies or maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired which could have an adverse effect on our business and stock price. We are required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We are likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses in those internal controls.

While preparing our financial statements for the fiscal year ended September 30, 2013, Management identified a material weakness in internal control over financial reporting that existed as of September 30, 2013, related to the accurate and timely accounting for certain principal over-the-counter derivative trading activities. Specifically, controls over the reconciliation between trading system data and the general ledger were not designed detect errors timely in recording trading gains to the general ledger. As a result of this material weakness, the Company misstated certain principal over-the-counter derivative trading activities. The financial misstatements resulting from our material weakness resulted in a restatement of our Consolidated Financial Statements contained herein. See Item 9A, Controls and Procedures for a complete discussion of this material weakness in our internal control over financial reporting. Although we developed, and are currently implementing, a remediation plan for this material weakness, the existence of a material weakness is an indication that there is more than a remote likelihood that a material misstatement of our financial statements will not be prevented or detected in the current or any future period. There can be no assurance that we will be able to fully implement our plans and controls, as described in Item 9A, to address this material weakness, or that the plans and controls, if implemented, will be successful in fully remediating this material weakness. In addition, we may in the future identify further material weaknesses in our internal control over financial reporting that we have not discovered to date. If we fail to successfully remediate the identified material weakness, or we identify further material weaknesses in our internal controls, our ability to report our financial results on a timely and accurate basis could be impacted in a materially adverse manner.

If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and NASDAQ, we could face penalties or sanctions from those authorities. In either case, there could result a material adverse effect on our business. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

In addition, many of our customers and counterparties utilize our publicly reported financial information to evaluate the creditworthiness of the Company when deciding whether to acquire services or conduct business with the Company. If our financial statements are not accurate or are not filed on a timely basis, these customers and counterparties may elect to alter or terminate their relationships with the Company, which could have a material adverse effect on our business, financial condition and operating results.

We are exposed to the credit risk of our customers and counterparties and their failure to meet their financial obligations could adversely affect our business. We have substantial credit risk in both our securities and commodities businesses. As a market-maker of OTC and listed securities, we conduct the majority of our securities transactions as principal with broker-dealer counterparties. We clear our securities transactions through unaffiliated clearing brokers. Substantially all of our equity and debt securities are held by these clearing brokers. Our clearing brokers have the right to charge us for losses that result from a counterparty’s failure to fulfill its contractual obligations.

As a clearing broker in futures and option transactions, we act on behalf of our customers for all trades consummated on exchanges. We must pay initial and variation margin to the exchanges before we receive the required payments from our customers. Accordingly, we are responsible for our customers’ obligations with respect to these transactions, including margin payments, which exposes us to significant credit risk. Customer positions which represent a significant percentage of open positions in a given market or concentrations in illiquid markets may expose us to the risk that we are not able to liquidate a customer’s position in a manner which does not result in a deficit in that customers account. A substantial part of our working capital is at risk if customers default on their obligations to us and their account balances and security deposits are insufficient to meet all of their obligations.

We act as a principal for OTC derivative transactions, which exposes us to both the credit risk of our customers and the counterparties with which we offset the customer's position. As with exchange-traded transactions, our OTC transactions require that we meet initial and variation margin payments on behalf of our customers before we receive the required payment from our customers. In addition, with OTC transactions, there is a risk that a counterparty will fail to meet its obligations when due. We would then be exposed to the risk that a settlement of a transaction which is due a customer will not be collected from the respective counterparty with which the transaction was offset. Customers and counterparties that owe us money, securities or other assets may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons.

In this regard, during its fiscal year ended August 31, 2009, FCStone Group, Inc. recognized $119.8 million in bad debt expense as a result of defaults by customer counterparties. Although we adopted additional procedures designed to reduce their likelihood and magnitude, credit losses are an inherent component of our business and we will continue to be subject to the risk of such losses.

We are responsible for self-clearing our foreign exchange and physical commodities trading activities and, in addition, take principal risk to counterparties and customers in these activities. Any metals or other physical commodities positions are held by third party custodians. In this regard, during our fiscal years ended September 30, 2011 and 2010, we recognized $5.6 million and $2.5 million, respectively, in bad debt expense as a result of defaults by customer counterparties to whom we had consigned gold. Although we have adopted additional procedures designed to reduce the likelihood and magnitude of credit losses, the possibility of such losses is an inherent component of our business and we will continue to be subject to the risk of such losses.

Although we have procedures for reviewing credit exposures to specific customers and counterparties to address present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee, including rapid changes in securities, commodity and foreign exchange price levels. Some of our risk management methods depend upon the evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. That information may not, in all cases, be accurate, complete, up-to-date or properly evaluated. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. We may be materially and adversely affected in the event of a significant default by our customers and counterparties.

In our securities and commodities trading businesses we rely on the ability of our clearing brokers to adequately discharge their obligations on a timely basis. We also depend on the solvency of our clearing brokers and custodians. Any failure by a clearing broker to adequately discharge its obligations on a timely basis, or insolvency of a clearing broker or custodian, or any event adversely affecting our clearing brokers or custodians, could have a material adverse effect on our business, financial condition and operating results.

Our net operating revenues may decrease due to changes in market volume, prices or liquidity. Declines in the volume of securities, commodities and foreign exchange transactions and in market liquidity generally may result in lower revenues from market-making and trading activities. Changes in price levels of securities and commodities and foreign exchange rates also may result in reduced trading activity and reduce our revenues from market-making transactions. Changed price levels also can result in losses from changes in the fair value of securities and commodities held in inventory. Sudden sharp changes in fair values of securities and commodities can result in:

- illiquid markets;
- fair value losses arising from positions held by us;
- the failure of buyers and sellers of securities and commodities to fulfill their settlement obligations,
- redemptions from funds managed in our asset management business segment and consequent reductions in management fees;
- reductions in accrued performance fees in our asset management business segment; and
- increases in claims and litigation.

Any change in market volume, price or liquidity or any other of these factors could have a material adverse effect on our business, financial condition and operating results.

Our net operating revenues may decrease due to changes in customer trading volumes which are dependent in large part on commodity prices and commodity price volatility. Customer trading volumes are largely driven by the degree of volatility—the magnitude and frequency of fluctuations—in prices of commodities. Higher volatility increases the need to hedge contractual price risk and creates opportunities for arbitrage trading. Energy and agricultural commodities markets periodically experience significant price volatility. In addition to price volatility, increases in commodity prices lead to increased trading volume. As prices of commodities rise, especially energy prices, new participants enter the markets to address their growing risk-management needs or to take advantage of greater trading

opportunities. Sustained periods of stability in the prices of commodities or generally lower prices could result in lower trading volumes and, potentially, lower revenues. Lower volatility and lower volumes could lead to lower customer balances held on deposit, which in turn may reduce the amount of interest revenue based on these deposits.
Factors that are particularly likely to affect price volatility and price levels of commodities include:

- supply and demand of commodities;
- weather conditions affecting certain commodities;
- national and international economic and political conditions;

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- perceived stability of commodities and financial markets;
- the level and volatility of interest rates and inflation; and
- financial strength of market participants.

Any one or more of these factors may reduce price volatility or price levels in the markets for commodities trading, which in turn could reduce trading activity in those markets. Moreover, any reduction in trading activity could reduce liquidity which in turn could further discourage existing and potential market participants and thus accelerate any decline in the level of trading activity in these markets.

Our net operating revenues may be impacted by diminished market activity due to adverse economic, political and market conditions. The amount of our revenues depends in part on the level of activity in the securities, foreign exchange and commodities markets in which we conduct business. The level of activity in these markets is directly affected by numerous national and international factors that are beyond our control, including:

- economic, political and market conditions;
- the availability of short-term and long-term funding and capital;
- the level and volatility of interest rates;
- legislative and regulatory changes; and
- currency values and inflation.

Any one or more of these factors may reduce the level of activity in these markets, which could result in lower revenues from our market-making and trading activities. Any reduction in revenues or any loss resulting from these factors could have a material adverse effect on our business, financial condition and operating results.

Several of our product lines depend significantly on a limited group of customers. Based on management’s assessment of our business, we believe that a small number of our customers account for a significant portion of our revenues in several of the product lines of our businesses. These product lines include our equities market-making, metals trading and foreign exchange trading product lines. We are unable to measure the level of this concentration because our dealing activities do not permit us to quantify revenues generated by each customer. We expect a significant portion of the future demand for each of our market-making and trading services to remain concentrated within a limited number of customers. None of these customers is obligated contractually to use our market-making or trading services. Accordingly, these customers may direct their trading activities to other market-makers or traders at any time. The loss of or a significant reduction in demand for our services from any of these customers could have a material adverse effect on our business, financial condition and operating results.

We are dependent on our management team. Our future success depends, in large part, upon our management team who possess extensive knowledge and management skills with respect to securities, commodities and foreign exchange businesses we operate. The unexpected loss of services of any of our executive officers could adversely affect our ability to manage our business effectively or execute our business strategy. Although these officers have employment contracts with us, they are generally not required to remain with us for a specified period of time.

We depend on our ability to attract and retain key personnel. Competition for key personnel and other highly qualified management, sales, trading, compliance and technical personnel is significant. It is possible that we will be unable to retain our key personnel and to attract, assimilate or retain other highly qualified personnel in the future. The loss of the services of any of our key personnel or the inability to identify, hire, train and retain other qualified personnel in the future could have a material adverse effect on our business, financial condition and operating results.

From time to time, other companies in the financial sector have experienced losses of sales and trading professionals. The level of competition to attract these professionals is intense. It is possible that we will lose professionals due to increased competition or other factors in the future. The loss of a sales and trading professional, particularly a senior professional with broad industry expertise, could have a material adverse effect on our business, financial condition and operating results.

