GAIN Capital Holdings, Inc.
Form 10-K
March 17, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the Fiscal Year Ended December 31, 2015
OR

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

For the Transition Period from to .
Commission File Number 001-35008

GAIN CAPITAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-4568600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Bedminster One 135 Route 202/206 Bedminster, New Jersey	07921
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (908) 731-0700
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common stock, $0.00001	New York Stock Exchange

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No

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 the registrant’s knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting

company” in Rule 12b-2 of the Exchange Act.

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Large accelerated filer	¨	Accelerated filer	ý
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2015, was approximately $211 million.

As of March 11, 2016, the registrant had 48,561,528 shares of common stock, $0.00001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant's Definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year is incorporated by reference into Part III of this Form 10-K.

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GAIN Capital Holdings, Inc.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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PART I

FORWARD-LOOKING INFORMATION

In this Annual Report on Form 10-K, the words "GAIN," the "Company," "our," "we" and "us" refer to GAIN Capital Holdings, Inc. and, except as otherwise specified herein, to GAIN's subsidiaries. GAIN's fiscal year ended on December 31, 2015.

This Annual Report on Form 10-K contains a number of forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which GAIN operates and management's current beliefs and assumptions. Any statements contained herein (including without limitation statements to the effect that management or GAIN "believes," "expects," "anticipates," "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements and should be read in conjunction with the consolidated financial statements and notes to consolidated financial statements included in this report and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth in the section entitled "Item 1A – Risk Factors" below and discussed elsewhere herein. The risks and uncertainties described below are not the only ones we face. We expressly disclaim any obligation to update any forward-looking statements, except as may be required by law.

ITEM 1. BUSINESS

OVERVIEW

We are a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. Our retail, institutional and futures segments service customers in more than 180 countries worldwide, and we conduct business from our offices in Bedminster, New Jersey; Jersey City, New Jersey; London, England; Cornwall, England; Chicago, Illinois; Powell, Ohio; Grand Rapids, Michigan; Tokyo, Japan; Sydney, Australia; Beijing, China; Shanghai, China; Pembroke, Bermuda; Hong Kong, and Singapore.

We offer our customers access to a diverse range of over 12,500 financial products, including spot foreign exchange, or forex, and precious metals trading, as well as "contracts for difference", or CFDs, which are investment products with returns linked to the performance of underlying asset. We offer CFDs on currencies, commodities, indices, individual equities, bonds and interest rate products. We also support trading of exchange-traded futures and options on futures on more than 30 global exchanges. In the United Kingdom, we offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment for residents of that country.

We have invested considerable resources since our inception to develop our proprietary trading platforms to provide our customers with advanced price discovery, trade execution and order management functions, while improving our ability to acquire and service our customers efficiently, as well as manage market and credit risk associated with our customer's trading activity. Today our customers can trade through web-based, downloadable and mobile trading platforms and have access to innovative trading tools to assist them with research and analysis, automated trading and account management.

We operate our business in three segments. Through our retail segment, we provide our retail customers around the world with access to a diverse range of global financial markets, including spot forex, precious metals, spread bets and CFDs on commodities, indices, individual equities and interest rate products, as well OTC options on forex. Our institutional segment provides agency execution services and offers access to markets and self-directed trading in foreign exchange, commodities, equities, options and futures via our GTX platform. Our futures segment offers execution and risk management services for exchange-traded futures and futures options on major U.S. and European futures and options exchanges. Each of our operating segments is discussed in more detail below. For financial information regarding our segments, please see Note 22 to our audited consolidated financial statements included in this Annual Report.

As a global provider of online trading services, our results of operations are impacted by a number of external market factors, including market volatility and transaction volumes, competition, the regulatory environment in the various jurisdictions and markets in which we operate and the financial condition of the retail and institutional customers to whom we provide our services. These factors are not the only factors that impacted our results of operations for the most recent fiscal period, and

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additional or other factors may impact, or have different degrees of impact, on our results of operations in future periods. For financial information by geographic area, please see Note 22 to our audited consolidated financial statements included in this Annual Report.

As discussed in Note 2 to our audited consolidated financial statements under the heading "Restatement," we have restated our financial statements as of December 31, 2014 and for the years ending December 31, 2014 and 2013. The following table sets forth the restated key financial data and operating metrics for our business:

	Key Financial Data (in millions) Year Ended December 31,				
	2015	2014 (As Restated)	2013 (As Restated)	2012	2011
Net Revenue	$435.3	$369.2	$267.7	$151.8	$182
Net income applicable to Gain Capital Holdings, Inc.	$10.3	$24.9	$28.1	$2.6	$15.7
Adjusted net income[(1)]	$34.3	$30.9	$29.8	$4.3	$15.7

	Key Operating Metrics (Unaudited) Year Ended December 31,				
	2015	2014	2013	2012	2011
Retail					
OTC Trading Volume (billions)	$3,985.8	$2,430.5	$1,796.7	$1,303.4	$1,574.0
OTC Average Daily Volume (billions)	$15.4	$9.4	$6.9	$5.0	$6.0
Active OTC Accounts[(2)]	146,977	94,895	98,696	60,219	63,435
Client Assets (millions)	$920.6	$759.6	$739.3	$446.3	$310.4
Institutional					
Volume (billions)	$2,671.9	$3,183.7	$2,599.6	$1,493.8	$445.7
Average Daily Volume (billions)	$10.3	$12.7	$10.0	$5.7	$1.7
Futures					
Futures Contracts[(3)]	8,623,392	7,027,008	5,386,383	1,507,425	—
Futures Average Daily Contracts	34,356	28,108	21,460	18,383	—

(1) Adjusted net income is a non-GAAP financial measure and represents our net income excluding restructuring, acquisition and integration-related expenses, impairment on investment and gain on extinguishment of debt. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Key Income Statement Line Items and Key Operating Metrics” and “Reconciliation of Non-GAAP Financial Measures,” for discussion and reconciliation of non-GAAP financial measures.
(2) Represents accounts which executed a transaction over the last 12 months.
(3) Futures contracts represent the total number of contracts transacted by customers of our futures business.

Growth Strategies

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We intend to grow our business and increase our profitability principally by employing the following growth strategies:

- Continue to enhance our proprietary trading platforms and innovative trading tools in our retail, institutional and futures segments in order to attract customers and increase our market share;
- Strategically expand our operations and customer base through business acquisitions, investments and partnerships, such as our purchase of the entire issued and outstanding share capital of City Index (Holdings) Limited ("City Index"), a global online trading firm specializing in CFDs, forex and spread betting, which we completed on April 1, 2015;
- Expand our product offerings in order to facilitate clients' trading of our wide range of financial products and to generate more revenue per customer; and
- Identify and enter high-growth markets in order to expand our presence globally in markets where we believe there are large revenue opportunities.

Our Retail Segment

Our retail segment represented 79.8% of our net revenue for the year ended December 31, 2015. We conduct our retail business primarily through our FOREX.com and City Index brands. As of December 31, 2015, we had 173,738 funded retail accounts.

We provide our retail customers around the world with access to a diverse range of 12,500 global financial markets, including spot forex and precious metals trading, as well as “contracts for difference”, or CFDs, which are investment products with returns linked to the performance of underlying asset. We offer CFDs on currencies, commodities, indices, individual equities, bonds and interest rate products. In the United Kingdom, we offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment to residents of that country. We offer these products under the diverse regulatory environments in which we operate. For example, because of U.S. regulations, neither we, nor our subsidiaries, offer CFDs or spread bets in the United States or to U.S. residents.

We seek to attract and support our customers through direct and indirect channels. Our primary direct channels for our retail segment are our Internet websites, FOREX.com and Cityindex.com, which are available in multiple languages, including English, Chinese, Japanese, German and Arabic. Our indirect channel includes our relationships with introducing brokers, who solicit customers on our behalf, and white label partners, who offer our trading services to their customers under their own brand. Total retail trading volume sourced through direct and indirect channels was 51% and 49%, respectively, for the year ended December 31, 2015.

Our retail segment also includes Galvan Research and Trading, Ltd., or Galvan, which we acquired in 2014. Galvan, along with its subsidiaries, Galvan LLP and Faraday Research LLP, provides individual investors with professional advice and trading recommendations across a wide range of markets, including forex, individual equities, equity indices and other market sectors.

We generate revenue in our retail segment in two ways: (1) trading revenue from our market making activities for OTC products, earned principally from the bid/offer spread we offer our customers and any net gains and losses generated through changes in the market value of the currencies and other products held in our net exposure and (2) fees, including financing charges for positions held overnight, commissions on equity CFD trades and advisory services, and other account related fees.

In 2015, we generated approximately 86.3% of our retail segment trading volume from customers outside the United States. For a discussion of the risks associated with our retail segment operations outside the United States, please see "Item 1A. Risk Factors."

The following are the key components of our retail business:

Innovative trading tools

We have made significant investment in the development and support of our award-winning proprietary trading technology in order to provide our customers with an enhanced customer experience and multiple ways to trade and manage their accounts, tailored to their level of experience and preferred mode of access. In addition, we also selectively offer third party trading tools that we believe complement our proprietary offerings. We believe that our proprietary trading technology has and will continue to provide us with a significant competitive advantage because we have the ability to adapt quickly to our customers' changing needs, rapidly incorporate new products and features and offer our customers multiple ways to engage with us.

Competitive pricing and fast, accurate trade execution

For our OTC business, we have leveraged our extensive experience in the global OTC markets to develop highly automated processes, which allow us to deliver tight bid/offer spreads generally reflective of currently available pricing in the markets we offer and to execute our customers' trades quickly and efficiently.

In this regard, we have longstanding relationships with a large number of institutional liquidity providers, as well as access to multiple liquidity venues, which we believe allow us to offer our customers superior liquidity and more competitive pricing with tighter bid/offer spreads than many of our competitors. In addition, we have developed a proprietary pricing engine that electronically aggregates quotes from our liquidity sources based on the midpoint price between the available "best bid" and "best offer." This proprietary technology enables us to update our prices, on average three times a second for each market we offer, helping to ensure that our prices accurately reflect current market price levels. Our proprietary technology also enables us to provide our customers with high-speed trade execution. In 2015, we handled over 14 million trade requests through FOREX.com's proprietary platform and executed 99.9% of trades in less than one second, with an average execution speed of .05 seconds. We have established a set of standards we use to measure execution quality for FOREX.com, and we publish execution statistics on a monthly basis. The FOREX.com execution scorecard, which is available on our website, demonstrates our ability to provide fast, accurate trade executions, as well as our commitment to transparency in our business. We believe we are the only firm in our industry to voluntarily publish a monthly execution scorecard with the level of detail that we provide.

Automated customer onboarding and account management

We have developed proprietary technology to automate or otherwise facilitate operational functions that are core to our business and that we believe are important to our ability to deliver a superior customer experience. This includes a highly automated account opening and customer verification process, fast online account funding and withdrawals with a wide variety of automated payment methods, and on-demand delivery of customer information, such as account statements and other account-related reporting. We also offer account opening and funding functions on our mobile trading applications in order to provide a superior experience to the large number of customers who trade primarily through their mobile devices. Given the highly regulated and global nature of our business, these processes are customized to each regulatory jurisdiction in which we operate, and are further tailored to customer needs and preferences in specific countries in order to make it easier for clients in these countries to open accounts with us and then to fund and trade in those accounts. As a result, we have experienced a strong success at acquiring clients from countries in the world where we do not have a local office, particularly in the Middle East and Asia Pacific regions.

Sophisticated risk management

Because we are exposed to market and credit risk in connection with our retail trading activities, developing and maintaining robust risk management capabilities is a high priority.

We allow our customers to trade notional amounts greater than the funds they have on deposit with us through the use of leverage, making management of credit risk a key focus for us. The maximum leverage available to retail traders is generally set by the regulator in each jurisdiction. We manage customer credit risk through a combination of providing trading tools that allow our customers to avoid taking on excessive risk and automated processes that close customer positions in accordance with our policies, in the event that the funds in customers' accounts are not sufficient to hold their positions. For example, our customer trading platforms provide a real-time margin monitoring tool to enable customers to know when they are approaching their margin limits. If a customer's equity falls below the amount required to support one or more positions, we will automatically liquidate positions to bring the customer's account into margin compliance.

In addition, we actively monitor and assesses various market factors, including volatility and liquidity, and takes steps to address identified risks, such as proactively adjusting required customer margin (both initial and maintenance). For example, on January 15, 2015, the Swiss National Bank, or SNB, unexpectedly announced that it would move interest rates to -0.75% and abandon the 1.20 floor for EUR/CHF that it had previously maintained. The announcement led to unprecedented volatility in the Swiss franc, which negatively impacted many market participants. However, as part of our ordinary course risk management process, we had identified significant risk relating to EUR/CHF products and had increased client margin requirements to 5% in order to help mitigate the risk of negative client equity in the event the price floor was abandoned.

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When a retail customer executes a trade with us, the trade may be naturally hedged against an offsetting trade from another customer, hedged through an offsetting trade with one of our liquidity providers or may become part of our net exposure portfolio. For naturally hedged trades, we receive the entire bid/offer spread we offer our customers on the two offsetting transactions. For trades hedged with our liquidity providers, we earn the difference between the retail bid/offer spread we offer our customers and the wholesale bid/offer spread we receive from our liquidity providers. Customer trades in our net exposure portfolio are managed pursuant to our risk-management policies and procedures, including risk limits established by the Risk Committee of our Board of Directors, and we receive the net gains or losses generated through the management of our net exposure.

Our risk management policies and procedures have been developed to enable us to effectively manage our exposure to market risk, particularly in connection with the management of our net exposure. Our net exposure is evaluated each second and is continuously rebalanced throughout the trading day, thereby minimizing the risk we will be adversely affected by changes in the market prices of the products we hold. This real-time rebalancing of our portfolio enables us to curtail risk and to be profitable in both up and down market scenarios.

Our risk management policies and procedures are established and reviewed regularly by the Risk Committee of our Board of Directors. Our risk-management team monitors risk exposure continuously and updates senior management both informally over the course of the trading day and formally through real-time, intraday and end-of-day reporting. We do not actively initiate proprietary market positions in anticipation of future movements in the relative prices of the products we offer.

Customers

Our retail customers consist primarily of self-directed traders, who execute trades on their own behalf. A small percentage of our customers have engaged an intermediary to make trading decisions on their behalf.

Our typical self-directed customer is generally comfortable making trading decisions and is specifically interested in trading leveraged products, which generally have a higher risk/reward profile. For the year ended December 31, 2015, self-directed customers represented approximately 98.9% of our retail trading volume.

The intermediaries engaged by our managed account customers, which we refer to as authorized traders, include professional money managers, which trade a significant amount of aggregated customer funds, and individuals that trade for a small number of customer accounts. For the year ended December 31, 2015, managed account customers collectively represented approximately 1.1% of our retail trading volume.

Sales and Marketing

In connection with our retail business, we look to acquire new customers as cost-efficiently as possible, primarily through online marketing efforts such as advertising on third-party websites, search engine marketing and email marketing. Our experienced in-house marketing team creates highly targeted online campaigns tailored to experienced traders, as well as marketing programs and materials designed to support and educate novice traders. We use sophisticated tracking and measurement techniques to monitor the results of individual campaigns and continually work to optimize our overall marketing results.