Computer systems failures, capacity constraints and breaches of security could increase our operating costs and cause us to lose clients. We are heavily dependent on the capacity and reliability of the computer and communications systems supporting our operations, whether owned and operated internally or by third parties. We receive and process a large portion of our trade orders through electronic means, such as through public and private communications networks. These computer and communications systems and networks are subject to performance degradation or failure from any number of reasons, including loss of power, acts of war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism, customer error or misuse, lack of proper maintenance or monitoring and similar events. Our systems, or those of our third party providers, may fail or operate slowly, causing one or more of the following:

- unanticipated disruptions in service to our clients;
- slower response times;
- delays in our clients’ trade execution;
- failed settlement of trades;

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- decreased client satisfaction with our services;
- incomplete, untimely or inaccurate accounting, recording, reporting or processing of trades;
- financial losses;
- litigation or other client claims; and
- regulatory sanctions.

The occurrence of degradation or failure of the communications and computer systems on which we rely may lead to financial losses, litigation or arbitration claims filed by or on behalf of our customers and regulatory investigations and sanctions, including by the CFTC, which require that our trade execution and communications systems be able to handle anticipated present and future peak trading volumes. Any such degradation or failure could also have a negative effect on our reputation, which in turn could cause us to lose existing customers to our competitors or make it more difficult for us to attract new customers in the future. Further, any financial loss that we suffer as a result of such degradations or failures could be magnified by price movements of contracts involved in transactions impacted by the degradation or failure, and we may be unable to take corrective action to mitigate any losses we suffer.

We are subject to extensive government regulation. The securities and commodities futures industries are subject to extensive regulation under federal, state and foreign laws. In addition, the SEC, the CFTC, FINRA, the NFA, the CME Group and other self-regulatory organizations, commonly referred to as SROs, state securities commissions, and foreign securities regulators require compliance with their respective rules and regulations. These regulatory bodies are responsible for safeguarding the integrity of the financial markets and protecting the interests of participants in those markets.

As participants in various financial markets, we may be subject to regulation concerning certain aspects of our business, including:

- trade practices;
- the way we communicate with, and disclose risks to clients;
- financial and reporting requirements and practices;
- client identification and anti-money laundering requirements;
- capital structure;
- record retention; and
- the conduct of our directors, officers and employees.

Failure to comply with any of these laws, rules or regulations could result in adverse consequences. We and certain of our officers and employees have, in the past, been subject to claims arising from acts that regulators asserted were in contravention of these laws, rules and regulations. These claims resulted in the payment of fines and settlements. In this regard, in May 2013, we settled claims made by the CFTC, that our subsidiary, FCStone LLC, failed to diligently supervise its officers' and employees' activities relating to risks associated with its customers' accounts. The claims of the CFTC arose out of transactions by former FCStone customers that took place between January 1, 2008 and March 1, 2009. In the settlement, FCStone agreed to cease and desist from violating certain regulations of the CFTC, to pay $1.5 million to the CFTC, and to appoint an independent third party reviewer to review and evaluate FCStone's existing policies and procedures relating to certain risks, to ensure that we have made sufficient modifications to our risk controls since 2008. We had previously provided for the $1.5 million fine in our financial statements for the quarter ended December 31, 2012.

It is possible that we and our officers and other employees will be subject to similar claims in the future. An adverse ruling against us or our officers and other employees could result in our or our officers and other employees being required to pay a substantial fine or settlement and could result in a suspension or revocation of required registrations or memberships. Such sanctions could have a material adverse effect on our business, financial condition and operating results.

The regulatory environment in which we operate is subject to change, particularly in light of the October 31, 2011 bankruptcy filing of MF Global and actions taken by the CFTC on July 10, 2012 to freeze assets of Peregrine Financial Group, a futures commission merchant. Both matters resulted from potential deficiencies in customer segregated futures accounts. On November 14, 2013, the CFTC finalized new rules known as "Enhancing Customer

Protections Rules”. These provisions, among other things, require enhanced customer protections, risk management programs, internal monitoring and controls, capital and liquidity standards, customer disclosures, and auditing and examination programs for FCMs. These rule changes, additional legislation or regulations, changes required under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and any new or revised regulation by the SEC, the CFTC, other United States or foreign governmental regulatory authorities, SROs or FINRA could have a material adverse effect on our business, financial condition and operating results. Changes in the interpretation or enforcement of existing laws and rules by these governmental authorities, SROs and FINRA could also have a material adverse effect on our business, financial condition and operating results. Failure to comply with current or future legislation or regulations that apply to our operations could subject us to fines, penalties, or material restrictions on our business in the future.

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Additional regulation, changes in existing laws and rules, or changes in interpretations or enforcement of existing laws and rules often directly affect financial services firms. We cannot predict what effect any such changes might have. Our business, financial condition and operating results may be materially affected by both regulations that are directly applicable to us and regulations of general application. Our level of trading and market-making activities can be affected not only by such legislation or regulations of general applicability, but also by industry-specific legislation or regulations.

We have incurred significant additional operational and compliance costs to meet the requirements of recent legislation and related regulations. This legislation and the related regulations may significantly affect our business in the future. Recent market and economic conditions have led to legislation and regulation affecting the financial services industry. These legislative and regulatory initiatives have affected not only us, but also our competitors and certain of our clients. These changes could eventually have an effect on our revenue and profitability, limit our ability to pursue certain business opportunities, impact the value of assets that we hold, require us to change certain business practices, impose additional costs on us, and otherwise adversely affect our business. Accordingly, we cannot provide assurance that new legislation and regulation will not eventually have an adverse effect on our business, results of operations, cash flows and financial condition.

The principal legislation is the Dodd-Frank Act which as already stated creates a comprehensive new regulatory regime governing the OTC and listed derivatives markets and their participants by requiring, among other things: centralized clearing of standardized derivatives (with certain stated exceptions); the trading of clearable derivatives on swap execution facilities or exchanges; and registration and comprehensive regulation of new categories of market participants as “swap dealers” and swap “introducing brokers.” The Dodd-Frank Act grants regulatory authorities, such as the CFTC and the SEC, broad rule-making authority to implement various provisions of the Dodd-Frank Act, including comprehensive regulation of the OTC derivatives market. These regulators will continue to exercise, their expanded rule-making powers in ways that will affect how we conduct our business.

We have incurred and expect to continue to incur significant costs to comply with these regulatory requirements. We have also incurred and expect to continue to incur significant costs related to the development, operation and enhancement of our technology relating to trade execution, trade reporting, surveillance, record keeping and data reporting obligations, compliance and back-up and disaster recovery plans designed to meet the requirements of the regulators.

Changes that will be required in our OTC and clearing businesses may adversely impact our results of operations. Following the implementation of all of the rules contemplated by the Dodd-Frank Act, the markets for cleared and non-cleared swaps may be less robust, there may be less volume and liquidity in these markets and there may be less demand for our services. Certain banks and other institutions will be limited in their conduct of proprietary trading and will be further limited or prohibited from trading in certain derivatives. The new rules, including the restrictions on the trading activities for certain banks and large institutions, could impact transaction volumes and liquidity in these markets and our revenues would be adversely impacted as a result.

Changes that will be required in our OTC and clearing businesses may also adversely impact our cash flows and financial condition. Registration will impose substantial new requirements upon these entities including, among other things, capital and margin requirements, business conduct standards and record keeping and data reporting obligations. Increased regulatory oversight could also impose administrative burdens on us related to, among other things, responding to regulatory examinations or investigations. We registered our subsidiary, INTL FCStone Markets, LLC, as a swap dealer on December 31, 2012. Most of the rules affecting this business have now been finalized, and external business conduct rules came into effect on May 1, 2013. Nevertheless, some important rules, such as those setting capital and margin requirements, have not been finalized or fully implemented, and it is too early to predict with any degree of certainty how we will be affected.

The increased costs associated with compliance, and the changes that will be required in our OTC and clearing businesses, may adversely impact our results of operations, cash flows, and/or financial condition.

We are subject to net capital requirements. The SEC, FINRA and various other regulatory agencies require our broker-dealer subsidiaries, INTL FCStone Securities Inc. and FCC Investments, Inc. to maintain specific levels of net capital. Failure to maintain the required net capital may subject these subsidiaries to suspension or revocation of registration by the SEC and suspension or expulsion by FINRA and other regulatory bodies.

The CFTC and various other self-regulatory organizations require our futures commission merchant subsidiary, FCStone, LLC, to maintain specific levels of net capital. Failure to maintain the required net capital may subject this subsidiary to limitations on its activities, including suspension or revocation of its registration by the CFTC and suspension or expulsion by the NFA and various exchanges of which it is a member.

The FCA requires our UK subsidiary, INTL FCStone Ltd. to maintain specific levels of net capital. Failure to maintain the required net capital may subject INTL FCStone Ltd. to suspension or revocation of its registration by the FCA.

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Ultimately, any failure to meet capital requirements by our securities broker-dealer subsidiaries, or our FCM subsidiary or our UK subsidiary could result in liquidation of the subsidiary. Failure to comply with the net capital rules could have material and adverse consequences such as limiting their operations, or restricting us from withdrawing capital from these subsidiaries.

In addition, a change in the net capital rules, the imposition of new rules or any unusually large charge against net capital could limit our operations that require the intensive use of capital. They could also restrict our ability to withdraw capital from these subsidiaries. Any limitation on our ability to withdraw capital could limit our ability to pay cash dividends, repay debt and repurchase shares of our outstanding stock. A significant operating loss or any unusually large charge against net capital could adversely affect our ability to expand or even maintain our present levels of business, which could have an adverse effect on our business, financial condition and operating results.

We are subject to margin funding requirements on short notice. Our business involves establishment and carrying of substantial open positions for customers on futures exchanges and in the OTC derivatives markets. We are required to post and maintain margin or credit support for these positions. Although we collect margin or other deposits from our customers for these positions, significant adverse price movements can occur which will require us to post margin or other deposits on short notice, whether or not we are able to collect additional margin or credit support from our customers. We maintain borrowing facilities for the purpose of funding margin and credit support and have systems to endeavor to collect margin and other deposits from customers on a same-day basis, there can be no assurance that these facilities and systems will be adequate to eliminate the risk of margin calls in the event of severe adverse price movements affecting open positions of our customers. Generally, if a customer is unable to meet its margin call, we promptly liquidate the customer’s account. However, there can be no assurance that in each case the liquidation of the account will not result in a loss to us or that liquidation will be feasible, given market conditions, size of the account and tenor of the positions.