Our principal lead-generation tool is to offer prospective customers access to free registered practice trading accounts for a 30-day trial period. From a prospective customer’s point of view, we believe the registered practice trading account serves two important functions. First, it allows the prospective customer to evaluate our trading platform, tools and services. Second, for less experienced traders, it serves as an educational tool, providing the prospective customers with the opportunity to try trading in a risk-free environment, without committing any capital. During this trial period, our customer service team is available to assist and educate the prospective customers.

We also actively forge partnerships with introducing brokers in order to expand our customer base. We work with a variety of different types of introducing brokers, ranging from small, specialized firms that specifically identify and solicit customers interested in forex and CFD trading, to larger, more established financial services firms. Introducing brokers direct customers to us in return for either a commission on each referred customer’s trading volume or a share of net revenue generated by each referred customer’s trading activity.

Competition

The market for our retail services is rapidly evolving and highly competitive. Our competitors vary by region in terms of regulatory status, breadth of product offering, size and geographic scope of operations. Our main competitors can be categorized as follows:

- Regulated Forex Firms, such as Forex Capital Markets LLC and OANDA Corporation. Like us, these firms have also expanded globally over the past several years, and we consider them to be competitors in the United States, as well as in several of our key international markets.

- Global Multi-Asset Trading Firms, including firms such as Interactive Brokers, IG Group Holdings plc and CMC Group. These firms generally offer a broad set of asset classes and earn a significant percentage of their revenue from CFDs, equities and other exchange-traded products.

Our Institutional Segment

Through our institutional segment, we provide agency execution services and offer access to markets and self-directed trading in foreign exchange, commodities, equities, options and futures via an electronic communications network, or ECN, through our GTX platform. We also offer high touch services through a team of institutional sales and trading employees. For the year ended December 31, 2015, our institutional segment represented 7.8% of our net revenue.

In contrast to our retail segment, in our institutional segment, we primarily act as agent between the principals to the transactions that are executed, do not assume any market or credit risk, and earn commissions or commission equivalents (markup/markdown). Our institutional segment also facilitates client orders through riskless principal trades.

Electronic Execution Services

Through our GTX platform, we provide deep liquidity in spot and forward foreign exchange and precious metals to buy-side and sell-side firms, including banks, brokers, hedge funds, Commodity Trading Advisors and asset managers. GTX's unique centrally-cleared prime brokerage model supports true peer-to-peer trading capabilities, meaning every GTX client has an opportunity to add market liquidity to the venue by posting real-time bids and offers, as well as trade on the bid and offers of other participants. For the year ended December 31, 2015, net revenue from our ECN business represented 64% of the net revenue of our institutional segment.

Our GTX Direct offering, a component of our ECN business, allows professional traders who meet certain qualifications, but do not have a credit line with a prime broker, access to the liquidity of the GTX platform. Through GTX Direct, our clients deposit collateral with us and we make trades through the GTX trading platform on our clients' behalf, earning a commission for each trade.

GTX is powered by software and intellectual property that we first licensed on a exclusive basis in 2010. After undertaking significant development and enhancement efforts, we acquired full ownership of the software and intellectual property in July 2014.

Institutional Sales and Trading

Our institutional sales and trading business serves a broad range of participants across several asset classes, allowing clients to interact with the market based on their specific needs and preferences. As a result, we are able to attract a base of clients with diverse investment styles and strategies. Our institutional sales and trading business includes our agency voice brokers who assist clients with complex liquidity sourcing and trade executions, as well as our swap execution facility, or SEF, which provides an electronic venue for trading FX non-deliverable forwards.

Nearly all of our revenue from institutional sales and trading consists of commissions derived from transaction execution services for institutional clients, conducted on an agency basis, as well as commission-equivalents generated on riskless principal transactions. Over the past several years we have built up this business primarily through a focus on client service and an expansion of our sales and trading team. For the year ended December 31, 2015, net revenue from our institutional sales and trading business represented 37% of the net revenue of our institutional business.

Sales and Marketing

We have a direct sales team that is dedicated to building relationships with potential institutional customers and expanding our institutional business. Since its inception in 2010, our institutional business has quickly expanded to include customers throughout the United States, Europe and Asia.

Competition

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In general, competition for business with institutional clients is based on a variety of factors, including technology, execution quality, client relationships, client service, cost and reputation.

GTX competes with other firms offering electronic trading platforms, such as ICAP, through its EBS offering; Reuters; Currenex, owned by State Street Bank; BATS Global Markets, Inc., through its Hotspot offering; Integral Development Corp.; and others.

Our Futures Segment

Our futures segment offers execution and related services for exchange-traded futures and futures options on major U.S. and European exchanges. We offer futures services through our regulated FCM, GAIN Capital Group, LLC. In 2014, we expanded our futures business by acquiring a majority interest in Global Asset Advisors, LLC ("GAA"), a Chicago-based futures brokerage firm that markets to and services clients through Daniels Trading, an online futures brokerage targeting retail and professional traders. At the same time, we also acquired a majority interest in Top Third Ag Marketing, LLC ("TT"), which uses options-based hedging strategies to help clients manage the risks of agricultural production.
Revenue in our futures segment is primarily generated through commissions earned on futures and futures options trades. Our futures segment represented 10.4% of our net revenue for the year ended December 31, 2015.

Advanced Trading Platform

As with our retail segment, our futures segment seeks to provide customers with an enhanced customer experience through our proprietary trading platform. We have invested in high-speed connectivity to over 30 global electronic exchanges to deliver streaming quotes and high-speed executions. Our OEC Trader platform is an easy-to-use electronic trading platform that offers users access to a full suite of trading tools. These include charting tools, custom alerts and indicators that allow customers to trade and monitor activity through a single charting window, as well as automated trading and risk management tools. Our futures segment also provides Trade Desk Manager, a broker version of our OEC Trader platform that is designed to allow brokers with information and tools to manage their accounts. We also license a white label version of our OEC Trader platform to select third parties.

Risk Management
In our futures segment, we are exposed to debit/deficit risk with our clients for exchange-traded futures and options on futures. If an adverse market move related to a client's position occurs and we are unable to collect a margin call in a timely manner, the client account may incur a loss, resulting in a debit balance. If a client account were to incur a loss resulting in a debit balance and we were unable to collect the debit balance from our client, we would incur a bad debt expense, which could have a material adverse effect on our results of operations. In recognition of this risk, we monitor all client accounts in near real time and have employed multiple risk mitigation measures to help ensure that our client accounts are properly margined at all times.

Sales and Marketing

As with our other segments, we seek to acquire customers as cost-efficiently as possible. Sales leads are generated through seminars, online advertising and other media.

Our futures segment customers are sourced directly through dedicated sales staffs at GAIN Capital Group LLC, GAA, and TT. These sales teams focus on a variety of sectors and provide differentiated services to our customers.

Additionally, our futures segment is introduced to customers indirectly through a network of introducing brokers, whose customers deposit funds with Gain Capital Group LLC.

Competition

With respect to exchange-traded products, our futures segment competes for both wholesale introducing business and direct client business. At the wholesale level, we attract partners who are interested in white labeling our proprietary software. In this regard, our primary competitors are the limited number of FCMs that own and operate proprietary technology, including RJO Brien, Rosenthal Collins Group, Interactive Brokers and ADM Investor Services.

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With the acquisition of GAA and Top Third, we also have a sizable and growing direct client business in our futures segment. This business is primarily focused on individual retail speculators and agricultural clients seeking to hedge commodity price exposure. The majority of our competitors in the commodity hedging space are small, privately held firms like Allendale, Advance Trading, and Roach Ag Marketing, although we compete with larger firms, such as Interactive Brokers, with respect to individual retail speculators.

Intellectual Property

We rely on a combination of trademark, copyright, trade secret and unfair competition laws in the United States and other jurisdictions to protect our proprietary technology, intellectual property rights and our brands (e.g., FOREX.com, GAIN Capital, City Index and GTX). We also enter into confidentiality and invention assignment agreements with our employees and consultants, and confidentiality agreements with other third parties. We rigorously control access to our proprietary technology. Currently, we do not have any pending or issued patents.

We use a variety of service marks that have been registered with the U.S. Patent and Trademark Office, including: GAIN Capital (registered service mark), FOREX.com GAIN Capital Group (registered service mark), Trade Real-Time (registered service mark), ForexPro (registered service mark), ForexPremier (registered service mark), Forex Insider (registered service mark), ForexTrader (registered service mark), FOREX.com (registered service mark), ForexPlus (registered service mark), It’s Your World. Trade It. (registered service mark), GFT (registered service mark), “GFT and Lion Head” (registered service mark), “Lion Head” (registered service mark), G3BO (registered service mark), GFT Markets (registered service mark), Dealbook (registered service mark), CFD 360 (registered service mark), FX 360° (registered service mark), OEC (registered service mark), OEC One Link (registered service mark) and Open E Cry (registered service mark). We also use a variety of trademarks that have been registered with the U.S. Patent and Trademark Office, including: GFT (registered trademark), “GFT and Lion Head” (registered trademark), “Lion Head” (registered trademark), Dealbook360 (registered trademark), Dealbook (registered trademark), Foresight-A.I. (registered trademark) and Open E Cry (registered trademark).

Regulation

Overview

Our business and industry are highly regulated. Our operating subsidiaries are regulated in a number of jurisdictions, including the United States, the United Kingdom (through which we have accessed regulatory passport rights to operate in a number of European Economic Area jurisdictions), Japan, Australia, Hong Kong, Canada, Singapore and the Cayman Islands. Government regulators and self-regulatory organizations oversee the conduct of our business in many ways, and several perform regular examinations to monitor our compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of our business, including:

- sales and marketing activities, including our interaction with, and solicitation of, customers;
- trading practices, including the types of products and services we may offer;
- treatment of customer assets, including custody, control, safekeeping and, in certain countries, segregation of our customer funds and securities;
- maintaining specified minimum amounts of capital and limiting withdrawals of funds from our regulated operating subsidiaries;
- continuing education requirements for our employees;
- anti-money laundering practices;
- recordkeeping and reporting; and
- supervision regarding the conduct of directors, officers and employees.

In some jurisdictions in which we offer our products and services, we are not subject to regulation as a result of the nature of the market or the manner in which we conduct our business. We consult with legal counsel in jurisdictions in which we operate on a regular basis as to whether we have the required authorizations, licenses or approvals or whether we may conduct our business cross-border with residents in that jurisdiction without obtaining local regulatory authorization, approval or consent. In addition, on an on-going basis we proactively evaluate our activities in jurisdictions in which we are not currently licensed or registered. To the extent that we wish to serve customers in a jurisdiction in which we determine licensing or registration is required, we may also elect to direct such customers to a licensed white label or other partner, rather than pursuing licensing or registration ourselves.

Though we conduct our business in a manner which we believe complies with applicable local law, regulators may assert authority over activities that they deem to take place within the jurisdiction they regulate, and new laws, rules or regulations

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may be enacted that change the regulatory landscape and result in new, or clarify preexisting, registration or licensing requirements.

The primary responsibility for ensuring that we maintain compliance with all applicable regulatory requirements is vested in our legal and compliance departments. In addition, our legal and compliance departments are responsible for our ongoing training and education programs, supervision of our personnel required to be licensed by one or more of our regulators, review of sales, marketing and other communications and other related functions. In addition, all of our sales employees are licensed pursuant to applicable regulation.

U.S. Regulation

In the United States, the CFTC and the NFA regulate our forex and futures trading activities. Historically, the principal legislation covering our U.S. forex business was the Commodity Exchange Act, which provides for federal regulation of all commodities and futures trading activities and requires all futures and commodity options to be traded on organized exchanges. In recent years, as in the case of other companies in the financial services industry, our forex business has been subject to increasing regulatory oversight. Specifically, in 2008, Congress passed the CFTC Reauthorization Act, which amended the Commodity Exchange Act to grant the CFTC express authority to regulate the retail forex industry. On October 18, 2010, the CFTC adopted a series of rules which regulate various aspects of our business, including:

- creating “retail foreign exchange dealers,” or RFEDs, a new regulated category of forex brokers focused on retail investors that are permitted to act as counterparty to retail forex transactions;
- imposing an initial minimum security deposit amount of 2.0% of the notional value for retail forex transactions in “major currency” pairs and 5.0% of the notional value for all other retail forex transactions;
- providing that introducing brokers, money managers and fund managers must either (i) register with the CFTC and become members of the NFA or apply for an exemption from registration and (ii) meet the minimum net capital requirements applicable to futures and commodity options introducing brokers or enter into a guarantee agreement with a CFTC-regulated forex dealer member and permitting only one such guarantee agreement per introducing broker;
- requiring that a risk disclosure statement be provided to every retail forex customer, including disclosure of the number of profitable and unprofitable non-discretionary accounts maintained by the forex broker during the four most recent calendar quarters;
- prohibiting RFEDs, FCMs and introducing brokers from including statements in sales and marketing materials that would appear to convey to potential retail forex customers that there is a guaranty against loss, and requiring that FCMs, RFEDs and introducing brokers provide retail forex customers with enhanced written disclosure statements that, among other things, inform customers of the risk of loss; and
- requiring RFEDs to maintain net capital of at least $20.0 million, plus 5.0% of the RFED’s retail customer obligations in excess of $10.0 million. In addition, in the event an RFED’s net capital position falls below 110.0% of the minimum net capital requirement, the RFED would be subject to additional reporting requirements.

Our exchange-traded futures business, which is carried on by our subsidiary Gain Capital Group, LLC, is subject to the CFTC Net Capital Rule (Regulation 1.17). Our OTC foreign exchange business carried on by our subsidiary Gain Capital Group, LLC under the Forex.com brand, is also subject to the CFTC Net Capital Rule (Regulation 5.7). Under applicable provisions of these regulations, Gain Capital Group, LLC is required to maintain adjusted net capital of the greater of $1.0 million or 8% of Customer and Non-Customer Maintenance Margin or $20.0 million plus 5% of all liabilities owed to retail customers exceeding $10.0 million. At December 31, 2015, Gain Capital Group, LLC maintained $10.2 million more than the required minimum regulatory capital for a total of 1.4 times the required capital and at all times maintained compliance with all applicable regulations.

In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. A number of significant provisions contained in the law affect, or will affect once implementing regulations are adopted by the appropriate federal agencies, our business. Specifically, the Dodd-Frank Act includes:

- rules that, beginning in October 2010, require us to ensure that our customers residing in the United States have accounts open only with our NFA-member operating entity, GAIN Capital Group, LLC;
- amendments to the Commodity Exchange Act that, beginning on July 15, 2011, required essentially all retail transactions in any commodity other than foreign currency to be executed on an exchange, rather than OTC;
- a requirement that federal banking regulators adopt new rules regarding the conduct and operation of retail forex businesses by banks; and

- a requirement that the SEC adopt rules regarding the conduct and operation of retail forex businesses by broker-dealers.

The Dodd-Frank Act also provides for additional regulation of swaps and security-based swaps, including some types of foreign exchange and metals derivatives in which we engage. The Dodd-Frank Act requires the registration of swap dealers with the CFTC and imposes significant regulatory requirements on swap dealers and swap execution facilities. Effective February 27, 2013, GAIN GTX, LLC, became registered with the CFTC and NFA as a swap dealer. Effective April 17, 2014, GTX SEF, LLC became temporarily registered with the CFTC as a swap execution facility. Certain of our other subsidiaries may be required to register, or may register voluntarily, as swap dealers and/or swap execution facilities.

Swap dealers and swap execution facilities are subject to a comprehensive regulatory regime with new obligations for the swaps activities for which they are registered, including adherence to risk management policies, supervisory procedures, trade record and real time reporting requirements as well as proposed rules for new minimum capital requirements. The specific parameters of these swap dealer and swap execution facility requirements are being developed by the CFTC and other regulators. The full impact of the regulation on GAIN GTX, LLC, GTX SEF, LLC and any other of our subsidiaries that register as a swap dealer and/or swap execution facility remains unclear. It is likely, however, that these entities will face increased costs due to the registration and regulatory requirements listed above. Complying with the proposed regulation of swap dealers and swap execution facilities could require us to restructure our businesses, require extensive systems changes, require personnel changes or raise additional potential liabilities and regulatory oversight. Compliance with swap-related regulatory capital requirements may require us to devote more capital to our GTX business. 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, or financial condition.

U.S. Patriot Act and Anti-Money Laundering

Like other companies in the financial services industry, we are subject to a variety of statutory and regulatory requirements concerning our relationships with customers and the review and monitoring of their transactions. Specifically, we are subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the Patriot Act, which requires that we maintain a comprehensive anti-money laundering, or AML, program, a customer identification program, or CIP, designate an AML compliance officer, provide specified employee training and conduct an annual independent audit of our AML program. Consistent with the Patriot Act, our CIP includes both documentary and non-documentary review and analysis of potential customers. Under our CIP, we review each prospective customer’s identity internally and also contract with third-party firms that perform extensive background checks on each prospective customer, including through review of the U.S. Treasury Department’s Office of Foreign Assets and Control, Specially Designated Nationals and Blocked Persons lists. These procedures and tools, coupled with our periodic training, assist us in complying with the Patriot Act, as well as the CFTC’s and NFA’s applicable AML and CIP requirements.

United Kingdom Regulation

GAIN Capital Forex.com U.K. Ltd., or GCUK1, GAIN Capital U.K. Ltd., or GCUK2, and Galvan Research and Trading, Ltd., or Galvan, all three together the U.K. Entities, are all registered in the U.K. and are regulated by the Financial Conduct Authority in respect of their trading activity. The U.K. Entities are required to comply with relevant U.K. and E.U. legislation. In addition they must comply with the rules and guidance contained in the FCA Handbook of rules and guidance, or FCA Handbook.

GCUK1, is regulated by the FCA, as a full scope €730k IFPRU Investment Firm. GCUK1 is required to maintain the greater of $1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration, market and forex risk. At December 31, 2015, GCUK1 maintained $33.8 million more than the minimum required regulatory capital for a total of 2.2 times the required capital and at all times maintained compliance with all applicable regulations.

GCUK2, is regulated by the FCA as a full scope €730k IFPRU Investment Firm. GCUK2 is required to maintain the greater of $1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration, market and forex risk. At December 31, 2015, GCUK2 maintained $73.4 million more than the minimum required regulatory capital for a total of 2.3 times the required capital and at all times maintained compliance with all applicable regulations.

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Effective beginning January 1, 2016, the FCA introduced the addition of a capital conservation buffer and a countercyclical capital buffer in line with the requirements set out in Capital Requirements Directive, or CRD IV, Article 160 Transitional Provisions for Capital Buffers. This requires all firms to maintain an additional buffer on top of the minimum capital requirements. The amount of buffer, which is a percentage of the firm's common equity tier 1 capital against the total risk exposure amount, will be based on a transitional period from January 1, 2016 to December 31, 2018. During that period, the minimum common equity tier 1 capital ratio requirement will increase from 5.125% to 8%.

Galvan is regulated by the FCA as a BIPRU Limited License Firm. Galvan is required to maintain a base financial resources requirement of $0.1 million (€0.05 million) and a capital requirement of the higher of either credit risk plus market risk or fixed overhead requirement. At December 31, 2014, Galvan maintained $3.6 million more than the minimum required regulatory capital for a total of 6.1 times the required capital and at all times maintained compliance with all applicable regulations.

Client Money Rules

GCUK1 and GCUK2 are subject to the FCA's client money rules by virtue of being authorized by the FCA to hold client money. Recently, these rules were revised extensively by the FCA and the changes came into effect over a period of 18 months, starting on July 1, 2014. These revisions focused on improving a firm's systems and controls around segregation, record keeping and reconciliation and set out how a firm must address client risks within its business. Under these rules, we are required to:

- maintain adequate segregation of client funds;
- maintain adequate records in order to be able to meet future obligations when we hold client assets as collateral and be able to identify details of those assets to clients;
- comply with custody rules when holding financial instruments (as defined by MiFID I) or other investments belonging to a client in the course of our business, including the safeguarding of those investments and holding all dividends and fees (e.g., stock lending fees) in accordance with the client money rules;
- have adequate organizational arrangements in place to minimize the risk that client money may be paid for the account of a client whose money has not yet been received by us;
- undertake daily internal client money reconciliation; and
- appoint an individual who is responsible for CASS oversight.

Anti-Money Laundering and Sanctions

As in the U.S., we are subject to statutory and regulatory requirements concerning our relationships with customers and the review and monitoring of their transactions. Specifically, the U.K. Entities are subject to ongoing customer due diligence, or CDD, obligations under the Money Laundering Regulations 2007, or MLR and the FCA Handbook.

The prescribed CDD measures require the U.K. Entities to (i) verify customer identity and understand the nature and purpose of the proposed relationship on the basis of documents, data or information obtained from a reliable and independent source and (ii) review and monitor their customer's transactions and activities. The U.K. Entities are required to determine the extent of CDD measures required for each customer on a risk sensitive basis depending on the type of customer, business relationship, product or transaction and we must be able to demonstrate that such measures are appropriate in view of the risks of money laundering and terrorist financing. Our procedures are based on the Joint Money Laundering Group's Guidance for the UK Financial Sector, the JMLSG Guidance, which provides guidance to firms for the determination of appropriate CDD measures.

The FCA requires the U.K. Entities to have systems and controls in place to enable them to identify, assess, monitor and manage money laundering risk. Accordingly, we have the requisite systems and controls in place which are comprehensive and proportionate to the nature, scale and complexity of our activities. We provide appropriate training to our employees in relation to money laundering and retain documentation of our risk management policies and risk profile in relation to money laundering. As required, we provide regular reports to our Money Laundering Reporting Officer, or MLRO, on the operation and effectiveness of these systems and controls, including details of our regular assessments of the adequacy of these systems and controls to ensure their compliance with FCA requirements.

Our systems and controls also include CDD and other measures to identify where customers and others with whom we transact may be subject to financial sanctions, including those initiated or adopted by the UK Treasury or the EU.

EMIR

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The E.U. European Market Infrastructure Regulation (Regulation (EU) 648/2012), or EMIR, imposes requirements on entities that enter into any form of derivative contract, including foreign exchange derivatives, and applies directly to firms in the E.U. and indirectly to non-E.U. firms that trade with E.U. firms. Accordingly, the U.K. Entities need to:

- report all derivative contracts and their lifecycle events (concluded, modified and terminated) to which we are a party to a trade repository either by ourselves or through a third party;
- keep all records relating to concluding of derivative contracts and any subsequent modification for 5 years;
- comply with the risk management requirements for OTC bilateral derivatives, including portfolio reconciliation, portfolio compression, record keeping, dispute resolution and margining (some of these requirements will be phased in from September 2016); and
- clear through central counterparties all OTC derivatives which will be subject to the mandatory clearing obligation.

The clearing and reporting obligations only apply to companies and other “undertakings”: they do not apply to individuals who are not carrying out an economic activity. This means that OTC derivatives between undertakings and such individuals do not need to be cleared, however, the undertaking will still be required to report the trade.

Appropriateness assessments

Where firms offer “execution only” services for certain financial instruments which are deemed “complex”, E.U. Markets in Financial Instruments Directive (Directive 2004/39/EC), or MiFID I, requires firms to assess the appropriateness of those investments for retail clients. For this assessment, we are required to collect information about our existing and potential clients’ knowledge and experience with regard to specific products and services, including:

- the types of services, transactions and financial instruments with which the retail client is familiar;
- the nature, volume, and frequency of the retail client’s transactions in financial instruments and the period over which they have been carried out; and
- the level of education, and profession or relevant former profession of the retail client or potential retail client.

We are required to offer to a retail client or transact for them only those products that are deemed appropriate for their experience. If the retail client demands a product that has been assessed as inappropriate for the retail client’s circumstances by us, we may offer that product to the client but we are required to give the retail client a warning that the product is inappropriate to its circumstances. We are not required to undertake this analysis for professional clients as we are entitled to assume that a professional client has the necessary knowledge and experience in order to understand the risks involved in relation to the particular products or services for which he has been classified as a professional client.

MiFID II

MiFID I applied in the UK from November 2007 but has been recast in light of the financial crisis into a new directive, the Markets in Financial Instruments Directive II (Directive 2014/65/EU), or MiFID II, and a new regulation, the Markets in Financial Instruments Regulation (Regulation 600/2014), or MiFIR. The changes implemented by MiFID II and MiFIR were set to take effect from January 3, 2017, however, it is expected they will be delayed until January 3, 2018.

MiFID II will:

- expand the number of financial instruments for which firms are required to carry out an appropriateness assessment before providing an execution only service to retail clients;
-

extend the pre- and post-trade transparency regime to derivatives traded on regulated markets, multi-lateral trading facilities, or MTFs, and organized trading facilities, or OTFs;

- expand transaction reporting to those financial instruments traded on MTFs, OTFs, and those financial instruments where the underlying instrument is traded on a Trading Venue; and
- give E.U. Member State regulators the new power to ban or restrict the marketing, distribution or sale of a financial instrument or types of financial practice where there is a threat to investor protection, the orderly functioning and integrity of markets or to financial stability. The European Banking Authority and the European Securities and Markets Authority have similar powers to impose a ban on an EU-wide basis or in relation to a particular E.U. Member State.

Packaged Retail and Insurance-based Investment Products (PRIIPs)

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Regulation 1286/486 on key information documents for packaged retail and insurance-based investment products, or the PRIIPs Regulation, will apply in the UK from December 31, 2016. From this date, the U.K. Entities will need to comply with the new regime set out in the PRIIPs Regulation in relation to PRIIPS that they manufacture, advise on or sell to retail clients. The FCA regards derivatives (including options, futures, and contracts for differences) as falling within the definition of a PRIIP. The new regime will require us to provide retail clients with a standardized key information document, or KID, in good time before any transaction in derivatives is concluded or for transactions concluded by distance communications, after the transaction has taken place, but only if it is not possible to provide the KID in advance and the client consents.

Other International Regulation

We have provided below a brief description of the key aspects of the regulations governing our operations in the jurisdictions outside of the U.S. and the United Kingdom in which we have registered with, or obtained a license from, the local regulator, as well as material regulatory developments affecting our business in other jurisdictions important to our business, including developments that have presented risks or uncertainties for our operations.

Japan
Forex.com Japan Co., Ltd., or GC Japan, is a registered Type I financial instruments business firm regulated by the Japan Financial Services Agency, or FSA, in accordance with Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended). GC Japan is a member of the Financial Futures Association of Japan. GC Japan is subject to a minimum capital adequacy ratio of 120%, which is derived by dividing Net Capital (as defined in Law No. 25) by the sum of GC Japan's market, counterparty credit risk and operational risk. At December 31, 2015, GC Japan maintained $8.7 million more than the minimum required regulatory capital for a total of 10.7 times the required capital and at all times maintained compliance with all applicable regulations.

GC Japan is also regulated by the Japan Ministry of Economy, Trade and Industry, or the METI, and the Japan Ministry of Agriculture, Forestry and Fisheries, or the MAFF. As required under applicable law, on January 1, 2011, we obtained a license from the METI and MAFF.

Australia
GAIN Capital Forex.com Australia, Pty. Ltd., or GCAU1, is regulated under the laws of Australia, including the Corporations
Act 2001 (Commonwealth of Australia). The Australian Securities and Investments Commission, or ASIC, is the corporate, markets and financial services regulator in Australia responsible for administering aspects of the Corporations Act 2001. GCAU1 holds an Australian Financial Services License that has been issued by ASIC. GCAU1 is required to maintain a minimum capital requirement of $0.7 million (1.0 million AUD). The regulatory capital held is required to be in excess of 110% of its requirements at all times. At December 31, 2015, GCAU1 maintained $1.7 million more than the minimum required regulatory capital for a total of 3.4 times the required capital and at all times maintained compliance with all applicable regulations.

Gain Capital Australia Pty Ltd, or GCAU2 is regulated under the laws of Australia, including the Corporations Act 2001 (Commonwealth of Australia). The ASIC is the corporate , markets and financial services regulator in Australia responsible for administering aspects of the Corporations Act 2001. GCAU2 holds an Australian Financial Services License that has been issued by ASIC. GCAU2 is required to maintain a minimum capital requirement of $0.7 million (1.0 million AUD). The regulatory capital held is required to be in excess of 110% of its requirements at all times. At December 31, 2015, GCAU2 maintained $2.1 million more than the minimum required regulatory capital for a total of 4.0 times the required capital and at all times maintained compliance with all applicable regulations.

Effective January 31, 2014, ASIC increased the Net Tangible Assets (NTA) requirement, as part of RG166: Licensing: Financial Requirements, for OTC derivative issuers. ASIC requires retail OTC derivative issuers to have at all times the greater of $0.7 million or 10% of average revenue on hand at all times. RG166 outlines that, at the minimum, 50% of the NTA requirement is required to be held in cash or cash equivalents and 50% in liquid assets. OTC derivative issuers must report to ASIC if their NTA falls below 110% of the requirement within 3 business days after becoming aware of the event.

ASIC has also recently implemented additional reporting regulations. As part of phase 2 of RG251 under ASIC, GCAU1 and GCAU2 began transaction reporting on October 1, 2014 and began position reporting on April 1, 2015. Australian Financial Service Licensees (AFSL) are required to report commodity, credit, equity, interest, and foreign exchange derivatives transactions and positions. AFSL holders will need to report to ASIC approved trade repositories under the Corporations Act 2001 as per the reporting requirement.

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Hong Kong

GAIN Capital - Forex.com Hong Kong, Ltd., or GCHK, is licensed by the Securities and Futures Commission, or SFC, to carry out Type 3 Regulated Activity, Leveraged Foreign Exchange Trading. GCHK is subject to the requirements of section 145 of the Securities and Futures Ordinance (Cap.571). Under this rule, GCHK is required to maintain a minimum liquid capital requirement of the higher of $1.9 million or the sum of 1.5% of its aggregate gross foreign currency position and 5% of its adjusted liabilities and clients' margin calculated in accordance with applicable rules. At December 31, 2015, GCHK maintained $2.0 million more than the minimum required regulatory capital for a total of 2.1 times the required capital and at all times maintained compliance with all applicable regulations.

Cayman Islands

GAIN Global Markets, Inc., or GGMI, our Cayman Island subsidiary, is a registered securities arranger with the Cayman Islands Monetary Authority, or CIMA. GGMI is required to maintain a capital level that is the greater of one quarter of relevant annual expenditure, or $100,000. At December 31, 2015, GGMI maintained $0.1 million more than the minimum required regulatory capital for a total of 1.5 times the required capital and at all times maintained compliance with all applicable regulations.