Low short-term interest rates negatively impact our profitability. The level of prevailing short-term interest rates affects our profitability because we derive a portion of our revenue from interest earned from the investment of funds deposited with us by our customers. As of September 30, 2013, we had $1.7 billion in customer segregated assets, which are generally invested in short-term treasury securities and money market funds. Our financial performance generally benefits from rising interest rates. Higher interest rates increase the amount of interest income earned from these customer deposits. If short-term interest rates remain low or continue to fall, our revenues derived from interest will decline which would negatively impact our profitability.

Short-term interest rates are highly sensitive to factors that are beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities. In particular, decreases in the federal funds rate by the Board of Governors of the Federal Reserve System usually lead to decreasing interest rates in the U.S., which generally lead to a decrease in short-term interest rates.

We may issue additional equity securities. The issuance of additional common stock or securities convertible into our common stock could result in dilution of the ownership interest in us held by existing stockholders. We are authorized to issue, without stockholder approval, a significant number of additional shares of our common stock and securities convertible into either common stock or preferred stock.

We are subject to risks relating to litigation and potential securities laws liability. We face significant legal risks in our businesses, including risks related to currently pending litigation involving both the Company and FCStone. Many aspects of our business involve substantial risks of liability, including liability under federal and state securities and commodities laws, other federal, state and foreign laws and court decisions, as well as rules and regulations promulgated by the SEC, the CFTC, FINRA, the FCA and other regulatory bodies. Substantial legal liability or significant regulatory action against us and our subsidiaries could have adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. Any such litigation could lead to more volatility of our stock price.

For a further discussion of litigation risks, see Item 3—Legal Proceedings below and Note 12 - Commitments and Contingencies in the Consolidated Financial Statements.

We are subject to intense competition. We derive a significant portion of our revenues from market-making and trading activities involving securities and commodities. The market for these services, particularly market-making services through electronic communications gateways, is rapidly evolving and intensely competitive. We expect competition to continue and intensify in the future. We compete primarily with wholesale, national, and regional broker-dealers and FCMs, as well as electronic communications networks. We compete primarily on the basis of our expertise and quality of service.

We also derive a significant portion of our revenues from commodities risk management services. The commodity risk management industry is very competitive and we expect competition to continue to intensify in the future. Our primary competitors in this industry include both large, diversified financial institutions and commodity-oriented businesses, smaller firms that focus on specific products or regional markets and independent FCMs.

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A number of our competitors have significantly greater financial, technical, marketing and other resources than we have. Some of them may:

- offer alternative forms of financial intermediation as a result of superior technology and greater availability of information;
- offer a wider range of services and products than we offer;
- be larger and better capitalized;
- have greater name recognition; and
- have more extensive customer bases.

These competitors may be able to respond more quickly to new or evolving opportunities and customer requirements. They may also be able to undertake more extensive promotional activities and offer more attractive terms to customers. Recent advances in computing and communications technology are substantially changing the means by which market-making services are delivered, including more direct access on-line to a wide variety of services and information. This has created demand for more sophisticated levels of customer service. Providing these services may entail considerable cost without an offsetting increase in revenues. In addition, current and potential competitors have established or may establish cooperative relationships or may consolidate to enhance their services and products. New competitors or alliances among competitors may emerge and they may acquire significant market share.

We cannot assure you that we will be able to compete effectively with current or future competitors or that the competitive pressures we face will not have an adverse effect on our business, financial condition and operating results.

Our business could be adversely affected if we are unable to retain our existing customers or attract new customers. The success of our business depends, in part, on our ability to maintain and increase our customer base. Customers in our market are sensitive to, among other things, the costs of using our services, the quality of the services we offer, the speed and reliability of order execution and the breadth of our service offerings and the products and markets to which we offer access. We may not be able to continue to offer the pricing, service, speed and reliability of order execution or the service, product and market breadth that customers desire. In addition, once our risk management consulting customers have become better educated with regard to sources of risk and the tools available to facilitate the management of this risk and we have provided them with recommended hedging strategies, they may no longer continue paying monthly fees for these services. In addition, the bankruptcy filing of MF Global and its disclosure of a potential deficiency in customer segregated futures accounts may negatively affect the perception of our industry and our ability to retain existing customers or attract new customers. Furthermore, our existing customers, including IRMP customers, are not generally obligated to use our services and can switch providers of clearing and execution services or decrease their trading activity conducted through us at any time. As a result, we may fail to retain existing customers or be unable to attract new customers. Our failure to maintain or attract customers could have an adverse effect on our business, financial condition and operating results.

We rely on relationships with introducing brokers for obtaining some of our customers. The failure to maintain these relationships could adversely affect our business. We have relationships with introducing brokers who assist us in establishing new customer relationships and provide marketing and customer service functions for some of our customers. These introducing brokers receive compensation for introducing customers to us. Many of our relationships with introducing brokers are non-exclusive or may be canceled on relatively short notice. In addition, our introducing brokers have no obligation to provide new customer relationships or minimum levels of transaction volume. Our failure to maintain these relationships with these introducing brokers or the failure of these introducing brokers to establish and maintain customer relationships would result in a loss of revenues, which could adversely affect our business.

Certain provisions of Delaware law and our charter may adversely affect the rights of holders of our common stock and make a takeover of us more difficult. We are organized under the laws of the State of Delaware. Certain provisions of Delaware law may have the effect of delaying or preventing a change in control. In addition, certain provisions of our certificate of incorporation may have anti-takeover effects and may delay, defer or prevent a takeover attempt that a stockholder might consider in its best interest. Our certificate of incorporation authorizes the board to determine the terms of our unissued series of preferred stock and to fix the number of shares of any series of preferred stock without any vote or action by our stockholders. As a result, the board can authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. In addition, the issuance of preferred stock may have the effect of delaying or preventing a change of control, because the rights given to the holders of a series of preferred stock may prohibit a merger, reorganization, sale, liquidation or other extraordinary corporate transaction.

Our stock price is subject to volatility. The market price of our common stock has been and can be expected to be subject to fluctuation as a result of a variety of factors, many of which are beyond our control, including:

- actual or anticipated variations in our results of operations;
- announcements of new products by us or our competitors;
- technological innovations by us or our competitors;
- changes in earnings estimates or buy/sell recommendations by financial analysts;

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- the operating and stock price performance of other companies;
- general market conditions or conditions specific in specific markets;
- conditions or trends affecting our industry or the economy generally;
- announcements relating to strategic relationships or acquisitions; and
- risk factors and uncertainties set forth elsewhere in this Form 10-K.

Because of this volatility, we may fail to meet the expectations of our stockholders or of securities analysts, and the trading prices of our common stock could decline as a result. In addition, any negative change in the public's perception of the securities industry could depress our stock price regardless of our operating results.

Future sales by existing stockholders could depress the market price of our common stock. If our stockholders sell substantial amounts of our common stock in the public market, the market price of our common stock could fall. Such sales also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate.

Our international operations involve special challenges that we may not be able to meet, which could adversely affect our financial results. We engage in a significant amount of business with customers in the international markets. Certain additional risks are inherent in doing business in international markets, particularly in a regulated industry. These risks include:

- the inability to manage and coordinate the various regulatory requirements of multiple jurisdictions that are constantly evolving and subject to unexpected change;
- tariffs and other trade barriers;
- difficulties in recruiting and retaining personnel, and managing international operations;
- difficulties of debt collection in foreign jurisdictions;
- potentially adverse tax consequences; and
- reduced protection for intellectual property rights.

Our operations are subject to the political, legal and economic risks associated with politically unstable and less developed regions of the world, including the risk of war and other international conflicts and actions by governmental authorities, insurgent groups, terrorists and others. Specifically, we conduct business in countries whose currencies may be unstable. Future instability in such currencies or the imposition of governmental or regulatory restrictions on such currencies could impede our foreign exchange business and our ability to collect on collateral held in such currencies.

Our operations are required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we conduct business, and if we violate these regulations, we may be subject to significant penalties. The financial services industry is subject to extensive laws, rules and regulations in every country in which we operate. Firms that engage in commodity futures brokerage, securities and derivatives trading and investment banking must comply with the laws, rules and regulations imposed by the governing country, state, regulatory bodies and self-regulatory bodies with governing authority over such activities. Such laws, rules and regulations cover all aspects of the financial services business, including, but not limited to, sales and trading methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, anti-money laundering and anti-bribery and corruption efforts, recordkeeping and the conduct of directors, officers and employees.

Each of our regulators supervises our business activities to monitor compliance with such laws, rules and regulations in the relevant jurisdiction. In addition, if there are instances in which our regulators question our compliance with laws, rules, and regulations, they may investigate the facts and circumstances to determine whether we have complied. At any moment in time, we may be subject to one or more such investigation or similar reviews. At this time, we believe all such investigations, and similar reviews are insignificant in scope and immaterial to us. However, there can be no assurance that, in the future, the operations of our businesses will not violate such laws, rules, and regulations and that related investigations and similar reviews could result in adverse regulatory requirements, regulatory enforcement actions and/or fines.

Additional legislation, changes in rules, changes in the interpretation or enforcement of existing laws and rules, or the entering into businesses that subject us to new rules and regulations may directly affect our business, results of operations and financial condition.

In the United Kingdom, our previous primary regulator, the U.K. Financial Services Authority ("FSA"), has been replaced by the Prudential Regulation Authority ("PRA"), a subsidiary of The Bank of England, and the Financial Conduct Authority ("FCA"). The PRA will handle prudential supervision of the more systemically important institutions and the FCA will focus on consumer protection and market regulation as well as prudential supervision of all other regulated financial institutions. Our regulated U.K. subsidiaries, INTL FCStone Ltd. and INTL Global Currencies Limited, are evaluating the impact of these changes on their businesses.

We continue to monitor the impact that the Basel Accords will have on us. The latest update issued by the Basel Committee on Banking Supervision in December 2010, known as Basel III, has recommended strengthening capital and liquidity rules. In response, the European Commission is in the process of implementing amendments to its Capital Requirements Directive known as CRD IV. Changes under CRD IV are expected to start to come into effect in early 2014 and we continue to monitor the potential impact on our subsidiaries that operate in the United Kingdom.