Canada

GAIN Capital - Forex.com Canada, Ltd., or GCCA, is a Dealer Member of the Investment Industry Regulatory Organization of Canada, or IIROC, and regulated under the laws of Canada, including the Canadian Investor Protection Fund. In Canada, the securities industry is governed by provincial or territorial legislation, and there is no national regulator. Local legislation differs from province to province and territory to territory, but generally requires that forex dealing representatives register with applicable regulators and self-regulatory organizations in order to offer forex and/or CFD products to retail clients. GCCA's principal provincial regulator is the Ontario Securities Commission, or OSC. GCCA is required to maintain risk-adjusted capital in excess of the minimum capital requirement. At December 31, 2015, GCCA maintained $1.2 million more than the minimum required regulatory capital for a total of 7.0 times the required capital and at all times maintained compliance with all applicable regulations.

Singapore

Gain Capital Singapore Pte Ltd ("GCS") is registered by the Monetary Authority of Singapore ("MAS") and operates as an approved holder of Capital Market Services License. GCS is subject to the requirements of MAS and pursuant to the Securities and Futures Act (Cap 289). Under these rules GCS is required to maintain a minimum base capital of $0.6 million (1.0 million SGD) and Financial Resources in excess of 120% of the total risk requirements, which is calculated as the sum of operational, counterparty, large exposure and forex risk at all times. At December 31, 2015, GCS maintained $6.8 million more than the required minimum regulatory capital for a total of 12.3 times the required capital and at all times maintained compliance with all applicable regulations.

Global Anti-Money Laundering

Our anti-money laundering and customer identification programs are designed to comply with applicable rules and regulations on a global basis. In addition, we have developed proprietary methods for risk-management and continue to add specialized processes, queries and automated reports designed to identify potential money laundering, fraud and other suspicious activities.

Employees

As of December 31, 2015, we had 772 employees. None of our employees are covered by collective bargaining agreements.

Corporate Information

We were incorporated in Delaware in October 1999 as GAIN Capital, Inc. Our principal executive offices are located at Bedminster One, 135 Route 202/206, Bedminster, New Jersey 07921. We operate our trading risk management and most administrative services out of our New York, New York; Bedminster, New Jersey; Jersey City, New Jersey; Chicago, Illinois; Powell, Ohio; Grand Rapids, Michigan; London, England; Cornwall, England; Tokyo, Japan; Sydney, Australia; Beijing, China; Hong Kong and Singapore offices. A complete list of our subsidiaries can be found in Exhibit 21.1 to this Annual Report.

Available Information

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GAIN maintains a corporate website with the address www.gaincapital.com. Its intended use is as a regular means of disclosing material public information and for complying with disclosure obligations under Regulation FD promulgated by the SEC. Such disclosures are included on the website under the heading “Investor Relations.” Accordingly, investors should monitor such portions of the website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

We are not incorporating information contained in the website by reference into this Annual Report on Form 10-K. We will make available, free of charge through the website under the heading “Investor Relations,” our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to these reports as soon as reasonably practicable after electronically filing such material with, or furnishing such material to, the SEC. In addition, we make available on our website (i) our Proxy Statements and reports filed by officers and directors under Section 16(a) of the Exchange Act, (ii) the charters for the committees of our Board of Directors, including the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Committee and (iii) our Code of Business Conduct and Ethics governing our directors, officers and employees. We intend to disclose on our website any amendments to, or waivers from, our Code of Business Conduct and Ethics that are required to be disclosed pursuant to the rules of the SEC and the New York Stock Exchange.

Materials filed with the SEC can also be read or copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC also maintains a website, www.sec.gov, containing the reports, proxy statements and other information that we file with the SEC.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

Our revenue and profitability are influenced by trading volume and currency volatility, which are directly impacted by domestic and international market and economic conditions that are beyond our control.

During recent years, there has been significant disruption and volatility in the global financial markets. Our revenue is influenced by the general level of trading activity in the global financial markets. Our revenue and operating results may vary significantly from period to period due primarily to movements and trends in the world’s financial markets and to fluctuations in trading levels. We have generally experienced greater trading volume in periods of volatile markets. In the event we experience lower levels of market volatility, our revenue and profitability will likely be negatively affected. In addition, our customer base is primarily comprised of individual retail customers who view trading in the markets we offer as an alternative investment class. If global economic conditions limit the disposable income of our customers, our business could be materially adversely affected as our customers may choose to curtail their trading, which could result in reduced customer trading volume and trading revenue.

Like other financial services firms, our business and profitability are directly affected by elements that are beyond our control, such as economic and political conditions, broad trends in business and finance, changes in the volume of market transactions, changes in supply and demand for currencies, movements in currency exchange rates, changes in the financial strength of market participants, legislative and regulatory changes, changes in the markets in which such transactions occur, changes in how such transactions are processed and disruptions due to terrorism, war or extreme weather events. Any one or more of these factors, or other factors, may adversely affect our business and results of operations and cash flows. A weakness in equity markets, could result in reduced trading activity by our customers and, therefore, could have a material adverse effect on our business, financial condition and results of operations and cash flows. As a result, period-to-period comparisons of our operating results may not be meaningful and our future operating results may be subject to significant fluctuations or declines.

Our risk-management policies and procedures may not be effective and may leave us exposed to unidentified or unexpected risks.

We are dependent on our risk-management policies and the adherence to such policies by our trading staff. Our policies, procedures and practices used to identify, monitor and control a variety of risks, including risks related to human error, customer defaults, market movements, fraud and money-laundering, are established and reviewed by the Risk Committee of our Board of Directors. Some of our methods for managing risk are discretionary by nature and are based on internally developed controls and observed historical market behavior, and also involve reliance on standard industry practices. These methods may not adequately prevent losses, particularly as they relate to extreme market movements, which may be significantly greater than historical fluctuations in the market. Our risk-management methods also may not adequately prevent losses due to technical errors if our testing and quality control practices are not effective in preventing software or hardware

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failures. In addition, we may elect to adjust our risk-management policies to allow for an increase in risk tolerance, which could expose us to the risk of greater losses. Our risk-management methods rely on a combination of technical and human controls and supervision that are subject to error and failure. These methods may not protect us against all risks or may protect us less than anticipated, in which case our business, financial condition and results of operations and cash flows may be materially adversely affected.

Our trading activities involve significant risks and unforeseen events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We offer our clients access to a wide array of products, including forex, CFDs, spread bets, futures, futures options, OTC currency derivatives and gold and silver spot trading products. Our trading activities in these various products involve significant risks.

Through our retail and institutional forex trading activities, our principal sources of revenues and profits arise from the difference between the prices at which we buy and sell, or sell and buy, foreign currencies. We may incur trading losses for a variety of reasons, including:

- price changes in foreign currencies;
- lack of liquidity in foreign currencies in which we have positions; and
- inaccuracies in our proprietary pricing mechanism, or rate engine, which evaluates, monitors and assimilates market data and reevaluates our outstanding currency quotes, and is designed to publish prices reflective of prevailing market conditions throughout the trading day.

These risks may affect the prices at which we are able to sell or buy foreign currencies or may limit or restrict our ability to either resell foreign currencies that we have purchased or repurchase foreign currencies that we have sold. In addition, competitive forces often require us to match the breadth of quotes our competitors display and to hold varying amounts and types of foreign currencies at any given time. By having to maintain positions in certain currencies, we are subjected to a high degree of risk. We may not be able to manage such risk successfully and may experience significant losses from such activities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

All of the risks that pertain to our trading activities in the forex market also apply to our CFDs, spread bets, futures, futures options, OTC currency derivatives and gold and silver spot trading products and any other products we may offer in the future. These risks include market risk, counterparty risk, liquidity risk, technology risk, third-party risk and risk of human error. In addition, unexpected events can occur that can result in great financial loss to us, including our inability to effectively integrate new products into our existing trading platforms or our failure to properly manage the market risks associated with making markets for new products. The profit margins for these products may not be similar to the profit margins we have realized with respect to forex trading.

In our futures segment, we are exposed to debit/deficit risk with our clients for exchange-traded futures and options on futures. If an adverse market move related to a client’s position occurs and we are unable to collect a margin call in a timely manner, the client account may incur a loss, resulting in a debit balance. If a client account were to incur a loss resulting in a debit balance and we were unable to collect the debit balance from our client, we would incur a bad debt expense, which could have a material adverse effect on our results of operations.

Our acquisition strategy may result in significant transaction expenses, integration and consolidation risks and risks associated with entering new markets, and we may be unable to profitably operate our consolidated company.

We have engaged in, and intend to continue to pursue, acquisitions of other businesses as part of our strategy to increase the range of products that we offer, especially into non-forex products, and to expand our businesses into new markets and geographies. Such acquisitions involve significant transaction expenses, including, but not limited to, fees paid to legal, financial, tax and accounting advisors, filing fees and printing costs. Acquisitions also present risks associated with offering new products or entering new markets and integrating the acquired companies. Other areas where we may face risks include:

- diversion of management time and focus from operating our business to address challenges that may arise in integrating the acquired business;
- transition of operations, users and customers onto our existing platforms or onto platforms of the acquired company;
- failure to successfully further develop the acquired business;
- failure to realize anticipated operational or financial synergies;

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- implementation or remediation of controls, procedures, and policies at the acquired company;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries;
- liability for activities of the acquired company before the acquisition, such as violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities; and
- integration of the acquired business' accounting, human resource and other administrative systems, and coordination of trading and sales and marketing functions.

Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, amortization expenses, impairment of goodwill and purchased long-lived assets, and restructuring charges, any of which could harm our financial condition or results. Additionally, any new businesses that we may acquire, once integrated with our existing operations, may not produce expected or intended results. Our failure to address these risks or other problems encountered in connection with our future acquisitions could cause us to fail to realize the anticipated benefits of such acquisitions or incur unanticipated liabilities, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The accounting method for convertible debt securities that may be settled in cash, such as our 4.125% Convertible Senior Notes due 2018 and our 4.125% Convertible Senior Notes due 2020, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, or "FASB", issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. ASC 470-20 requires an entity to separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash (such as our 4.125% Convertible Senior Notes due 2018 and our 4.125% Convertible Senior Notes due 2020) in a manner that reflects the issuer's economic interest cost for non-convertible debt. The liability component of the notes is initially valued at the fair value of a similar debt instrument that does not have an associated equity component and is reflected as a liability in our Consolidated Balance Sheets in an amount equal to the fair value. The equity component of the notes is included in the additional paid-in capital section of our stockholders' equity on our Consolidated Balance Sheets, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. This original issue discount is amortized to non-cash interest expense over the term of the notes, and, as a result, we record a greater amount of interest expense in current periods. Accordingly, we will report lower net income in our financial results than would have been recorded had we reflected only cash interest expense in our consolidated income statement because ASC 470-20 will require the interest expense associated with the notes to include both the current period's amortization of the original issue discount and the notes' cash coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.
In addition, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as our 4.125% Convertible Senior Notes due 2018 and our 4.125% Convertible Senior Notes due 2020) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, were issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.
Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business

to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including our 4.125% Convertible Senior Notes due 2018, which were issued in November 2013, and our 4.125% Convertible Senior Notes due 2020, which were issued in connection with our acquisition of City Index, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt because of factors beyond our control. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Any disruption or corruption of our proprietary technology could have a material adverse effect on our business, financial condition and results of operations and cash flows.

We rely on our proprietary technology to receive and properly process internal and external data. Any disruption in the proper functioning or any corruption of our software or erroneous or corrupted data may cause us to make erroneous trades, accept customers from jurisdictions where we do not possess the proper licenses, authorizations or permits or require us to suspend our services, any of which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Systems failures could cause interruptions in our services or decreases in the responsiveness of our services, which could harm our business.

If our systems fail to perform, we could experience disruptions in operations, slower response times or decreased customer satisfaction. Our ability to facilitate transactions successfully and provide high quality customer service depends on the efficient and uninterrupted operation of our computer and communications hardware and software systems. These systems have in the past experienced periodic interruptions and disruptions in operations, which we believe will continue to occur from time to time. Our systems also are vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. We do not have fully redundant capabilities. While we currently maintain a disaster recovery plan, or DRP, which is intended to minimize service interruptions and secure data integrity, our DRP may not work effectively during an emergency. Any systems failure that causes an interruption in our services or decreases the responsiveness of our services could impair our reputation, damage our brand name and materially adversely affect our business, financial condition and results of operations and cash flows.

We may not be able to develop and adopt new technologies in a timely fashion, which could adversely impact our ability to compete in the markets in which we operate.

Our success in the past has largely been attributable to our proprietary technology that has taken many years to develop. If our competitors develop more advanced technologies, we may be required to devote substantial resources to the development of more advanced technology to remain competitive. Our industry is characterized by rapidly changing technology, evolving industry standards and changing trading systems, practices and techniques. We may not be able to keep up with these rapid changes in the future, develop new technology, realize a return on amounts invested in developing new technologies or remain competitive in the future.

We may not be able to protect our intellectual property rights or may be prevented from using intellectual property necessary for our business.

We rely on a combination of trademark, copyright, trade secret and unfair competition laws in the United States and other jurisdictions to protect our proprietary technology, intellectual property rights and our brands. We do not have any patents. While we rigorously control access to our proprietary technology and enter into confidentiality and invention assignment agreements with our employees, consultants and other third parties, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. Such unauthorized use and infringement would undermine the competitive benefits offered by our proprietary technology and could adversely impact our business and results of operations.

We also license or are permitted to use intellectual property or technologies owned by others. In the event such intellectual property or technology becomes material to our business, the loss of our license or our inability to otherwise continue use of such technologies would have a material adverse effect on our business. We may also face claims of infringement that could interfere with our ability to use technology that is material to our business operations.

Attrition of customer accounts and failure to attract new accounts in a cost-effective manner could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Our customer base is primarily comprised of individual retail customers who generally trade with us for short periods. Although we offer products and tailored services designed to educate, support and retain our customers, our efforts to attract new customers or reduce the attrition rate of our existing customers may not be successful. If we are unable to maintain or increase our customer retention rates or generate a substantial number of new customers in a cost-effective manner, our

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business, financial condition and results of operations and cash flows would likely be adversely affected. Although we have spent significant financial resources on sales and marketing expenses and related expenses and plan to continue to do so, these efforts may not be cost-effective at attracting new customers. In particular, we believe that rates for desirable advertising and marketing placements, including online, search engine, print and television advertising, are likely to increase in the foreseeable future, and we may be disadvantaged relative to our larger competitors in our ability to expand or maintain our advertising and marketing commitments. Additionally, our sales and marketing methods are subject to regulation by the Commodity Futures Trading Commission, or CFTC, and National Futures Association, or NFA, in the United States, the Financial Conduct Authority, or FCA, in the United Kingdom and by other regulators in other non-US jurisdictions. The rules and regulations of these organizations impose specific limitations on our sales methods, advertising and marketing. If we do not achieve our advertising objectives, our profitability and growth may be materially adversely affected.

We are subject to litigation risk which could adversely affect our reputation, business, financial condition and results of operations and cash flows.

Many aspects of our business involve risks that expose us to potential liability under U.S. federal and state laws, as well as the rules and enforcement efforts of our regulators and self-regulatory organizations worldwide. These risks include, among others, disputes over trade terms with customers and other market participants, customer losses resulting from system delay or failure and customer claims that we or our employees executed unauthorized transactions, made materially false or misleading statements or lost or diverted customer assets in our custody. We may also be subject to regulatory investigation and enforcement actions seeking to impose significant fines or other sanctions, which in turn could trigger civil litigation for our previous operations that may be deemed to have violated applicable rules and regulations in one or more jurisdictions.

The volume of claims and the amount of damages and fines claimed in litigation and regulatory proceedings against financial services firms has been increasing and may continue to increase. The amounts involved in the trades we execute, together with rapid price movements in our currency pairs, can result in potentially large damage claims in any litigation resulting from such trades. Dissatisfied customers, regulators or self-regulatory organizations may make claims against us regarding the quality of trade execution, improperly settled trades, mismanagement or even fraud, and these claims may increase as our business expands.

Litigation may also arise from disputes over the exercise of our rights with respect to customer accounts and collateral. Although our customer agreements generally provide that we may exercise such rights with respect to customer accounts and collateral as we deem reasonably necessary for our protection, our exercise of these rights may lead to claims by customers that we did so improperly.

We may also have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Even if we prevail in any litigation or enforcement proceedings against us, we could incur significant legal expenses defending against the claims, even those without merit. Moreover, because even claims without merit can damage our reputation or raise concerns among our customers, we may feel compelled to settle claims at significant cost. The initiation of any claim, proceeding or investigation against us, or an adverse resolution of any such matter, could have a material adverse effect on our reputation, business, financial condition and results of operations and cash flows.

We may be subject to customer litigation, financial losses, regulatory sanctions and harm to our reputation as a result of employee misconduct or errors that are difficult to detect and deter.

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Our employees could execute unauthorized transactions for our customers, use customer assets improperly or without authorization, carry out improper activities on behalf of customers or use confidential customer or company information for personal or other improper purposes, as well as improperly record or otherwise try to hide improper activities from us.

In addition, employee errors, including mistakes in executing, recording or reporting transactions for customers, may cause us to enter into transactions that customers disavow and refuse to settle. Employee errors expose us to the risk of material losses until the errors are detected and the transactions are unwound or reversed. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms. Further, such errors may be more likely to occur in the aftermath of any acquisitions during the integration of or migration from technological systems. Misconduct by our employees or former employees could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It may not be possible to detect or deter employee misconduct, and the precautions we take to prevent and detect this activity

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may not be effective in all cases. Our employees may also commit good faith errors that could subject us to financial claims for negligence or otherwise, as well as regulatory actions.

Misconduct by employees of our customers can also expose us to claims for financial losses or regulatory proceedings when it is alleged we or our employees knew or should have known that an employee of our customer was not authorized to undertake certain transactions. Dissatisfied customers can make claims against us, including claims for negligence, fraud, unauthorized trading, failure to supervise, breach of fiduciary duty, employee errors, intentional misconduct, unauthorized transactions by persons associated with us or failures in the processing of transactions.

Our customer accounts may be vulnerable to identity theft and credit card fraud.

Credit card issuers have adopted credit card security guidelines as part of their ongoing efforts to prevent identity theft and credit card fraud. We continue to work with credit card issuers to ensure that our services, including customer account maintenance, comply with these rules. When there is unauthorized access to credit card data that results in financial loss, there is the potential that we could experience reputational damage and parties could seek damages from us.

If our reputation is harmed, or the reputation of the online financial services industry as a whole is harmed, our business, financial condition and results of operations and cash flows may be materially adversely affected.

Our ability to attract and retain customers and employees may be adversely affected if our reputation is damaged. If we fail, or appear to fail, to deal with issues that may give rise to reputation risk, our business prospects could be materially adversely affected. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, client data protection, record keeping, sales and trading practices, and the proper identification of the legal, credit, liquidity, and market risks inherent in our business. Failure to appropriately address these issues could also give rise to additional legal risk to us, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to regulatory enforcement actions, fines and penalties. Any such sanctions could materially adversely affect our reputation, thereby reducing our ability to attract and retain customers and employees.

In addition, our ability to attract and retain customers may be adversely affected if the reputation of the online financial services industry as a whole or the forex industry is damaged. In recent years, a number of financial services firms have suffered significant damage to their reputations from highly publicized incidents that in turn resulted in significant and in some cases irreparable harm to their business. A perception of instability within the online financial services industry also could materially adversely affect our ability to attract and retain customers.

The loss of our key employees could materially adversely affect our business, including our ability to grow our business.

Our key employees, including Glenn Stevens, our chief executive officer, have significant experience in the forex industry and have made significant contributions to our business. In addition, other senior employees have made significant contributions to our business. Our continued success is dependent upon the retention of these and other key executive officers and employees, as well as the services provided by our trading staff, technology and programming specialists and a number of other key managerial, marketing, planning, financial, technical and operations personnel. The loss of such key personnel could have a material adverse effect on our business. In addition, our ability to grow our business is dependent, to a large degree, on our ability to retain such employees.

The industries in which we operate are highly competitive and we may be adversely affected if we are unable to compete effectively.

The OTC derivatives market served by our retail segment is rapidly evolving and characterized by intense competition and evolving domestic and global regulatory oversight and rules. Tighter spreads and increased competition could make our business less profitable. Our prospects may be materially adversely affected by our ability to adapt to these changes and effectively manage the risks, expenses and difficulties frequently encountered in the operation of a business in a rapidly evolving industry. We face similar competitive pressure in our institutional and futures segments.

In addition, our competitors include sophisticated institutions which have larger customer bases, more established name recognition and substantially greater financial, marketing, technological and personnel resources than we do. These advantages may enable them, among other things, to:

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- develop products and services that are similar to ours, or that are more attractive to customers than ours in one or more of our markets;
- provide products and services we do not offer;
- provide execution and clearing services that are more rapid, reliable, efficient or less expensive than ours;
- offer products and services at prices below ours to gain market share and to promote other businesses, such as forex options, futures, listed securities, CFDs, precious metals and OTC derivatives;
- adapt at a faster rate to market conditions, new technologies and customer demands;
- offer better, faster and more reliable technology;
- outbid us for desirable acquisition targets;
- more efficiently engage in and expand existing relationships with strategic alliances;
- market, promote and sell their products and services more effectively; and
- develop stronger relationships with customers.

These competitors, including commercial and investment banking firms, may have access to capital in greater amounts and at lower costs than we do, and, therefore, may be better able to respond to changes in the industries in which we operate, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. Access to capital is critical to our business to satisfy regulatory obligations and liquidity requirements. Among other things, access to capital determines our creditworthiness, which if perceived negatively in the market could materially impair our ability to attract customer assets. Access to capital also determines the degree to which we can expand our operations. Therefore, if we are unable to maintain or increase our capital on competitive terms, we could be at a significant competitive disadvantage, and our ability to maintain or increase our revenue and earnings could be materially impaired. Also, new or existing competitors in our markets could make it difficult for us to maintain our current market share or increase it in desirable markets. Increased competition could also result in narrowing bid/offer spreads, which could materially adversely affect our business, financial condition and results of operations and cash flows. Any reduction in revenues without a commensurate reduction in expenses would decrease our profitability. We may not be able to compete effectively against these firms, particularly those with greater financial resources, and our failure to do so could materially and adversely affect our business, financial condition and results of operations and cash flows.

We may be unable to effectively manage our growth.

As we continue to seek to grow our business, both organically and by selectively pursuing acquisitions, we may need to expand and upgrade the reliability and scalability of our transaction processing systems, network infrastructure and other aspects of our proprietary technology. We may not be able to expand and upgrade our technology systems and infrastructure to accommodate increases in our business activity in a timely manner, which could lead to operational breakdowns and delays, loss of customers, a reduction in the growth of our customer base, increased operating expenses, financial losses, increased litigation or customer claims, regulatory sanctions or increased regulatory scrutiny. In addition, we will need to continue to attract, hire and retain highly skilled and motivated executives and employees. We may not be able to attract or retain the executives and employees necessary to manage our growth effectively.

We may be unable to respond to customers’ demands for new services and products and our business, financial condition and results of operations and cash flows may be materially adversely affected.

The market for Internet-based and mobile trading is characterized by:

- changing customer demands;
- the need to enhance existing services and products or introduce new services and products;
- evolving industry practices; and

- rapidly evolving technology solutions.

New services and products provided by our competitors may render our existing services and products less competitive. Our future success will depend, in part, on our ability to respond to customers' demands for new services and products on a timely and cost-effective basis and to adapt to address the increasingly sophisticated requirements and varied needs of our customers and prospective customers. We may not be successful in developing, introducing or marketing new services and products. In addition, our new service and product enhancements may not achieve market acceptance. Any failure on our part to anticipate or respond adequately to customer requirements or changing industry practices, or any significant delays in the development, introduction or availability of new services, products or service or product enhancements could have a material adverse effect on our business, financial condition and results of operations and cash flows.

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Our international operations present special challenges and our failure to adequately address such challenges or compete in these markets, either directly or through joint ventures with local firms, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

In 2015, we generated approximately 86.3% of our retail segment trading volume from customers outside the United States. Expanding our business in new markets is an important part of our growth strategy. Due to certain cultural, regulatory and other challenges relevant to those markets, however, we may be at a competitive disadvantage in those regions relative to local firms or to international firms that have a well-established local presence. These challenges include:

- less developed or mature local technological infrastructure and higher costs, which could make our products and services less attractive or accessible in emerging markets;
- difficulty in complying with the diverse regulatory requirements of multiple jurisdictions, which may be more burdensome, not clearly defined and subject to unexpected changes, potentially exposing us to significant compliance costs and regulatory penalties;
- less developed and established local financial and banking infrastructure, which could make our products and services less accessible;
- reduced protection of intellectual property rights;
- inability to enforce contracts;
- difficulties and costs associated with staffing and managing foreign operations, including reliance on newly hired local personnel;
- tariffs and other trade barriers;
- currency and tax laws that may prevent or restrict the transfer of capital and profits among our various operations around the world; and
- time zone, language and cultural differences among personnel in different areas of the world.

In addition, in order to be competitive in these local markets, or in some cases because of restrictions on the ability of foreign firms to do business locally, we may seek to operate through joint ventures with local firms. Doing business through joint ventures may limit our ability to control the conduct of the business and could expose us to reputational and greater operational risks. We may also face intense competition from other international firms over relatively scarce opportunities for market entry. Given the intense competition from other international brokers that are also seeking to enter these new markets, we may have difficulty finding suitable local firms willing to enter into the kinds of relationships with us that we may need to gain access to these markets. This competition could make it difficult for us to expand our business internationally as planned.

If our operating subsidiaries are unable to pay us dividends when needed, we may be unable to satisfy our obligations when they arise.

As a holding company, nearly all of our funds generated from operations are generated by our operating subsidiaries. Historically, we have accessed these funds through receipt of dividends from these subsidiaries. Some of our subsidiaries are subject to regulation and requirements of various regulatory bodies, including the CFTC and NFA in the United States, the FCA in the United Kingdom, the FSA, METI and MAFF in Japan, the SFC in Hong Kong, IIROC and the Ontario Securities Commission, or OSC, in Canada and the CIMA in the Cayman Islands, relating to liquidity and capital standards, which may have the effect of limiting funds available for the payment of dividends to the holding company. Accordingly, if our operating subsidiaries are unable to pay us dividends and make other payments to us when needed, due to regulatory restrictions or otherwise, we may be unable to satisfy our obligations when they arise.

Risks Related to Regulation

Failure to comply with the rapidly evolving laws and regulations governing our businesses may result in regulatory agencies taking action against us, which could significantly harm our business.

Substantially all of our operations are conducted through subsidiaries that are regulated by governmental bodies or self-regulatory organizations. Many of the regulations we are governed by are intended to protect the public, our customers and the integrity of the markets, and not necessarily our shareholders.

Among other things, we are subject to regulation with regard to:

- sales and marketing activities, including our interaction with, and solicitation of, customers;
- trading practices, including the types of investment products we may offer;

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- the methods by which customers can fund accounts with us, including the recently implemented NFA ban on the use of credit cards to fund accounts in the United States;
- treatment of customer assets, including custody, control, safekeeping and, in certain countries, segregation of our customer funds and securities;
- maintaining specified minimum amounts of capital and limiting withdrawals of funds from our regulated operating subsidiaries;
- continuing education requirements for our employees;
- anti-money laundering practices;
- record keeping and reporting; and
- supervision regarding the conduct of directors, officers and employees.

Compliance with these regulations is complicated, time consuming and expensive. Our ability to comply with all applicable laws and regulations is dependent in large part on our internal legal and compliance functions, as well as our ability to attract and retain qualified personnel, which we may not be able to do. Regulators and self-regulatory organizations broadly oversee the conduct of our business and several perform regular examinations of our operations to monitor our compliance with applicable laws and regulations. If a regulator finds that we have failed to comply with applicable rules and regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel, civil litigation or other sanctions, including, in some cases, increased reporting requirements or other undertakings, revocation of our operating licenses or criminal conviction. In addition, we could incur significant legal expenses in defending ourselves against and resolving actions or investigations by such regulatory agencies. An adverse resolution of any future actions or investigations by such regulatory agencies against us could result in a negative perception of our company and cause the market price of our common stock to decline or otherwise have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a result of recent regulatory changes in certain jurisdictions, our operations and profitability may be disrupted and we may be subject to regulatory action taken against us if a regulatory authority determines that our operations are out of compliance, or requires us to comply with additional regulatory requirements.

Recently, the legislative and regulatory environment in which we operate has undergone significant changes, and U.S. and foreign regulators have expressed their intention to review existing regulation in a number of areas as a result of the highly publicized market disruption that occurred in January 2015 when the SNB announced that it would move interest rates to -0.75% and abandon the 1.20 floor for EUR/CHF that it had previously maintained. Our ability to expand our presence in various jurisdictions throughout the world will depend on the nature of future changes to the regulatory environment and our ability to continue to comply with evolving requirements. To the extent one or more regulators determines that our current activities do not comply with applicable law or regulations in a given jurisdiction, our services may be disrupted, we may elect to shift our services to a white label partner or we may be required to withdraw or modify our service offering.

In August 2010, the CFTC released new rules, effective as of October 18, 2010, relating to the retail forex industry regarding, among other things, increased initial minimum security deposits, registration of introducing brokers, money managers and fund managers, increased risk disclosures, including disclosures relating to customer profits and losses, record keeping, financial reporting, minimum capital and other operational standards. In addition, the rules established 50-to-1 as the maximum leverage permitted to be provided to U.S. customers in major currency pairs, and 20-to-1 in all other currency pairs. More recently, following the SNB market event, the NFA has also increased the minimum security deposit requirements on certain major currency pairs to 3.0% or 5.0% of notional value, and to 6.0%, 9.0% or 20% of notional value for certain other currency pairs. Regulators in other jurisdictions may make similar adjustments to maximum leverage limits. We can provide no assurance that maximum leverage limits in the United States, or elsewhere, will not be decreased further, which could materially adversely affect our business, results of operations and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, enacted in July 2010, has had and is expected to continue to have a significant effect on our U.S. retail business. For example, the Dodd-Frank Act further amended the Commodity Exchange Act to prohibit essentially all OTC retail transactions in any commodity other than foreign currency after July 15, 2011. As a result, after such date, we are not permitted to offer our U.S. retail customers leveraged spot metals trading or any product other than forex. The Dodd-Frank Act also provides for additional regulation of swaps and security-based swaps, including some types of foreign exchange and metals derivatives in which we engage. Swap dealers are required to register with the CFTC and are subject to a comprehensive regulatory regime with new obligations for the swaps activities for which they are registered, including, among other things, new capital requirements, a new margin regime for uncleared swaps and a new segregation regime for collateral of counterparties to uncleared swaps. Swap execution facilities, as defined by the Commodity Exchange Act, are also required to register with the CFTC with respect to transactions involving swaps that are subject to mandatory clearing requirements and are subject to a comprehensive regulatory regime with new obligations for cleared swap activities for which they are registered, including, among other things, a variety of core principles and other requirements, such as maintaining a rule book defining the rules of the swap execution facility and its members. Areas required to be covered in the rule book include, but are not limited to: governance, participants, participant obligations, trading practices, reporting, clearing, business conduct, disciplinary rules, arbitration and other matters. While the specific parameters of these swap dealer and swap execution facility requirements are still being developed by the relevant regulators, it is likely that any of our subsidiaries that are required to register as swap dealers (such as GAIN GTX, LLC and GTX SEF, LLC, which have registered with the CFTC and NFA as a swap dealer and a swap execution facility, respectively) will face increased costs due to the registration and regulatory requirements listed above. Any of these new regulatory developments, alone or in combination, could have a material adverse effect on our business and profitability.