The European Market Infrastructure Regulation ("EMIR") came into force in August 2012 and became effective in the United Kingdom in 2013. In common with the Dodd-Frank Act in the United States, these rules are intended, among other things, to reduce counterparty risk by requiring that all standardized over-the-counter derivatives are cleared through a central counterparty. We are reviewing EMIR and the related technical standards published by the European Securities and Markets Authority and developing a plan to address these requirements.

We are also reviewing the amendments to the Markets in Financial Instruments Directive and the Markets in Financial Instruments Regulation to assess the impact this legislation is likely to have on our business when they come into force in 2014 or 2015. Among other things, the legislation will require certain over-the-counter derivatives to be traded on exchanges and other electronic trading platforms.

If we are unable to manage any of these risks effectively, our business could be adversely affected.

Item 1B. Unresolved Staff Comments

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal year 2013 that remain unresolved.

Item 2. Properties

The Company maintains offices in New York, New York; Winter Park, Florida; West Des Moines, Iowa; Chicago, Illinois; Kansas City, Missouri; St. Louis, Missouri; Bloomfield, Nebraska; Omaha, Nebraska; Minneapolis, Minnesota; Bloomington, Illinois; Miami, Florida; New Smyrna Beach, Florida; Indianapolis, Indiana; Spirit Lake, Iowa; Bowling Green, Ohio; Nashville, Tennessee; Golden, Colorado; Lawrence, Kansas; Winnipeg, Canada; Buenos Aires, Argentina; Campinas, Brazil; Sao Paulo, Brazil; Maringa, Brazil; Porto Alegre, Brazil; Goianai, Brazil; Recife, Brazil; Asuncion, Paraguay; London, United Kingdom; Dublin, Ireland; Dubai, United Arab Emirates; Singapore, Singapore; Beijing and Shanghai, China; and Sydney, Australia.

All of our offices and other principal business properties are leased, except for the space in Buenos Aires, which we own. We believe that our leased and owned facilities are adequate to meet anticipated requirements for our current lines of business.

Item 3. Legal Proceedings

In addition to the matters discussed below, from time to time and in the ordinary course of business, we are involved in various legal actions and proceedings, including tort claims, contractual disputes, employment matters, workers' compensation claims and collections. We carry insurance that provides protection against certain types of claims, up to the policy limits of our insurance. 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 our earnings, financial position or liquidity.

The following is a summary of our significant legal matters.

Securities Litigation and Regulatory Proceedings

FCStone and certain officers of FCStone were defendants in an action filed in the United States District Court for the Western District of Missouri in July 2008. Plaintiffs subsequently filed a consolidated amended complaint ("CAC") in September 2009. As alleged in the CAC, the action purports to be brought as a class action on behalf of purchasers of FCStone common stock between November 15, 2007 and February 24, 2009. The CAC seeks to hold defendants liable under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 and concerns disclosures included in FCStone's fiscal year 2008 public filings. Specifically, the CAC relates to FCStone's public disclosures regarding an interest rate hedge, a bad debt expense arising from unprecedented events in the cotton trading market, and certain disclosures beginning on November 3, 2008 related to losses it expected to incur arising primarily from a customer energy trading account. FCStone and the named officers moved to dismiss the action. The parties to the litigation reached an agreement in principle to settle this matter during May 2012, which was approved by order of the court on July 23, 2013. The settlement was at no cost to us after consideration of insurance coverage.

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 was subsequently filed in May 2009 to add claims based upon the losses sustained by FCStone arising out of a customer’s 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

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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 our behalf against certain of FCStone's current and former directors and officers and directly against the same individuals. We, 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 our incurrence of 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 we 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 us with a Wells notice, indicating the Staff's intention to recommend that the CFTC bring certain charges against FCStone, LLC. We filed our Wells submission with the Staff in October 2012. On May 29, 2013, we reached a settlement with the CFTC in this matter. The CFTC's findings, neither admitted nor denied by us, 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:

- cease and desist from violating CFTC Regulation 166.3;
- pay $1.5 million to the CFTC; and
- 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 our risk controls since 2008.

We paid the fine of $1.5 million in full in fiscal 2013. Also, we have appointed an independent third party to conduct the aforementioned review of policies and procedures, and that review is currently in process.

Sentinel Litigation

Our 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 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 our appeal, management believes a loss is not probable, and thus has not recorded a provision for this matter. We believe 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.

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.

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Item 4. Mine Safety Disclosures
Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on The NASDAQ Stock Market LLC (“NASDAQ”) under the symbol ‘INTL’. Our common stock trades on the NASDAQ Global Select Market. As of September 30, 2013, there were approximately 293 registered holders of record of our common stock. The high and low sales prices per share of our common stock for each full quarterly period during fiscal 2013 and 2012 were as follows:

		Price Range	
		High	Low
2013:			
	Fourth Quarter	$20.75	$16.73
	Third Quarter	$18.00	$16.11
	Second Quarter	$19.97	$17.10
	First Quarter	$20.08	$16.45
2012:			
	Fourth Quarter	$21.03	$17.73
	Third Quarter	$22.66	$17.60
	Second Quarter	$27.34	$21.05
	First Quarter	$25.18	$20.36

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We have never declared any cash dividends on our common stock, and do not currently have any plans to pay dividends on its common stock. The payment of cash dividends in the future is subject to the discretion of the Board of Directors and will depend on our earnings, financial condition, capital requirements, contractual restrictions and other relevant factors. Our credit agreements currently prohibit the payment of cash dividends by us.
On November 15, 2012, our Board of Directors replaced the August 12, 2011 authorized repurchase of up to 1.0 million shares of our outstanding common stock with an authorization to repurchase up to 1.5 million shares of our outstanding common stock from time to time in open market purchases and private transactions, subject to the discretion of the senior management team to implement our stock repurchase plan, and subject to market conditions and as permitted by securities laws and other legal and regulatory requirements. Our common stock repurchase program activity for the three months ended September 30, 2013 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares Remaining to be Purchased Under the Program
July 1, 2013 to July 31, 2013	—	$—	—	1,172,175
August 1, 2013 to August 31, 2013	63,004	19.39	63,004	1,109,171
September 1, 2013 to September 30, 2013	27,087	19.94	27,087	1,082,084
Total	90,091	$19.58	90,091	

Information relating to compensation plans under which our equity securities are authorized for issuance is set forth in Part III, Item 12 of our Annual Report on Form 10-K.

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Item 6. Selected Financial Data

The following selected financial and operating data are derived from our consolidated financial statements and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7 and our Consolidated Financial Statements included in Item 8. The selected financial information for fiscal years ended 2012, 2011, and 2010 have been restated to reflect adjustments to our consolidated financial statements which are included in our Annual Report on Form 10-K for the year ended September 30, 2013. The consolidated income statement data for fiscal years 2013, 2012, 2011 and 2010 reflects the results of FCStone, which was acquired on September 30, 2009. The consolidated income statement data for fiscal 2009 does not include the historical results of FCStone. The selected consolidated balance sheet information reflects the financial condition of INTL after the FCStone transaction.

Selected Summary Financial Information (U.S. GAAP)

	Year Ended September 30,				
(in millions, except share and per share amounts)	2013	2012 (As Restated)	2011 (As Restated)	2010 (As Restated)	2009
Operating revenues	$478.4	$454.2	$419.1	$267.1	$90.6
Transaction-based clearing expenses	110.1	105.4	75.6	66.4	11.9
Introducing broker commissions	40.5	31.0	24.0	18.9	—
Interest expense	12.5	11.6	11.3	9.9	8.0
Net operating revenues	315.3	306.2	308.2	171.9	70.7
Compensation and other expenses:					
Compensation and benefits	201.6	202.4	176.6	104.2	40.2
Communication and data services	23.3	22.6	15.5	11.1	2.1
Occupancy and equipment rental	12.0	11.0	8.9	6.2	1.1
Professional fees	13.1	12.9	10.6	8.1	2.2
Travel and business development	10.7	11.2	8.9	6.3	1.9
Depreciation and amortization	8.0	7.2	4.7	1.6	0.8
Bad debts and impairments	0.8	1.5	6.2	5.8	3.0
Other	23.2	21.6	21.4	12.6	6.1
Total compensation and other expenses	292.7	290.4	252.8	155.9	57.4
Income from continuing operations, before tax	22.6	15.8	55.4	16.0	13.3
Income tax expense	3.3	3.1	20.9	5.7	2.6
Income (loss) from discontinued operations, net of tax	—	—	0.2	0.6	(1.1)
Income before extraordinary (loss) income	19.3	12.7	34.7	10.9	9.6
Extraordinary (loss) income	—	—	—	(7.0)	18.5
Net income	19.3	12.7	34.7	3.9	28.1
Add: Net loss (income) attributable to noncontrolling interests	—	0.1	0.1	0.3	(0.5)
Net income attributable to INTL FCStone Inc. common stockholders	$19.3	$12.8	$34.8	$4.2	$27.6
Earnings per share:					
Basic	$1.01	$0.67	$1.93	$0.24	$3.11
Diluted	$0.97	$0.64	$1.83	$0.23	$2.80
Number of shares:					
Basic	18,443,233	18,282,939	17,618,085	17,306,019	8,895,697
Diluted	19,068,497	19,156,899	18,567,454	17,883,233	10,182,586
Selected Balance Sheet Information:					
Total assets	$2,848.0	$2,953.0	$2,632.0	$2,019.8	$1,555.7

Convertible notes	$—	$—	$—	$16.7	$16.7
Stockholders’ equity	$335.4	$313.2	$292.6	$240.1	$238.8

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Adjusted Non-GAAP Financial Information (Unaudited)