In the United Kingdom, effective beginning January 1, 2016, the FCA introduced the addition of a capital conservation buffer and a countercyclical capital buffer in line with the requirements set out in Capital Requirements Directive, or CRD IV, Article 160 Transitional Provisions for Capital Buffers. This requires all firms to maintain an additional buffer on top of the minimum capital requirements. The amount of buffer, which is a percentage of the firm's common equity tier 1 capital against the total risk exposure amount, will be based on a transitional period from January 1, 2016 to December 31, 2018. During that period, the minimum common equity tier 1 capital ratio requirement will increase from 5.125% to 8%.

In the European Union, government officials have announced the intention to propose new laws to regulate OTC derivatives. The new laws would, among other things, require mandatory central clearing of some derivatives, higher collateral requirements and higher capital charges for certain OTC derivatives. In February 2014, the European Market Infrastructure Regulation, or EMIR, enacted reporting requirements requiring all open trade positions under the applicable asset classes, including all over-the-counter and exchange traded derivatives, to be reported, on a back-dated basis from August 2012 to the present, to an approved trade repository. Many of these initiatives are still at the consultation stage and details for many aspects of the legislative proposals have not yet been published. If the products that we offer are subjected to mandatory central clearing, exchange trading, higher collateral requirements or higher capital charges, our business, financial condition and results of operations could be materially adversely affected.

In Japan, regulations, which became effective in August 2011, prohibit our ability to offer Japanese residents leverage for forex products in excess of 25-to-1. For spot gold that we offer in Japan, beginning July 1, 2011, the maximum allowable leverage became 20-to-1. Japanese authorities may adopt additional regulatory changes in the future, or other regulators could follow in the Japanese regulators' example, and such changes to permitted margin or other aspects of our business could materially adversely affect our financial condition, results of operations and cash flows.

In Australia, ASIC has proposed its intention to issue new guidance on advertising materials, to introduce disclosure benchmarks for OTC CFD providers and to require OTC CFD providers to adopt written customer suitability policies.

In addition, the changing regulatory environment may create uncertainty with respect to certain practices or types of transactions that, in the past, may have been considered permissible and appropriate among financial services firms. Certain established practices may be called into question or become subject to additional regulatory requirements. These legal or regulatory uncertainties and additional regulatory requirements could result in a loss of, or increase in the cost of, business and could materially adversely affect our revenue, profitability and results of operations. Finally, because of changes in regulation, regulatory interpretations, enforcement practices or for other reasons, we may be found to have violated local regulation and, as a result, we may be subject to enforcement actions and penalties or customer claims in those local jurisdictions.

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As we operate in many jurisdictions without local registration, licensing or authorization, we may be subject to possible enforcement action and sanction for our operations in such jurisdictions if our operations are determined to have violated regulations in those jurisdictions. Further, our growth may be limited by various restrictions and we remain at risk that we may be required to cease operations if we become subject to regulation by local government bodies.

For the year ended December 31, 2015, although a majority of our retail trading volume was attributable to customers resident in a jurisdiction where we or our white label partners are licensed, regulated or deal with customers cross-border in a manner that we believe does not require us to be regulated in that jurisdiction, a portion of our retail trading volume was attributable to customers in jurisdictions in which we or our white label partners are not currently licensed or authorized by the local government or applicable self-regulatory organization. We determine the nature and extent of services we can offer and the manner in which we conduct our business in the various jurisdictions in which we serve customers based on a variety of factors, including legal advice received from local counsel, our review of applicable U.S. and local laws and regulations and, in some cases, our discussions with local regulators. In cases in which we operate in jurisdictions based on local legal advice, we are exposed to the risk that our legal and regulatory analysis is subsequently determined by a local regulatory agency or other authority to be incorrect and that we have not been in compliance with local laws or regulations, including local licensing or authorization requirements, and to the risk that the regulatory environment in a jurisdiction may change, including in a circumstance where laws or regulations or licensing or authorization requirements that previously were not enforced become subject to enforcement.

In jurisdictions in which we are not licensed or authorized, we may be subject to a variety of restrictions regarding the manner in which we conduct our business or serve customers, including restrictions on:

- our sales and marketing activities;
- the use of a website specifically targeted to potential customers in a particular country;
- the minimum income level or financial sophistication of potential customers we may contact;
- our ability to have a physical presence in a particular country; or
- the types of services we may offer customers physically present in each country.

These restrictions may limit our ability to grow our business in any such jurisdiction or may result in increased overhead costs or degradation in our services in that jurisdiction. Consequently, we cannot assure you that our international expansion plans will be achieved.

We may be subject to possible enforcement action and penalties if we are determined to have previously offered, or currently offer, our services in violation of applicable laws and regulations in any of the markets in which we serve customers. In any such case, we may be required to cease the conduct of our business with customers in one or more jurisdictions. We may also determine that compliance with the laws or licensing, authorization or other regulatory requirements for continuing the business in one or more jurisdictions are too onerous to justify making the necessary changes. In addition, any such event could negatively impact our relationship with the regulators or self-regulatory organizations in the jurisdictions where we are subject to regulation.

We are required to maintain high levels of capital, which could constrain our growth and subject us to regulatory sanctions.

Our regulators have stringent rules requiring that we maintain specific minimum levels of regulatory capital in our operating subsidiaries. In the United States, as a Futures Commission Merchant, or FCM, and a Retail Forex Exchange Dealer, or RFED, we are required to maintain adjusted net capital of $20.0 million plus 5.0% of the amount of retail customer liabilities over $10.0 million. On a worldwide basis, as of December 31, 2015, we were required to maintain approximately $114.5 million in minimum capital in the aggregate across all jurisdictions. Regulators continue to evaluate and modify regulatory capital requirements from time to time in response to market events and to improve the stability of the international financial system. Additional revisions to this framework or new capital adequacy rules applicable to us may be proposed and ultimately adopted, which could further increase our minimum capital requirements in the future.

Even if regulators do not change existing regulations or adopt new ones, our minimum capital requirements will generally increase in proportion to the size of the business conducted by our regulated subsidiaries. As a result, we will need to increase our regulatory capital in order to expand our operations and increase our revenue, and our inability to increase our capital on a cost-efficient basis could constrain our growth. In addition, in many cases, we are not permitted to withdraw regulatory capital maintained by our subsidiaries without prior regulatory approval or notice, which could constrain our ability to allocate our capital resources most efficiently throughout our global operations. In particular, these restrictions could adversely affect our ability to withdraw funds needed to satisfy our ongoing operating expenses, debt service and other cash needs and could affect any future decision by our Board of Directors regarding the payment of our quarterly dividends. Regulators monitor our levels

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of capital closely and we are required to report the amount of regulatory capital we maintain to our regulators on a regular basis, and must report any deficiencies or material declines promptly. While we expect that our current amount of regulatory capital will be sufficient to meet anticipated short-term increases in requirements, any failure to maintain the required levels of regulatory capital, or to report any capital deficiencies or material declines in capital could result in severe sanctions, including fines, censure, restrictions on our ability to conduct business and revocation of our registrations. The imposition of one or more of these sanctions could ultimately lead to our liquidation, or the liquidation of one or more of our operating subsidiaries.

Interpretation of corporate tax laws and regulations and changes in such laws and regulations, as well as adverse determinations regarding the application of such laws and regulations, could adversely affect our earnings.

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we have significant business operations. These tax laws are complex and may be subject to different interpretations. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes and must also make estimates about when in the future certain items affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit. In addition, changes to the Internal Revenue Code, administrative rulings or court decisions could increase our provision for income taxes and reduce our earnings.

Servicing customers via the Internet may require us to comply with the laws and regulations of each country in which we are deemed to conduct business. Failure to comply with such laws may negatively impact our financial results.

Since our services are available over the Internet in foreign countries and we have customers residing in foreign countries, foreign jurisdictions may require us to qualify to do business in their country. We believe that the number of our customers residing outside of the United States will continue to increase over time. We are required to comply with the laws and regulations of each country in which we conduct business, including laws and regulations currently in place or which may be enacted related to Internet services available to the residents of each country from service providers located elsewhere. Any failure to develop effective compliance and reporting systems could result in regulatory penalties in the applicable jurisdiction, which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Procedures and requirements of the Patriot Act and other anti-money laundering and know your customer regulations may expose us to significant costs or penalties.

As participants in the financial services industry, we are, and our subsidiaries are, subject to numerous laws and regulations, including the United States Patriot Act, that require that we know our customers and monitor transactions for suspicious financial activities. The cost of complying with the Patriot Act and similar laws and regulations is significant. We face the risk that our policies, procedures, technology and personnel directed toward complying with these laws and regulations are insufficient and that we could be subject to significant criminal and civil penalties due to noncompliance. Such penalties could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Risks Related to Third Parties

If we lose access to our prime brokers and other liquidity providers, we may be unable to provide competitive trading services, which will materially adversely affect our business, financial condition and results of operations and cash flows.

We rely on third-party financial institutions to provide us with market liquidity. We maintain relationships with a large network of liquidity providers, including established global prime brokers such as J.P. Morgan, Citibank and UBS. We depend on these relationships, particularly those with our prime brokers, for our access to a pool of liquidity to ensure that we are able to execute our customers' trades in the products we offer at the notional amounts our customers request. These liquidity providers, although under contract with us, may terminate our arrangements at any time. If we were to experience a disruption in the services provided by a liquidity provider, particularly one of our prime brokers, due to a financial, technical or other adverse development, our business could be materially adversely affected to the extent that we are unable to transfer positions and margin balances to another liquidity provider that allows us to offer competitive trading services in a timely fashion. In the event of the insolvency of one of our prime broker or other liquidity providers, we might not be able to recover any or all of the funds we have on deposit with such entity since we will be among the entity's unsecured creditors. In the event that we no longer have access to the levels of liquidity that we currently have, we may be unable to provide competitive trading services, which would materially adversely affect our business, financial condition and results of operations and cash flows.

A systemic market event that impacts the various market participants with whom we interact could have a material adverse effect on our business, financial condition and results of operations and cash flows.

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We interact with various third parties through our relationships with our liquidity providers, white label partners and introducing brokers. Some of these market participants could be overleveraged. In the event of sudden, large market price movements, such market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. As a result, a system collapse in the financial system could occur, which would have a material adverse effect on our business, financial condition and results of operations and cash flows.

We are subject to risk of default by financial institutions that hold our funds and our customers’ funds.

We have significant deposits of our own funds and our customers' funds with banks and other financial institutions, including liquidity providers. In the event of the insolvency of one of these financial institutions, we might not be able to fully recover the assets we have deposited since we will be among the institution’s unsecured creditors. As a result, our business could be materially adversely affected by the loss of these funds.

Customer funds deposited with us in the United States are not permitted to be segregated from our own funds for purposes of applicable bankruptcy or insolvency laws, meaning such funds may be at risk of default if we were to become insolvent.

Pursuant to CFTC and NFA regulations for our U.S.-regulated subsidiaries, forex customer funds deposited with us are not permitted to be segregated from our own funds for purposes of applicable bankruptcy and insolvency laws. Because our customers’ funds are aggregated with our own for these purposes, in the event we were to become insolvent, our customers may be unable to fully recover the funds they have deposited with us, as they will be among our unsecured creditors, and the extent to which these funds will be entitled to insurance by the Federal Deposit Insurance Corporation is uncertain.

We are subject to credit risk in that a customer’s losses may exceed the amount of cash in their account.

Our trading operations require a commitment of our capital and involve risk of loss because of the potential that a customer’s losses may exceed the amount of cash in their account. Our margin policy allows customers to leverage their account balances by trading notional amounts that may be significantly larger than their cash balances. We mark our customers’ accounts to market each time a currency price in their portfolio changes. While this allows us to closely monitor each customer’s exposure, it does not guarantee our ability to eliminate negative customer account balances prior to an adverse currency price change or other market events, such as the extreme volatility in the Swiss franc following the SNB market event in January 2015. Although we have the ability to alter our margin requirements without prior notice to our customers, this may not eliminate the risk that our access to liquidity becomes limited or market conditions, including currency price volatility and liquidity constraints, change faster than our ability to modify our margin requirements. Changes in market conditions or unforeseen extreme market events could result in our customers experiencing losses in excess of the funds they have deposited with us. In such an event, we may not be able to recover the negative client equity from our customers, which may result in our incurring a bad debt expense. In addition, if we cannot recover funds from our customers, we may nonetheless be required to fund positions we hold with our liquidity providers or other third parties. Any of the foregoing events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Failure of third-party systems or third-party service and software providers upon which we rely could adversely affect our business.

We rely on certain third-party computer systems or third-party service and software providers, including trading platforms, back-office systems, Internet service providers, software development partners and communications facilities. For example, for the year ended December 31, 2015, 32.7% of our retail trading volume was derived from trades utilizing the MetaTrader platform, a third-party trading platform we license that is particularly popular in the international retail trading community. Any interruption in these third-party services, or deterioration in their performance or quality, could adversely affect our business. If our arrangement with any third party is terminated, we may not be able to find an alternative systems or services provider on a timely basis or on commercially reasonable terms. This could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Security breaches in our computer infrastructure may jeopardize confidential information transmitted over the Internet, cause interruptions in our operations or give rise to liabilities to third parties.

Our computer infrastructure is potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. Any such problems or security breaches could give rise to liabilities to one or more third parties, including our customers, and disrupt our operations. A party able to circumvent our security measures could misappropriate proprietary information or customer information, jeopardize the confidential nature of information we transmit over the Internet or cause interruptions in our operations. Concerns over the security of Internet transactions and the safeguarding of confidential personal information could also inhibit our customers' use of our systems over the Internet. To the extent that our activities involve the storage and transmission of proprietary information and personal financial information, security breaches could expose us to a risk of financial loss, litigation and other liabilities. Our current insurance policies may not protect us against all of such losses and liabilities. Any of these events, particularly if they result in a loss of confidence in our services, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Failure to maintain relationships with introducing brokers who direct new customers to us could have a material adverse effect on our business, financial condition and results of operations and cash flows.

We have relationships with introducing brokers who direct new customers to us and provide marketing and other services for these customers. In certain jurisdictions, we are only able to provide our services through introducing brokers. For the year ended December 31, 2015, approximately 31.4% of our retail trading volume was derived from introducing brokers. Many of our relationships with introducing brokers are nonexclusive or may be terminated by the brokers on short notice. In addition, under our agreements with introducing brokers, they have no obligation to provide us with new customers or minimum levels of transaction volume. Our failure to maintain our relationships with these introducing brokers, the failure of the introducing brokers to provide us with customers or our failure to create new relationships with introducing brokers would result in a loss of revenue, which could have a material adverse effect on our business, financial condition and results of operations and cash flows. To the extent any of our competitors offers more attractive compensation terms to one or more of our introducing brokers, we could lose the brokers' services or be required to increase the compensation we pay to retain the brokers. In addition, we may agree to set the compensation for one or more introducing brokers at a level where, based on the transaction volume generated by customers directed to us by such brokers, it would have been more economically attractive to seek to acquire the customers directly rather than through the introducing broker.

Our business or reputation could be harmed by introducing broker misconduct or errors that are difficult to detect and deter.

It may be perceived that we are responsible for any improper conduct by our introducing brokers, even though we do not control their activities. Many of our introducing brokers operate websites, which they use to advertise our services or direct customers to us. It is difficult for us to closely monitor the contents of their websites to ensure that the statements they make in relation to our services are accurate and comply with applicable rules and regulations. Any disciplinary action taken against any of our introducing brokers in the United States and abroad could have a material adverse effect on our reputation, damage our brand name and materially adversely affect our business, financial condition and results of operations and cash flows.

Risks Related to our Common Stock

We have identified a material weakness in our internal control over financial reporting, that, if not properly remediated, could adversely affect our business and results of operations.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. As described in "Item 9A. Controls and Procedures," we have concluded that our internal control over financial reporting was ineffective as of December 31, 2015 due to a material weakness at the Company. The identified material weakness as of December 31, 2015 relates primarily to the manner in which certain intercompany payables and receivables among domestic and overseas subsidiaries of the Company were treated for accounting and tax purposes for the years ended December 31, 2013 and

2014 and certain quarters of 2015.

In response to these errors, the Company's management has begun implementing formal preventive and detective controls requiring the enhanced review of the accounting for and tax treatment of intercompany payables and receivables, particularly those between domestic and overseas subsidiaries. As further described in "Item 9A. Controls and Procedures," the Company is also reviewing resource requirements and capabilities in its finance and tax teams to determine whether roles and responsibilities need to be realigned and/or new personnel added, and management is continuing to review these matters to ensure that similar failures of internal control over financial reporting do not recur. However, we cannot assure you that the remediation efforts will be effective or that additional or similar material weaknesses will not develop or be identified.

Implementing changes to our internal controls may distract our officers and employees and entail material costs to implement new processes and/or modify our existing processes. Moreover, these changes do not guarantee that we will be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce

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accurate financial statements on a timely basis, could harm our business. In addition, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely basis may harm our business.

The market price of our common stock may be volatile.

Our results of operations and cash flows have fluctuated significantly from period to period in the past based on a variety of factors, including some that are beyond our control, such as currency volatility and fluctuations in trading volume. These variations, along with any failure to achieve operating results that meet or exceed the expectations of our investors and the market as a whole, could result in significant price and volume fluctuations in our common stock. Other factors that could affect the market price of our common stock include:

- future announcements concerning us or our competitors, including the announcement of acquisitions;
- changes in government regulations or in the status of our regulatory approvals or licensure;
- public perceptions of risks associated with our services or operations;
- developments in our industry; and
- general economic, market and political conditions and other factors that may be unrelated to our operating performance or the operating performance of our competitors.

If securities analysts stop publishing research or reports about us or our business or if they downgrade our common stock, the market price of our common stock could decline.

The market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. If any analyst who covers us downgrades our stock or lowers its future stock price targets or estimates of our operating results, our stock price could decline rapidly. Furthermore, if any analyst ceases to cover us, we could lose visibility in the market, which in turn could cause the market price of our common stock to decline.

Our stockholder rights plan may prevent efforts by our stockholders to effect a change of control of our company or a change in our management.

We have adopted a stockholder rights plan, commonly referred to as a poison pill. The rights plan is intended to deter an attempt to acquire us in a manner or on terms not approved by our Board of Directors. The rights plan will not prevent an acquisition that is approved by our Board of Directors. Our rights plan could substantially impede the ability of public stockholders to benefit from a change in control and, as a result, may reduce the market price of our common stock and the ability of holders of our common stock to realize any potential change of control premium.

We may be unable to obtain capital when we need it, on acceptable terms, or at all.

Our business depends on the availability of adequate funding and regulatory capital under applicable regulatory requirements. Historically, we have satisfied these needs from internally generated funds and from our offering of convertible debt securities. While we currently anticipate that our available cash resources will be sufficient to meet our presently anticipated working capital and capital expenditure requirements for at least the next 12 months, we may need to raise additional funds to:

- support more rapid expansion;
- develop new or enhanced services and products;
- respond to competitive pressures;
- acquire new businesses, products or technologies; or

- respond to unanticipated requirements.

Additional financing may not be available when needed on terms favorable to us or at all.

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The limited liquidity for our common stock could affect your ability to sell your shares at a satisfactory price.

Our common stock is relatively illiquid. As of March 11, 2016, we had 48,561,528 shares of common stock outstanding (excluding shares held by us as treasury stock). The average daily trading volume in our common stock during the 60 calendar days ended March 1, 2016 was approximately 158,405 shares. A more active public market for our common stock may not develop, which could continue to adversely affect the liquidity of our common stock and adversely affect the trading price of our common stock. Moreover, without a large public float, our common stock is less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile than that of other companies or the market as a whole. In addition, in the absence of an active public trading market, you may be unable to liquidate your investment in us at a satisfactory price.

Stockholders may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions, conversion of our 4.125% Convertible Senior Notes due 2018 or our 4.125% Convertible Senior Notes due 2020, or otherwise.

As of December 31, 2015, we had approximately 68 million shares of common stock authorized but unissued. As of December 31, 2015, we have reserved an aggregate of 8.7 million shares for issuance under our equity incentive compensation plans (5.8 million to be issued pursuant to future awards and grants under the 2015 Plan, 2.7 million shares that are subject to outstanding grants under the 2010 Plan, and 0.2 million shares to be issued pursuant to the 2011 Employee Stock Purchase Plan). In addition, our 4.125% Convertible Senior Notes due 2018, which were issued in November 2013, are convertible into shares of our common stock, although we may, at our election and subject to certain limitations, choose to settle any conversion by the payment or delivery of cash, shares of our common stock, or a combination thereof. Prior to June 1, 2018, these notes may be converted only upon the occurrence of specified events set forth in the indenture pursuant to which they were issued, while on or after June 1, 2018, holders may convert their notes at any time. Our 4.125% Convertible Senior Notes due 2020, which were issued in April 2015 in connection with our acquisition of City Index, are convertible into shares of our common stock, although we may, at our election and subject to certain limitations, choose to settle any conversion by the payment or delivery of cash, shares of our common stock, or a combination thereof. Prior to October 1, 2019, these notes may be converted only upon the occurrence of specified events set forth in the indenture pursuant to which they were issued, while on or after October 1, 2019, holders may convert their notes at any time. Any common stock that we issue, including under our 2015 Plan, 2011 Employee Stock Purchase Plan or other equity incentive plans that we may adopt in the future, or upon conversion of any of our convertible senior notes will dilute the percentage ownership held by investors who own our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments.

ITEM 2. PROPERTIES

We are a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. Our retail, institutional and futures segments service customers in more than 180 countries worldwide, and we conduct business from our offices in Bedminster, New Jersey; Jersey City, New Jersey; London, England; Cornwall, England; Chicago, Illinois; Powell, Ohio; Grand Rapids, Michigan; Tokyo, Japan; Sydney, Australia; Beijing, China; Shanghai, China; Pembroke, Bermuda; Hong Kong and Singapore. Our retail segment conducts business in each of these locations, except our locations in Illinois and Ohio, which are focused primarily on our futures segment. Our institutional segment conducts business primarily from our locations in New Jersey and Bermuda, while our corporate segment is primarily located in our corporate headquarters in Bedminster, New Jersey. All of our office space was leased as of December 31, 2015

While we believe that these facilities are adequate to meet our current needs, it may become necessary to secure additional space in the future to accommodate any future growth. We believe that such additional space will be available as needed in the future on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

On February 16, 2012, we received a Letter of Claim on behalf of certain individuals who had lost money in an investment scheme operated by a third-party money management firm, incorporated in the United Kingdom, which has since been closed down by the United Kingdom's Financial Services Authority. The investment firm, Cameron Farley Ltd, had opened a corporate account with us and invested the individuals' money, representing such funds as its own, while operating a fraudulent scheme. Though a complaint has been filed and served on us, the claimants requested, and we agreed, to follow the United

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Kingdom's Pre-Action Protocol, a pre-litigation process intended to resolve matters without the need to engage in formal litigation. We submitted a Response to the Letter before Claim on July 4, 2012. On July 5, 2012, we received a substantially similar Letter of Claim on behalf of further individuals. Subsequently, the parties agreed to consolidate claims by those other similarly situated individuals with the pending Pre-Action Protocol process. The parties agreed it would be more appropriate for the proceedings to be dealt with in the Commercial Court and the matters were transferred pursuant to Consent Orders dated March 14, 2013. We subsequently filed an application for strike out and/or summary judgment in respect of all claims on March 15, 2013. The claimants filed an answer to our motion on June 2, 2013 and subsequently we filed a response to this answer on July 15, 2013. A hearing was held on our application for strike out and/or summary judgment on September 18 and 19, 2013. After the hearing, the judge asked the claimants to respond in writing to his additional questions from the hearing. The claimants had until October 11, 2013 to provide answers and we were given until November 1, 2013 to respond. On February 26, 2014, the judge denied our motion for strike out/summary judgment. Case management conferences were held by the Court on October 17, 2014 and June 18, 2015. On August 3, 2015, the claimants filed an Amended Master Particulars of Claim, and on October 6, 2015, we filed an Amended Defense. The parties have completed discovery and provided disclosure on October 30, 2015. The current Court timetable provides for a trial date in the first quarter of 2017. We can provide no assurances that this matter will be successfully resolved. As of the date of this report, a potential loss or a potential range of loss cannot be reasonably estimated.

In addition to the matter discussed above, we are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of such other claims and legal actions, if decided adversely, is not expected to have a material adverse effect on our quarterly or annual operating results, cash flows or consolidated financial position.

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 began trading on the New York Stock Exchange under the symbol "GCAP" on December 15, 2010. Prior to that date, there was no established trading market for our common stock. As of March 11, 2016, we estimate that we had approximately 85 stockholders of record. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of underlying beneficial stockholders represented by these record holders.

The following table details the high and low closing prices for the common stock as reported by the New York Stock Exchange for the periods indicated.

	2015		2014	
Quarter	High	Low	High	Low
First Quarter	$10.24	$7.98	$11.81	$7.82
Second Quarter	$10.38	$9.29	$11.14	$7.58
Third Quarter	$9.69	$6.98	$7.71	$6.01
Fourth Quarter	$8.41	$7.14	$9.11	$6.18

DIVIDEND POLICY
In October 2011, our Board of Directors approved a policy of paying quarterly dividends, subject to available cash flow from operations, other considerations and the determination by our Board of Directors of the amount. Each quarter since, we have paid a $0.05 per share dividend to holders of our common stock. The latest dividend of $0.05 per share was declared in March 2016 and is payable on March 29, 2016 to stockholders of record on March 25, 2016.

Although we intend to continue our policy of paying quarterly dividends, any declaration and payment of dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends, and other considerations that our Board of Directors deems relevant. The Board's ability to declare a dividend is also subject to limits imposed by Delaware corporate law. In addition, our subsidiaries are permitted to pay dividends to us subject to (i) certain regulatory restrictions related to the maintenance of minimum net capital in those of our subsidiaries that are subject to net capital requirements imposed by applicable law or regulation and (ii) general restrictions imposed on dividend payments under the laws of the jurisdiction of incorporation or organization of each subsidiary.

RECENT SALES OF UNREGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

None.

REPURCHASES OF COMMON STOCK

During the year ended December 31, 2015, we repurchased approximately 0.7 million shares of our common stock pursuant to the terms of our approved stock repurchase plan.

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Period	Total Number of Shares Purchased[1]	Average Price Paid per Share[1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs[1][2]
January 2015	—	—	—	$8,528,167
February 2015	—	—	—	$8,528,167
March 2015	—	—	—	$8,528,167
April 2015	—	—	—	$8,528,167
May 2015	21,132	$9.46	21,132	$8,327,753
June 2015	20,801	9.61	20,801	$8,127,346
July 2015	24,334	8.94	24,334	$7,909,320
August 2015	49,977	7.42	49,977	$7,537,261
September 2015	150,023	7.67	150,023	$6,384,123
October 2015	100,000	7.33	100,000	$5,648,902
November 2015	—	—	—	$5,648,902
December 2015	288,095	7.65	288,095	$3,439,347

(1) In May 2013, the Company announced that its Board of Directors approved a share repurchase plan, which authorizes the expenditure of up to $15.0 million for the purchase of the Company's common stock.
(2) Transaction fees related to the share purchases are deducted from the total remaining allowable expenditure amount.

STOCK PERFORMANCE GRAPH

The following performance chart assumes an investment of $100 on December 15, 2010 (the date our shares began trading on the NYSE) and compares the change at December 31, 2010 through December 31, 2015 in the market price for our common stock with the Russell 2000 Index, the NASDAQ Composite Index, and a peer group identified by us (the "Selected Peer Group Index"). The Selected Peer Group Index was selected to include publicly-traded companies engaging in one or more of our lines of business.

The Selected Peer Group Index is weighted according to the respective issuer's stock market capitalization and is comprised of the following companies: Advent Software, Inc., BGC Partners, Inc., DST Systems, E*Trade Financial Corporation, FactSet Research Systems, Inc., FXCM, Inc., GFIG Group, Inc., INTL FCStone Inc., Investment Technology Group, Inc., Knight Capital Group, Inc., Market Axcess Holdings, Inc., MSCI, Inc., and SWS Group, Inc.

The comparisons in the graphs below are based on historical data and are not intended to forecast the possible future performance of our common stock.

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EQUITY COMPENSATION PLAN INFORMATION

The following table provides information with respect to our compensation plans under which equity compensation was authorized as of December 31, 2015.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	2,540,052	$5.76	5,821,424

ITEM 6. SELECTED FINANCIAL DATA

The financial data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements as of December 31, 2015 and 2014 and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, included in this annual report on Form 10-K.

As discussed in Note 2 to our audited consolidated financial statements under the heading "Restatement," we have restated our financial statements as of December 31,2014 for the years ending December 31, 2014 and 2013. The information presented below reflects the restated results of our operations.

Our historical results of operations are not necessarily indicative of future results.

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Selected Consolidated Statement of Income and Comprehensive Income

	(in thousands, except share and per share data) Year Ended December 31,				
	2015(1)	2014 (As Restated)	2013(1) (As Restated)	2012	2011
Consolidated Statement of Income and Comprehensive Income Data:					
Net Revenue	$435,347	$369,189	$267,691	$151,804	$182,009
Total operating expense	$417,698	$317,592	$222,968	$150,218	$158,221
Income before income tax expense	$8,427	$45,450	$45,490	$1,142	$23,244
Net Income applicable to GAIN Capital Holdings, Inc.	$10,279	$24,877	$28,107	$2,621	$15,698
Earnings per common share:					
Basic	$0.22	$0.56	$0.76	$0.08	$0.46
Diluted	$0.22	$0.53	$0.71	$0.07	$0.40
Weighted average common shares outstanding used in computing earnings per common share					
Basic	47,601,979	40,561,644	36,551,246	34,940,800	34,286,840
Diluted	48,379,051	43,214,895	39,632,878	37,880,208	38,981,792
Cash dividends per share	$0.20	$0.20	$0.20	$0.20	$0.05

Selected Consolidated Balance Sheet

	(in thousands unless otherwise stated) Year Ended December 31,				
	2015(1)	2014 (As Restated)	2013(1)	2012	2011
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$171,888	$139,351	$39,871	$36,820	$60,221
Cash and securities held for customers	$920,621	$759,559	$739,318	$446,311	$310,447
Receivables from brokers	$121,153	$134,908	$227,630	$89,916	$85,401
Total assets	$1,424,815	$1,183,301	$1,112,560	$629,262	$504,930
Payables to customers	$920,621	$759,559	$739,318	$446,311	$310,447
Notes payable	$—	$—	$—	$—	$7,875
Convertible senior notes	$121,996	$68,367	$65,360	$—	$—
Total shareholders' equity	$306,084	$249,920	$226,723	$162,568	$163,974

(1) There were material business combinations that occurred in 2013 and 2015, respectively. See Note 11 for further discussion.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the accompanying notes thereto provided under “Item 8. Financial Statements and Supplementary Data” contained elsewhere within this Annual Report on Form 10-K.