	Year Ended September 30,				
(in millions, except employees)	2013	2012 (As Restated)	2011 (As Restated)	2010 (As Restated)	2009
Adjusted Non-GAAP Data (Unaudited):					
Adjusted operating revenues:					
Operating revenues	$478.4	$454.2	$419.1	$267.1	$90.6
Marked-to-market adjustment (non-GAAP)	(11.1)	6.8	(8.4)	6.0	6.9
Adjusted operating revenues (non-GAAP)	$467.3	$461.0	$410.7	$273.1	$97.5
Adjusted net operating revenues:					
Net operating revenues	$315.3	$306.2	$308.2	$171.9	$70.7
Marked-to-market adjustment (non-GAAP)	(11.1)	6.8	(8.4)	6.0	6.9
Adjusted net operating revenues (non-GAAP)	$304.2	$313.0	$299.8	$177.9	$77.6
Adjusted income from continuing operations:					
Income from continuing operations, before tax	$22.6	$15.8	$55.4	$16.0	$13.3
Marked-to-market adjustment (non-GAAP)	(11.1)	6.8	(8.4)	6.0	6.9
Adjusted income from continuing operations, before tax (non-GAAP)	$11.5	$22.6	$47.0	$22.0	$20.2
Adjusted net income attributable to INTL FCStone Inc. common stockholders:					
Net income attributable to INTL FCStone Inc. common stockholders[(a)]	$19.3	$12.8	$34.8	$4.2	$27.6
Marked-to-market adjustment (non-GAAP)	(11.1)	6.8	(8.4)	6.0	6.9
Tax effect at blended rate of 37.5%	4.2	(2.6)	3.2	(2.3)	(2.5)
Adjusted net income attributable to INTL FCStone Inc. common stockholders (non-GAAP)	$12.4	$17.0	$29.6	$7.9	$32.0
Adjusted stockholders' equity:					
Stockholders' equity[(a)]	$335.4	$313.2	$292.6	$240.1	$238.8
Cumulative marked-to-market adjustment (non-GAAP)	4.3	15.4	8.6	17.0	11.0
Tax effect at blended rate of 37.5%	(1.6)	(5.8)	(3.2)	(6.4)	(4.1)
Adjusted stockholders' equity (non-GAAP)	$338.1	$322.8	$298.0	$250.7	$245.7
Return on average adjusted stockholders' equity (non-GAAP)[(b)]	3.8%	5.5%	10.8%	6.0%	16.0%
Other Data:					
Employees [(c)]	1,094	1,074	904	729	625
Compensation and benefits as a percentage of adjusted operating revenues	43.1%	43.9%	43.0%	38.2%	41.2%

(a) Net income and stockholders' equity for fiscal 2010 includes a $7.0 million extraordinary loss resulting from purchase price adjustments and the correction of immaterial errors related to the FCStone transaction. Net income and stockholders' equity for fiscal 2009 includes an $18.5 million extraordinary gain related to the FCStone transaction.

(b) Return on average adjusted stockholders' equity for fiscal 2010 excludes the effect of the $7.0 million extraordinary loss resulting from purchase price adjustments and the correction of immaterial errors related to the FCStone transaction. Return on average adjusted stockholders' equity for fiscal 2009 excludes the effect of an $18.5 million extraordinary gain related to the FCStone transaction.

(c) The number of employees listed in fiscal 2009 includes the number of employees of FCStone as of September 30, 2009.

As discussed in previous filings and elsewhere in this Form 10-K, U.S. GAAP requires us to carry derivatives at fair value but physical commodities inventory at the lower of cost or fair value. These requirements may have a significant temporary impact on our reported earnings. Under U.S. GAAP, gains and losses on commodities inventory and derivatives which we intend to be offsetting are often recognized in different periods. Additionally, in certain circumstances, U.S. GAAP does not permit us to

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reflect changes in estimated values of forward commitments to purchase and sell commodities. In such circumstances, the forward commitments to purchase and sell commodities, which we do not reflect in the consolidated balance sheets, do not qualify as a derivative under the Derivatives and Hedging Topic of the ASC.

For these reasons, management primarily assesses our operating results on a marked-to-market basis. Management relies on these adjusted operating results to evaluate the performance of our physical commodities businesses and its personnel.

The Unaudited Adjusted Data in the table above reflect our adjusted operating revenues, adjusted net operating revenues, adjusted net income and adjusted stockholders' equity, which have been adjusted to reflect the marked-to-market differences in our physical commodities businesses during each period (in the case of operating revenues, net operating revenues and net income) and the cumulative differences (in the case of stockholders' equity). We have also included the estimated tax liability which would have been incurred as a result of these adjustments, utilizing a blended tax rate of 37.5%.

Adjusted operating revenues, adjusted net operating revenues, adjusted income from continuing operations, before tax, adjusted net income, and adjusted stockholders' equity are financial measures that are not recognized by U.S. GAAP, and should not be considered as alternatives to operating revenues, net operating revenues, net income or stockholders' equity calculated under U.S. GAAP or as an alternative to any other measures of performance derived in accordance with U.S. GAAP. We have included these non-GAAP financial measures because we believe that they permit investors to make more meaningful comparisons of performance between the periods presented. In addition, these non-GAAP measures are used by management in evaluating our performance.

We determine the fair value of physical commodities inventory on a marked-to-market basis by applying quoted market prices to the inventory we own on the balance sheet date. In our precious metals business, we obtain the closing COMEX nearby futures price for the last business day of the month and then adjust that price to reflect an exchange for physical transaction, utilizing bids obtained from one or more market participants. In our base metals business, for copper inventory, we obtain the closing COMEX or LME nearby futures price and then adjust that price to reflect any freight charges to the relevant delivery point. For our lead inventory, we obtain the closing LME nearby futures month price and then adjust that price to reflect any tolling and freight charges to the relevant delivery point. If inventories were required to be valued using fair value instead of under U.S. GAAP at the lower of cost or market, our physical commodities inventory would be classified as Level 2 assets using the Fair Value Measurements and Disclosures Topic of the ASC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read together with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this Annual Report on Form 10-K. Certain statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements that involve known and unknown risks and uncertainties, many of which are beyond our control. Words such as "may", "will", "should", "would", "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates" and similar expressions identify such forward-loo statements. The forward-looking statements contained herein are based on current expectations and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Factors that might cause such a difference include, among other things, those set forth under "Risk Factors" and those appearing elsewhere in this Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting forward-looking statements. Readers are cautioned that any forward-looking statements are not guarantees of future performance.

Restatement of Previously Issued Financial Statements

As discussed further in Notes 2 and 21 of the "Notes to Consolidated Financial Statements" contained in Item 8 of this Form 10-K, we are restating consolidated financial statements and other information for the fiscal years ended September 30, 2012 and 2011, certain financial information for the year ended September 30, 2010, and for each of the quarters in the fiscal year ended September 30, 2012. Management identified a material weakness in internal control over financial reporting that existed as of September 30, 2013, related to the accurate and timely accounting for certain principal over-the-counter derivative trading activities. Specifically, controls over the reconciliation between trading system data and the general ledger were not designed and operating effectively to timely detect errors in recording trading gains to the general ledger. As a result of this material weakness, we misstated certain principal over-the-counter derivative trading activities during the reporting periods of October 1, 2010 through September 30, 2013. Our corrections related to these errors in aggregate resulted in a reduction in net income of $5.9 million collectively for the years ended September 30, 2012, 2011, and 2010. The correction of these errors had no impact on the net cash flows related to operating activities, investing activities, or financing activities in our previously reported consolidated statements of cash flows for the fiscal years ended September 30, 2012 and 2011.

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See Note 2 of the Notes to Consolidated Financial Statements for further detail. Also, see “Controls and Procedures” included in Part II, Item 9A of this Form 10-K.

Overview

INTL FCStone Inc. and its consolidated subsidiaries form a financial services group employing nearly 1,100 people in offices in eleven countries. Our 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; and debt origination and asset management.

We provide these services to a diverse group of more than 20,000 accounts, representing approximately 11,000 consolidated customers located in more than 100 countries, including producers, processors and end-users of nearly all widely-traded physical commodities; commercial counterparties who are end-users of our products and services; governmental and non-governmental organizations; and commercial banks, brokers, institutional investors and major investment banks.

As discussed in Item 6 - Selected Financial Data, U.S. GAAP requires us to carry derivatives at fair value but physical commodities inventory at the lower of cost or fair value. These requirements may have a significant temporary impact on our reported earnings. Under U.S. GAAP, gains and losses on commodities inventory and derivatives which we intend to be offsetting are often recognized in different periods. Additionally, in certain circumstances, U.S. GAAP does not permit us to reflect changes in estimated values of forward commitments to purchase and sell commodities. For these reasons, management primarily assesses our operating results on a marked-to-market basis. Management relies on these adjusted operating results to evaluate the performance of our physical commodities businesses and its personnel, as well as our overall performance. Additionally, we focus on mitigating exposure to market risk, ensuring adequate liquidity to maintain daily operations and making non-interest expenses variable, to the greatest extent possible.

Recent Events Affecting the Financial Services Industry

The Dodd-Frank Act created a comprehensive new regulatory regime governing the OTC and listed derivatives markets and their participants by requiring, among other things: centralized clearing of standardized derivatives (with certain stated exceptions); the trading of clearable derivatives on swap execution facilities or exchanges; and registration and comprehensive regulation of new categories of market participants as “swap dealers” and swap “introducing brokers.” We registered our subsidiary, INTL FCStone Markets, LLC, as a swap dealer on December 31, 2012. Most of the rules affecting this business have now been finalized, and external business conduct rules came into effect on May 1, 2013. Nevertheless, some important rules, such as those setting capital and margin requirements, have not been finalized or fully implemented, and it is too early to predict with any degree of certainty how we will be affected. We will continue to monitor all applicable developments in the implementation of the Dodd-Frank Act. The legislation and implementing regulations affect not only us, but also many of our customers and counterparties.

In addition, in light of the bankruptcy filing of MF Global and actions taken by the CFTC to freeze assets of Peregrine Financial Group, on November 14, 2013, the CFTC finalized new rules known as “Enhancing Customer Protections Rules.” These provisions, among other things, require enhanced customer protections, risk management programs, internal monitoring and controls, capital and liquidity standards, customer disclosures, and auditing and examination programs for FCMs. These rules are effective January 13, 2014, however, certain provisions have alternative compliance dates which extend through December 31, 2018.

Fiscal 2013 Highlights

- Record operating revenues and adjusted operating revenues of $478.4 million and $467.3 million, respectively.
- Completed expansion and renewal of a three-year syndicated committed loan facility for $140.0 million.
- Completed our first debt offering with a $45.5 million offering of Senior Notes due in July 2020.
- Successfully registered INTL FCStone Markets, LLC as a swap dealer.
- Increased capacity of global payments business with a successful migration to a new technology platform.
- Successfully transferred the accounts and integrated the operations of Tradewire Securities, LLC.
-

Reached an agreement to transfer the accounts of First American Capital and Trading Corp. which is expected to close in the first quarter of fiscal 2014, which will add correspondent clearing service capabilities to our Securities segment.

Executive Summary

We experienced growth in both operating revenues and adjusted operating revenues during fiscal 2013 compared to fiscal 2012. Net operating revenues, which represent operating revenues net of transaction-based clearing expenses, introducing broker commissions and interest expense, increased $9.1 million to $315.3 million in fiscal 2013. However, adjusted net operating revenues declined $8.8 million primarily resulting from an increase in transaction-based clearing expenses in the Securities

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segment as well as an increase in introducing broker commissions in both the Securities and Clearing and Execution Services ("CES") segments.

All of our segments, with the exception of the Commodity and Risk Management Services ("C&RM") segment experienced operating revenue growth over both the prior year three-month and year-to-date periods. The C&RM and CES segments continue to be constrained by historically low interest rates. Interest income earned on customer deposits declined 14% to $5.5 million, even though average customer assets on deposit, which generate interest income for us increased $66.7 million over the prior fiscal year to $1.7 billion.

The decrease in our core C&RM operating revenues was primarily a result of declines in both exchange-traded and OTC transactional volumes in our soft commodities product line, which was constrained by the lingering effects of the consecutive droughts in the United States during 2011 and 2012 on the agricultural commodity markets.

During the quarter ended March 31, 2013, as a result of a change in management strategy in our base metals product line, we elected to pursue an exit of our physical base metals business through the sale and/or orderly liquidation of current open positions. During the following six months ended September 30, 2013, we completed a sale of a portion of the physical base metals open contract positions and the liquidation of the majority of the remaining physical base metals inventory, as well as all but two of the remaining open contract positions. The two remaining open contract positions will be fulfilled during January 2014, at which time we will reflect the physical base metals activities in the financial statements as discontinued operations. The liquidation of these outstanding positions in the six months ended September 30, 2013, as well as the performance of the physical base metals for fiscal 2013, contributed to a the decline in C&RM segment adjusted operating revenues. Additionally, on July 31, 2013, we elected to allow the $100.0 million credit facility, which supported this business, to expire without renewal, and the amount outstanding was repaid in full.

The declines in C&RM revenues have been partially offset by the continued growth in operating revenues generated by the LME metals team, acquired during the first quarter of fiscal 2012. We will continue to operate this component of our base metal business, which assists our commercial customers in the execution of hedging strategies in the financial base metals markets.

Operating revenues in our Foreign Exchange segment continued to increase, as the global payments product line added additional commercial banks and multi-national clients and successfully implemented a new technology platform which enables us to process increased volumes automatically, including smaller notional payments, without requiring the hiring of additional support personnel.

The Securities segment continued to show strong growth following the acquisition of the accounts of Tradewire Securities, LLC ("Tradewire Securities") in the first quarter of fiscal 2013, as well as revenue growth in the Argentina and Latin American debt trading businesses. Operating revenues in our Other segment continued to increase, as revenues in both commodity financing and physical commodity origination business grew compared to fiscal 2012.

Overall, net income in fiscal 2013 increased compared to the prior year, primarily as a result of the effect of realized gains on the sale of precious and base metals inventories which were carried at cost at September 30, 2012, which was below market value. Adjusted net income declined in fiscal 2013 compared to the prior year, primarily as a result of the decline in soft commodity product line revenues, the execution of the exit plan in the physical base metals business, as well as the increase in costs associated with the implementation of the Dodd-Frank Act legislation and other regulatory reform, primarily in the form of increased employee-related costs, which was partially offset by the $9.2 million gain recognized during the first quarter of fiscal 2013 on the sale of our shares in the LME and the Board of Trade of Kansas City, Missouri, Inc. ("KCBT"), following their acquisitions by the Hong Kong Exchanges & Clearing Limited and the Chicago Mercantile Exchange ("CME"), respectively.

The performance of the physical base metals activities resulted in pre-tax income of $1.4 million in fiscal 2013, including $1.9 million in contract termination costs incurred since March 31, 2013. On an adjusted, non-GAAP basis, the performance of the physical base metals activities, including the aforementioned contract termination costs, resulted in an adjusted, non-GAAP pre-tax loss of $10.0 million in fiscal 2013. While two open contract positions remain, which run off through January 2014, the exit of the physical base metals business was substantially completed by the end of fiscal 2013, including the elimination of the physical base metals trading team and certain operational support personnel.

During the fourth quarter of fiscal 2013, we successfully completed an offering of $45.5 million aggregate principal amount of our 8.5% Senior Notes due in July 2020. This note offering, which was the first public debt offering in our history, provided a more diversified capital structure by adding medium term debt instruments to the Company's publicly traded common shares and committed bank credit facilities.

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Results of Operations

Set forth below is our discussion of the results of our operations, as viewed by management, for the fiscal years ended 2013, 2012 and 2011. This discussion refers to both U.S. GAAP results and adjusted non-GAAP marked-to-market information, in accordance with the information presented in Item 6, Selected Financial Data. For the Foreign Exchange, Securities and CES segments, there are no differences between the U.S. GAAP results and the adjusted non-GAAP marked-to-market results. The C&RM and Other segments have differences between the U.S. GAAP results and the adjusted non-GAAP marked-to-market results. This means that there are differences between the U.S. GAAP basis and the non-GAAP marked-to-market basis total operating revenues, total net operating revenues, total contribution and net income. Please note that any term below that contains the word 'adjusted' refers to non-GAAP, marked-to-market information.

The discussion below relates only to continuing operations. All revenues and expenses, including income tax expense, relating to discontinued operations have been removed from disclosures of total revenues and expenses in all periods and are reflected net, in income from discontinued operations.

Financial Overview

The following table shows an overview of our financial results:

Financial Overview (Unaudited)

	Year Ended September 30,				
(in millions)	2013	% Change	2012	% Change	2011
			(As Restated)		(As Restated)
Operating revenues	$478.4	5 %	$454.2	8 %	$419.1
Marked-to-market adjustment (non-GAAP)	(11.1)	n/m	6.8	n/m	(8.4)
Adjusted operating revenues (non-GAAP)	467.3	1 %	461.0	12 %	410.7
Transaction-based clearing expenses	110.1	4 %	105.4	39 %	75.6
Introducing broker commissions	40.5	31 %	31.0	29 %	24.0
Interest expense	12.5	8 %	11.6	3 %	11.3
Adjusted net operating revenues (non-GAAP)	304.2	(3)%	313.0	4 %	299.8
Compensation and other expenses	292.7	1 %	290.4	15 %	252.8
Adjusted income from continuing operations, before tax (non-GAAP)	$11.5	(49)%	$22.6	(52)%	$47.0
Reconciliation of net operating revenues from GAAP to adjusted, non-GAAP numbers:					
Net operating revenues	$315.3		$306.2		$308.2
Marked-to-market adjustment (non-GAAP)	(11.1)		6.8		(8.4)
Adjusted net operating revenues (non-GAAP)	$304.2		$313.0		$299.8
Reconciliation of income from continuing operations, before tax from GAAP to adjusted, non-GAAP numbers:					
Income from continuing operations before tax	$22.6		$15.8		$55.4
Marked-to-market adjustment (non-GAAP)	(11.1)		6.8		(8.4)
Adjusted income from continuing operations, before tax (non-GAAP)	$11.5		$22.6		$47.0

Operating Revenues

Year Ended September 30, 2013 Compared to Year Ended September 30, 2012

Our operating revenues under U.S. GAAP for fiscal 2013 and fiscal 2012 were $478.4 million and $454.2 million, respectively. This $24.2 million, or 5% increase in operating revenue primarily resulted from the $21.2 million increase in the Securities segment. A $20.8 million decline in C&RM segment operating revenues was nearly offset by a $7.0 million increase in the CES segment, a $5.1 million increase in the Other segment, a $4.3 million increase in the Foreign Exchange segment as well as a $9.2 million realized gain on the sale of shares of the LME and KCBT in the first quarter of fiscal 2013.

Our adjusted operating revenues were $467.3 million in fiscal 2013 compared with $461.0 million in fiscal 2012, an increase of $6.3 million, or 1%. The only difference between operating revenues and adjusted operating revenues, a non-GAAP measure, is

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the gross marked-to-market adjustment of $(11.1) million and $6.8 million for fiscal 2013 and fiscal 2012, respectively. The gross marked-to-market adjustment only affects the adjusted operating revenues in the C&RM and Other segments. Adjusted operating revenues decreased by $40.2 million in the C&RM segment, while Other segment adjusted operating revenues increased $6.6 million as compared to the prior year. Adjusted operating revenues are identical to operating revenues in all other segments.

Operating revenues declined in the C&RM segment, primarily as a result of a 26% decline in OTC contract volumes in the soft commodities product line, primarily in Brazil, Mexico and Latin America, which contributed to a $35.8 million decrease in OTC revenues, while exchange-traded revenues declined only $0.6 million despite a 9% decrease in exchange-traded volumes, as the prior year was affected by lost revenues from customers introduced to MF Global. This decline in soft commodities operating revenues was partially offset by increases in precious metals and physical base metals of $3.8 million and $4.2 million, respectively, driven by higher metals prices. In addition, operating revenues in the ongoing LME metals team increased $7.7 million compared to the prior year.

While operating revenues in the precious metals and physical base metals businesses increased over the prior year, adjusted operating revenues in those product lines declined $1.3 million and $10.1 million, respectively, compared with the prior year. There is no difference between operating revenues and adjusted operating revenues in the soft commodity and LME metals product lines.

Operating revenues in the Foreign Exchange segment in fiscal 2013 increased primarily as a result of higher volumes in the global payments business which contributed to a $1.9 million increase in operating revenues, while increased activity from Brazilian customers drove a $2.0 million increase in customer hedging foreign exchange revenues. Operating revenues increased $1.5 million from increased trading activity from institutional clients in our foreign exchange prime brokerage business, however this was partially offset by a $1.2 million decline in operating revenues in the foreign exchange arbitrage business.

Operating revenues in the Securities segment increased as a result of a $14.0 million increase in equity market-making operating revenues, driven by $9.0 million in revenue contributed by the transfer of accounts from Tradewire Securities in the first quarter of fiscal 2013. In addition, debt capital markets operating revenues increased $7.2 million as a result of increased business activity with our Latin and South American customers as well as increased investment banking activity.

An increase in the average commission rate per contract in the CES segment drove a $7.0 million increase in operating revenues in the CES segment on relatively flat volumes, however interest income earned on customer margin deposits in this segment continues to be constrained by historically low short-term interest rates.

Operating revenues and adjusted operating revenues in the Other segment increased by $5.1 million and $6.6 million, driven by continued growth in our grain financing and physical commodity origination product lines as well as increased asset management revenues. See Segment Information below for additional information on activity in each of the operating segments.

In fiscal 2013, operating revenues include realized gains of $1.4 million and unrealized losses of $1.3 million on interest rate swap derivative contracts used to manage a portion of our aggregate interest rate position. In fiscal 2012, operating revenues included realized gains of $2.5 million and unrealized losses of $1.1 million on interest rate swap derivative contracts. These interest rate swaps were not designated for hedge accounting treatment, and changes in the fair values of the interest rate swaps, which can be volatile and can fluctuate from period to period, are recorded in earnings on a quarterly basis. The last remaining interest rate swap expired in the fourth quarter of fiscal 2013.

Year Ended September 30, 2012 Compared to Year Ended September 30, 2011

Our operating revenues under U.S. GAAP for fiscal 2012 and fiscal 2011 were $454.2 million and $419.1 million, respectively. This 8% increase in operating revenue was primarily driven by 42% and 31% increases in the CES and Securities segments, respectively. In addition, there were increases in operating revenues of 6% in the Foreign Exchange segment and 9% in the Other segment, which were partially offset by a 2% decrease in the operating revenues in the C&RM segment compared to the prior year.

Our adjusted operating revenues were $461.0 million in fiscal 2012, compared with $410.7 million in fiscal 2011, an increase of $50.3 million, or 12%. The only difference between operating revenues and adjusted operating revenues, a non-GAAP measure, is the gross marked-to-market adjustment of $6.8 million and $(8.4) million for fiscal 2012 and fiscal 2011, respectively. The gross marked-to-market adjustment only affects the adjusted operating revenues in the C&RM and Other segments. Adjusted operating revenues increased 3% and 15% in the C&RM and Other segments, respectively, compared to the prior year. Adjusted operating revenues are identical to operating revenues in all other segments.

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Operating revenues decreased slightly in the C&RM segment in fiscal 2012, primarily due to $14.4 million decrease in operating revenues in the precious metals product line due to a tightening of spreads and a decrease in the number of ounces traded caused by low market volatility. Adjusted operating revenues in the precious metals product line decreased $7.3 million in fiscal 2012 compared to the prior year. Operating revenues and adjusted operating revenues in our base metals product line increased $7.6 million and $14.8 million, respectively, primarily as a result of the addition of the LME metals team in the first quarter of fiscal 2012. The LME metals team added $21.8 million in both operating and adjusted operating revenues in fiscal 2012.

In the C&RM segment, operating revenues in the soft commodity product line were relatively unchanged in fiscal 2012 compared to the prior year at $203.4 million, as a $1.8 million decline in exchange-traded commission and clearing fee revenue and a $2.8 million decline in interest income were nearly offset by increases in both OTC and consulting fee revenues. The decline in exchange-traded commission and clearing fee revenues was primarily related to lost revenues from clients introduced to MF Global during the first quarter of 2012, while interest income continued to be constrained by slightly lower customer deposits and lower short-term interest rates. OTC volumes increased 38% over the prior year, resulting from drought-related agricultural commodity volatility as well as strong volume growth in Mexico, Latin America and Europe.

Operating revenues in the Foreign Exchange segment in fiscal 2012 increased primarily as a result of higher volumes in the global payments business and higher commercial hedging activity, most notably in Brazil, as well as increased trading activity in our customer prime brokerage business. These increases were partially offset by a 30% decrease in operating revenues in the foreign exchange arbitrage business.

Operating revenues in the Securities segment in fiscal 2012 benefited from an increase in demand from customers of our equities market-making product line, as the overall industry volumes recovered, as well as a $4.5 million increase in operating revenues in the debt capital markets product line driven by increased activity in our Argentina operations.

Operating revenues in the CES segment increased 42%, driven by a 67% increase in exchange-traded volumes primarily attributable to accounts transferred from MF Global. However, operating revenues in this segment were constrained by low short-term interest rates.

Operating revenues and adjusted operating revenues in the Other segment increased by 9% and 15%, respectively. These increases were primarily caused by the expansion of our grain financing and physical commodity origination product lines, which were partially offset by lower asset management revenues. See Segment Information below for additional information on activity in each of the operating segments.

In 2012, operating revenues include realized gains of $2.5 million and unrealized losses of $1.1 million on interest rate swap derivative contracts used to manage a portion of our aggregate interest rate position. In 2011, operating revenues included realized gains of $4.2 million and unrealized losses of $0.2 million on interest rate swap derivative contracts. These interest rate swaps were not designated for hedge accounting treatment, and changes in the fair values of these interest rate swaps, which can be volatile and can fluctuate from period to period, were recorded in earnings on a quarterly basis. As of September 30, 2012, $765 million in notional principal of interest rate swaps were outstanding with a weighted-average remaining life of 6 months.

Interest and Transactional Expenses

Year Ended September 30, 2013 Compared to Year Ended September 30, 2012

Transaction-based clearing expenses: Transaction-based clearing expenses increased 4% from $105.4 million in fiscal 2012 to $110.1 million in fiscal 2013, and were 24% of adjusted operating revenues in fiscal 2013 compared to 23% in fiscal 2012. This increase in expense is primarily related to higher ADR conversion and exchange fees in the Securities segment activities, resulting from internal revenue growth as well as the acquisition of the accounts of Tradewire Securities in the Securities segment.

Introducing broker commissions: Introducing broker commissions increased 31% from $31.0 million in fiscal 2012 to $40.5 million in fiscal 2013. This increase is primarily due to the addition of several new introducing broker relationships, particularly in our CES segment, that followed the bankruptcy filing of MF Global in October 2011. Additionally, expanded activities through our acquisitions of the LME metals team and the accounts of Tradewire Securities have resulted in an increase in introducing broker commission expenses.

Interest expense: Interest expense increased from $11.6 million during fiscal 2012 to $12.5 million during fiscal 2013. This increase is primarily due to higher average outstanding borrowings during fiscal 2013 compared to fiscal 2012, on our loan facilities used for working capital needs and commodity financing and facilitation. On July 22, 2013, we completed the offering of $45.5 million aggregate principal amount of our 8.5% Senior Notes due July 2020, which added $0.8 million of interest expense in fiscal 2013, partially offset by the expiration of a credit facility used for physical base metals activities.

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Year Ended September 30, 2012 Compared to Year Ended September 30, 2011

Transaction-based clearing expenses: Transaction-based clearing expenses increased 39% from $75.6 million in fiscal 2011 to $105.4 million in fiscal 2012, and were 23% of adjusted operating revenues in fiscal 2012 compared to 18% in fiscal 2011. This increase in expense was primarily due to a 59% increase in exchange-traded customer volume, a 38% increase in OTC trading volumes in the C&RM segment in the Hanley Companies, as well as an increase in trading volume in our equities market-making business and activity from the acquisitions of Ambrian Commodities Limited and TRX Futures Limited.

Introducing broker commissions: Introducing broker commissions increased by 29% from $24.0 million in fiscal 2011 to $31.0 million in fiscal 2012. This increase was primarily due to an increase in exchange-traded volumes from our introducing brokers, particularly in our CES segment as several new introducing broker relationships were opened following the bankruptcy filing of MF Global in October 2011.

Interest expense: Interest expense increased from $11.3 million in fiscal 2011 to $11.6 million in fiscal 2012. This increase was due to increases in the average borrowings on our credit facilities, primarily related to base metals activities, during fiscal 2012. The increase was partially offset by a decrease in interest paid to customers, impact from the interest rate swaps discussed below and the result of the conversion of the remaining balance of our convertible subordinated debt in September 2011.

In fiscal 2008, we entered into two three-year interest rate swaps for a total notional value of $100 million, which were originally designated as cash flow hedges. We previously discontinued hedge accounting for one of the swaps. We discontinued hedge accounting for the remaining swap during fiscal 2011, which resulted in reclassifying a portion of the deferred loss to earnings during the year. The effective portion of the change in cash flows from the interest rate swaps had the effect of increasing our reported interest expense by $1.0 million during fiscal 2011. During fiscal 2011, both interest rate swap contracts, each with a notional value of $50 million, matured.

Net Operating Revenues

Net operating revenues is one of the key measures used by management to assess the performance of our operating segments. Net operating revenue is calculated as operating revenue less transaction-based clearing expenses, introducing broker commissions and interest expense. Transaction-based clearing expenses represent variable expenses paid to executing brokers, exchanges, clearing organizations and banks in relation to our transactional volumes. Introducing broker commissions include commission paid to non-employee third parties that have introduced customers to us. Net operating revenues represent revenues available to pay variable compensation to risk management consultants, traders and administrative employees as well as non-variable expenses.

Year Ended September 30, 2013 Compared to Year Ended September 30, 2012

Net operating revenues increased $9.1 million, or 3%, to $315.3 million in fiscal 2013 compared to the prior year. Adjusted net operating revenues declined $8.8 million, or 3%, to $304.2 million in fiscal 2013 compared to the prior year.

Year Ended September 30, 2012 Compared to Year Ended September 30, 2011

Net operating revenues declined $2.0 million, or 1%, to $306.2 million in fiscal 2012 compared to the prior year. Adjusted net operating revenues increased $13.2 million, or 4%, to $313.0 million in fiscal 2012 compared to the prior year.

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Compensation and Other Expenses

The following table shows a summary of expenses, other than interest and transactional expenses.

	Year Ended September 30,				
(in millions)	2013	% Change	2012	% Change	2011
Compensation and benefits:					
Fixed compensation and benefits	$113.4	9 %	$104.5	38 %	$75.8
Variable compensation and benefits	88.2	(9)%	97.9	(3)%	100.8
	201.6	— %	202.4	15 %	176.6
Other non-compensation expenses:					
Communication and data services	23.3	3 %	22.6	46 %	15.5
Occupancy and equipment rental	12.0	9 %	11.0	24 %	8.9
Professional fees	13.1	2 %	12.9	22 %	10.6
Travel and business development	10.7	(4)%	11.2	26 %	8.9
Depreciation and amortization	8.0	11 %	7.2	53 %	4.7
Bad debts and impairments	0.8	(47)%	1.5	(76)%	6.2
Other expense	23.2	7 %	21.6	1 %	21.4
	91.1	4 %	88.0	15 %	76.2
Total compensation and other expenses	$292.7	1 %	$290.4	15 %	$252.8

Year Ended September 30, 2013 Compared to Year Ended September 30, 2012

Compensation and Other Expenses: Compensation and other expenses increased by 1% from $290.4 million in fiscal 2012 to $292.7 million in fiscal 2013.

Compensation and Benefits: Total compensation and benefits expenses decreased modestly from $202.4 million to $201.6 million in fiscal 2013 compared to fiscal 2012. Total compensation and benefits were 64% of net operating revenues and 66% of adjusted net operating revenues in fiscal 2013 compared to 66% of net operating revenues and 65% of adjusted net operating revenues in fiscal 2012. The variable portion of compensation and benefits decreased 9% from $97.9 million in fiscal 2012 to $88.2 million in fiscal 2013, primarily related to a 3% decrease in adjusted net operating revenues. Administrative and executive incentive compensation was $11.5 million in fiscal 2013 compared to $14.1 million in fiscal 2012.

The fixed portion of compensation and benefits increased 9% from $104.5 million in fiscal 2012 to $113.4 million in fiscal 2013, related to increases in non-variable salaries, share-based compensation and other employee benefits. Non-variable salaries increased $2.9 million, or 4%, primarily related to the acquisition of the LME metals team, TRX Futures Limited and the accounts of Tradewire Securities, as well as staffing additions across administrative departments, primarily in compliance, information technology development and credit and risk departments. Share-based compensation includes stock option and restricted stock expense. Stock option expense was $1.9 million in fiscal 2013 compared to $1.4 million in fiscal 2012. Restricted stock expense includes a proportion of the current year's, as well as the previous years', bonuses allocated to restricted stock awards, as the awards are deferred and expensed ratably over their three year vesting period. Restricted stock expense was $7.4 million in fiscal 2013 compared to $4.5 million in fiscal 2012. The increase in restricted stock expense is primarily related to the acceleration of expense in the fourth quarter, resulting from the retirement of an executive of one of our wholly owned subsidiaries. The number of employees increased 2%, from 1,074 at the end of fiscal 2012 to 1,094 at the end of fiscal 2013.

Other Non-Compensation Expenses: Other non-compensation expenses increased by 4% from $88.0 million in fiscal 2012 to $91.1 million in fiscal 2013. Communication and data services expenses increased $0.7 million, primarily due to increases in market information expenses and trading software costs following the acquisitions of the LME metals team, TRX Futures Limited and the accounts of Tradewire Securities, as well as higher costs related to trade system conversions. Occupancy and equipment rental increased $1.0 million, primarily related to international office space rental and related costs. Depreciation and amortization increased $0.8 million, primarily due to the increase in depreciation of additional information technology infrastructure and software placed into service during fiscal 2013

and fiscal 2012.
Bad debts and impairments decreased $0.7 million year-over-year. During fiscal 2013, bad debts and impairments were $0.8 million and included $0.1 million of impairment charges on intangible assets and $0.7 million of bad debt expense, net of recoveries of $0.1 million. During fiscal 2012, bad debts and impairments were $1.5 million and included $0.8 million of impairment charges on intangible assets, previously determined to have indefinite lives, and $0.7 million of bad debt expense, net of recoveries of $0.1 million.

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Other expense increased $1.6 million, primarily related to an increase in non-trading technology costs and a regulatory settlement of $1.5 million incurred during fiscal 2013 - See Note 12 to the Consolidated Financial Statements.
Provision for Taxes: The effective income tax rate on a U.S. GAAP basis was 15%, in fiscal 2013, compared to 18% in fiscal 2012. The effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings. In fiscal 2013, we released a portion of the valuation allowance for state net operating loss carryforwards and changed our state tax rate, resulting in a decrease in the effective tax rate. Generally, when the percentage of pretax earnings generated from the U.S. decreases, our effective income tax rate decreases.
Year Ended September 30, 2012 Compared to Year Ended September 30, 2011
Compensation and Other Expenses: Compensation and other expenses increased by 15% from $252.8 million in fiscal 2011 to $290.4 million in fiscal 2012.
Compensation and Benefits: Total compensation and benefits expense increased 15% from $176.6 million to $202.4 million in fiscal 2012 compared to fiscal 2011. Total compensation and benefits were 66% of net operating revenues and 65% of adjusted net operating revenues in fiscal 2012 compared to 57% of net operating revenues and 59% of adjusted net operating revenues in fiscal 2011. The variable portion of compensation and benefits decreased 3% from $100.8 million in fiscal 2011 to $97.9 million in fiscal 2012, as an 8% increase in operating revenues compared to the prior year, was more than offset by a decrease in administrative and executive variable incentive compensation. Administrative and executive bonuses were $14.1 million, compared with $15.7 million in fiscal 2011.
The fixed portion of compensation and benefits increased 38% from $75.8 million in fiscal 2011 to $104.5 million in fiscal 2012, primarily as a result of the acquisition of Ambrian Commodities Limited, the LME metals team and TRX Futures Limited, as well as an expansion of investment banking and administrative departments, including information technology development, credit and risk, compliance and accounting departments. Share-based compensation includes stock option and restricted stock expense. Stock option expense was $1.4 million in fiscal 2012, compared with $0.6 million in fiscal 2011. Restricted stock expense includes a proportion of the current year's, as well as the previous years', bonuses allocated to restricted stock awards, as the awards are deferred and expensed ratably over their three year vesting period. Restricted stock expense was $4.5 million in fiscal 2012, compared with $1.7 million in fiscal 2011. The number of employees increased 19%, from 904 at the end of fiscal 2011 to 1,074 at the end of fiscal 2012, primarily as a result of acquisitions of the LME metals team and TRX Futures Limited.
Other Non-Compensation Expenses: Other non-compensation expenses increased by 15% from $76.2 million in fiscal 2011 to $88.0 million in fiscal 2012. Communication and data services expenses increased $7.1 million, primarily due to increases in market information expenses and trading software costs following the acquisitions of Hudson Capital Energy, Ambrian Commodities Limited, the LME metals team and TRX Futures Limited, as well as expansion of our soft commodities and foreign exchange activities. Occupancy and equipment rental increased $2.1 million, primarily as a result of the relocation of our London offices, in conjunction with the acquisitions of Ambrian Commodities Limited, the LME metals team and TRX Futures Limited. Depreciation and amortization increased $2.5 million, primarily due to the increase in depreciation of additional information technology software and infrastructure and leasehold improvements placed into service during fiscal 2012 and 2011.
Bad debts and impairments decreased $4.7 million year over year. During 2012, bad debts and impairments were $1.5 million and included $0.8 million of impairment charges on intangible assets previously determined to have indefinite lives and $0.7 million of bad debt expense, net of recoveries of $0.1 million. During 2011, bad debts and impairments were $6.2 million and included an impairment loss of $1.7 million related to the fair value adjustment of its investment in debentures for the single asset owning company of Suriwongse Hotel located in Chiang Mai, Thailand, originally issued in August 2008, in the Securities segment. Additionally, during fiscal 2011, the Company recorded bad debt expense, net of recoveries, of $4.5 million.
Other expense increased $0.2 million year-over-year, and included $2.0 million in expense during fiscal 2012 related to the revaluation of contingent liabilities related to potential additional consideration to be paid for the acquisitions of the RMI Companies, the Hanley Companies and Hencorp Futures, compared to $3.2 million during fiscal 2011. We also accrued additional contingent consideration during fiscal 2012 and 2011 of $0.4 million and $1.6 million, respectively, related to FCStone, LLC's pre-merger acquisitions of Downes & O'Neill, LLC and Globecot, Inc. Also, as

a result of previous acquisitions and expansion of our offices, primarily in London, Singapore and South America, business development and employee travel expenses increased $2.3 million in fiscal 2012 compared to the prior year.
Provision for Taxes: The effective income tax rate on a U.S. GAAP basis was 18%, in fiscal 2012, compared to 38% in fiscal 2011. The effective income tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings. In fiscal 2012, we had a loss from continuing operations, before tax attributable from U.S. jurisdictions, compared to 2011, where 42% of the income from continuing operations, before tax was attributable from U.S.

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jurisdictions. Generally, when the percentage of pretax earnings generated from the U.S. decreases, our effective income tax rate decreases.

Variable vs. Fixed Expenses

	Year Ended September 30,								
(in millions)	2013	% of Total		2012	% of Total		2011	% of Total	
Variable compensation and benefits	$88.2	20	%	$97.9	23	%	$100.8	29	%
Transaction-based clearing expenses	110.1	25	%	105.4	25	%	75.6	21	%
Introducing broker commissions	40.5	9	%	31.0	7	%	24.0	7	%
Total variable expenses	238.8	54	%	234.3					