Overview

We are a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. Our retail, institutional and futures segments service customers in more than 180 countries worldwide, and we conduct business from our offices in Bedminster, New Jersey; Jersey City, New Jersey; London, England; Cornwall, England; Chicago, Illinois; Powell, Ohio; Grand Rapids, Michigan; Tokyo, Japan; Sydney, Australia; Beijing, China; Shanghai, China; Pembroke, Bermuda; Hong Kong and Singapore.
We offer our customers access to a diverse range of over 12,500 financial products, including spot foreign exchange, or forex, and precious metals trading, as well as “contracts for difference”, or CFDs, which are investment products with returns linked to the performance of underlying asset. We offer CFDs on currencies, commodities, indices, individual equities, bonds and interest rate products. We also support trading of exchange-traded futures and options on futures on more than 30 global exchanges. In the United Kingdom, we offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment for residents of that country.

We have invested considerable resources over the past 16 years to develop our proprietary trading platforms to provide our customers with advanced price discovery, trade execution and order management functions, while improving our ability to acquire and service our customers efficiently, as well as manage market and credit risk associated with our customer’s trading activity. Today our customers can trade through web-based, downloadable and mobile trading platforms and have access to innovative trading tools to assist them with research and analysis, automated trading and account management.

We operate our business in three segments. Through our retail segment, we provide our retail customers around the world with access to a diverse range of global financial markets, including spot forex, precious metals, spread bets and CFDs on commodities, indices, individual equities and interest rate products, as well OTC options on forex. Our institutional segment provides agency execution services and offers access to markets and self-directed trading in foreign exchange, commodities, equities, options and futures via our GTX platform. Our futures segment offers execution and risk management services for exchange-traded futures and futures options on major U.S. and European futures and options exchanges. Each of our operating segments is discussed in more detail below.

As a global provider of online trading services, our results of operations are impacted by a number of external market factors, including market volatility and transaction volumes, competition, the regulatory environment in the various jurisdictions and markets in which we operate and the financial condition of the retail and institutional customers to whom we provide our services. These factors are not the only factors that impacted our results of operations for the most recent fiscal period, and additional or other factors may impact, or have different degrees of impact, on our results of operations in future periods. Please see "Item 1A. Risk Factors" for a discussion of other factors that may impact our business.

Market Environment and Trading Volatility
Our revenue and operating results may vary significantly from period to period due primarily to movements and trends in the world’s financial markets and to fluctuations in market volatility. As a general rule, our businesses typically benefit from volatility in the markets that we serve, as periods of increased volatility often coincide with higher levels of trading by our clients and a higher volume of transactions. However, periods of extreme volatility may result in significant market dislocations that can also lead clients to reduce their trading activity. In addition, volatility that results in trading within a relatively narrow band of prices may lead to less profitable trading activity. Also, low or extremely high market volatility can adversely affect our ability to profitably manage our net exposure,

which represents the unhedged portion of the trading positions we enter into with customers in our retail segment.

Market volatility is driven by a range of external factors, some of which are market specific and some of which are correlated to general macroeconomic conditions. Weakness in equity markets, which occurred in much of 2011 and several of the previous years, can result in reduced overall trading activity. The European sovereign debt crisis, which arose in the second quarter of 2010 and continued throughout 2011 and 2012, created economic uncertainty, adversely affecting the equities and other financial markets for much of this period, leading investors to, at times, reduce their trading activity, and also resulted in anomalous and challenging market conditions over several significant periods during 2011 and 2012. Market conditions again became challenging in late 2013 and early 2014, with volatility in several of the major currencies reaching 5-year lows. Overall market conditions in the second half of 2014 and into 2015 broadly improved, although our overall revenue capture in the first half of 2015 was tempered by an early concentration of one-way trading in the Euro/U.S. dollar pair, which required us

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to hedge more volume with our liquidity providers, as well as unusually adverse trading conditions in indices. Market conditions improved in the second half of 2015, with higher volatility in indices and commodities.

Competition

The products we offer have generally been accessible to retail investors for a significantly shorter period than many other securities products, such as equities, and our industry is rapidly evolving and characterized by intense competition. Entering new markets often requires us to lower our pricing in order to attract customers and compete with other companies which have already established customer bases in such markets. In addition, in existing markets, on occasion we make short-term decisions to be more aggressive regarding the pricing we offer our customers, or we may decide to offer additional services at reduced rates, or free of charge, in order to attract customers and take market share from our competitors.

Regulatory Environment

In recent years, the financial markets have experienced a major global regulatory overhaul, as regulators and legislators in the United States and abroad have proposed and, in some instances, adopted, a wide range of regulatory changes that have had a significant effect on the manner in which we operate our businesses. For example, as a result of the Dodd-Frank Act’s requirement that essentially all transactions in commodities be executed on an exchange, after July 15, 2011, we were no longer permitted to offer leveraged spot metal transactions in the United States.

U.S. and foreign regulators have expressed their intention to review existing regulation in a number of areas as a result of the highly publicized market disruption that occurred in January 2015 when the SNB announced that it would move interest rates to -0.75% and abandon the 1.20 floor for EUR/CHF that it had previously maintained. For example, following the SNB market event, the NFA increased margin requirements on certain currency pairs, including those involving the Swiss franc, Swedish krona and Norwegian krone, and regulators in other jurisdictions may follow suit.

Part of our growth strategy is to enter new markets, and as we do so we will become subject to regulation in those markets. Complying with different regulatory regimes in multiple markets is expensive, and in many markets the regulatory environment is unclear and evolving. Changes in regulatory requirements and changes in the interpretation of existing regulatory requirements may force us to alter our business practices.

City Index Acquisition

On April 1, 2015, we completed the acquisition of the entire issued and outstanding share capital of City Index (Holdings) Limited, or City Index, a global online trading firm specializing in CFDs, forex and spread betting from City Index Group Limited. The preliminary purchase price consisted of approximately (i) $6.1 million in cash, inclusive of working capital adjustments and $1.0 million in cash to be held in escrow; (ii) 5,319,149 shares of our common stock, including 4,787,234 shares to be held in escrow; and (iii) 4.125% unsecured Convertible Senior Notes with an aggregate principal amount of
$60.0 million, including convertible senior notes with an aggregate principal amount of $54.0 million to be held in escrow. In addition, we paid City Index approximately $22.4 million, which was used to settle certain inter-company liabilities between City Index and City Index Group Limited.

Global Asset Advisors, LLC and Top Third Ag Marketing LLC Acquisitions

On March 7, 2014, we entered into a Membership Interest Purchase Agreement, which we refer to as the GAA Agreement, with Global Asset Advisors, LLC, or GAA, Lucky Good Dog, L.L.C., or LGD, Glenn A. Swanson and Andrew W. Daniels (as sellers' representative). On March 21, 2014, upon the terms and subject to the conditions set forth in the GAA Agreement, we purchased 55% of the outstanding membership interests in GAA from LGD and Mr.

Swanson, whom we collectively refer to as the GAA Sellers, for an aggregate purchase price consisting of (i) $4,420,240 in cash, subject to certain adjustments, and (ii) 116,801 shares of the Company's common stock. Under the terms of the GAA Agreement, LGD and Mr. Swanson are also entitled to receive, for a period of seven years after the closing of the acquisition, annual payments of a portion of the net interest earned on the assets of clients of GAA at the time of the closing. Under the terms of the Amended and Restated Operating Agreement of GAA, which was executed at the closing of the acquisition, we have, for a period of six years after the closing, a call right to purchase the remaining membership interests in GAA for a price based on a multiple of GAA's trailing twelve month EBITDA. From the third anniversary through the sixth anniversary of the closing date, the GAA Sellers may put their remaining interests in GAA to us on the same terms.

Also on March 7, 2014, we entered into a Membership Interest Purchase Agreement, which we refer to as the Top Third Agreement, with Top Third Ag Marketing LLC, or Top Third, LGD, Mark Gold and Glenn A. Swanson. On March 21, 2014,

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upon the terms and subject to the conditions set forth in the Top Third Agreement, we purchased 55% of the outstanding membership interests in Top Third from LGD and Messrs. Gold and Swanson, whom we collectively refer to as the Top Third Sellers, for an aggregate purchase price consisting of $4,749,289, subject to certain adjustments, a portion of which will be payable to Mr. Gold contingent upon satisfying certain requirements over the three year period following the closing date of the acquisition. Under the terms of the Amended and Restated Operating Agreement of Top Third, which was executed on the closing of the acquisition, we have, for a period of six years after the closing, a call right to purchase the remaining membership interests in Top Third for a price based on a multiple of Top Third's trailing twelve month EBITDA. From the third anniversary through the sixth anniversary of the closing date, the Top Third Sellers may put their remaining interests in Top Third to us on the same terms.

Galvan Acquisition

In July 2014, we closed on our acquisition of Galvan Research and Trading, Ltd., or Galvan. Galvan, along with its subsidiaries, Galvan LLP and Faraday Research LLP, provides individual investors with professional advice and trading recommendations across a wide range of markets, including FX, individual equities, equity indices and other market sectors. The consideration for the acquisition consisted of a cash payment at closing of $9.7 million, as well as an earn-out arrangement under which the sellers may be entitled to additional contingent consideration based upon the acquired businesses achieving certain performance targets in 2014, 2015 and 2016. At the time the acquisition closed, we estimated the acquisition date fair value of the contingent consideration to be $10.5 million. In December 2015, we entered into an agreement with the former owners of Galvan to satisfy all remaining obligations under the contingent earn-out arrangement for a one-time payment of $1.5 million, which was paid in early 2016.

Acquisition of Intellectual Property Assets

On July 10, 2014, we entered into asset purchase agreements with Valaquenta Intellectual Property Limited, or Valaquenta, and Forexster Limited, or Forexster, pursuant to which one of our subsidiaries, GAIN GTX Bermuda, Ltd., or GTX Bermuda, agreed to purchase, from Valaquenta and Forexster, the software and other intellectual property assets utilized to operate the electronic trading platform offered to customers in our GTX business. Prior to the closing of the acquisition, which took place on July 10, 2014, we had agreements with Valaquenta and Forexster granting us the exclusive right to use the intellectual property in the field of forex trading and non-exclusive rights to use the intellectual property for the trading of financial products in the fields of precious metals and hydrocarbons. Following the closing of the acquisition, GTX Bermuda has full rights and title over the intellectual property for the trading of currencies, commodities and all other financial instruments of any kind whatsoever.

The purchase was made with a combination of $12.4 million in cash and $5.3 million of our unregistered common stock. In addition, GTX Bermuda agreed to pay Valaquenta contingent consideration in the event that GTX Bermuda or any of its affiliates in the future provide customers the ability to trade new types of financial instruments using the purchased intellectual property and the trading of such new products generates "Net Revenue" (as defined in the agreement with Valaquenta) in excess of thresholds set out in the agreement.

Key Income Statement Line Items and Key Operating Metrics

The following section briefly describes the key components of our revenues and expenses, our use of non-GAAP financial measures, and key operating metrics we use to evaluate the performance of our business.

Revenue

Revenue from our business consists of retail segment revenue, institutional segment revenue, futures segment revenue, other revenue and interest revenue.

Retail Segment Revenue

Retail segment revenue is our largest source of revenue. Retail segment revenue is comprised of trading revenue from our retail segment, commission revenue from our sales trader and advisory businesses, as well as inactivity fees and interest revenue.

Prior to our acquisitions of Global Futures and Forex, Ltd., or GFT, and City Index, trading revenue in our retail segment had been generated primarily by forex products. As a result of the GFT and City Index acquisitions, trading revenue generated by non-forex products, particularly CFDs relating to equity indices, single stock equities and commodities, has increased both in magnitude and as a percentage of total revenue in our retail segment.

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We generate revenue in our retail segment in two ways: (1) trading revenue from our market making activities for OTC products, earned principally from the bid/offer spread we offer our customers and any net gains and losses generated through changes in the market value of the currencies and other products held in our net exposure and (2) fees, including financing charges for positions held overnight, commissions on equity CFD trades and advisory services, and other account related fees.

For the year ended December 31, 2015, approximately 98% of our average daily retail segment trading volume was either naturally hedged or hedged by us with one of our liquidity providers, which is slightly higher than our average daily retail segment trading volume hedged of approximately 96% in both 2014 and 2013. The remaining 2% of our average daily retail segment trading volume for 2015 and 4% in both 2014 and 2013 consisted of our net exposure.

We manage our net exposure by applying position and exposure limits established under our risk-management policies and by continuous, active monitoring by our trading and risk teams. Based on our risk management policies and procedures, over time a portion of our net exposure may be hedged with our liquidity providers. Although we do not actively initiate proprietary market positions in anticipation of future movements in the relative prices of the products we offer, through our net exposure we are likely to have open positions in various currencies at any given time. In the event of unfavorable market movements, we may experience losses on such positions. See "Our Retail Segment - Sophisticated Risk Management" in Item 1. Business, in this Form 10-K for further details regarding our risk management policies for the retail segment.

Our retail sales trader business has historically provided high-touch trading services and execution to high net worth customers. We primarily earn commissions on this trade flow, which we typically hedge fully. In the latter part of 2015, our sales trader business was fully integrated into the rest of the retail segment.

Institutional Segment Revenue

Institutional segment revenue consists primarily of revenue from our GTX business, which provides a proprietary trading platform and sales and trading services to institutions as well as interest revenue and expense. Revenue for our GTX business is generated primarily through commissions on trades executed on the GTX platform. We act as an agent for the trades executed on the GTX platform and, therefore, do not assume any market or credit risk in connection with those transactions. Our institutional segment revenue includes revenue generated by intercompany transactions with other segments/affiliates that are eliminated when calculating our consolidated net revenue. This intercompany revenue totaled approximately $1.6 million for the year ended December 31, 2015.

Futures Segment Revenue

Futures revenue is comprised primarily of commissions earned on futures and futures options trades, as well as interest revenue. We are not exposed to market risk in connection with customer trades in our futures segment.

Corporate and Other Revenue

Corporate and other revenue primarily comprises foreign currency transaction gains and losses. During the twelve months ended December 31, 2015, corporate and other revenue also included a $6.7 million adjustment to the contingent consideration related to our Galvan acquisition. In December 2015, we entered into an agreement with the former owners of Galvan to satisfy all remaining obligations under the contingent earn-out arrangement for a one-time payment of $1.5 million, which was paid in early 2016.

Net Interest Revenue

Net interest revenue/expense consists primarily of the revenue generated by our cash and customer cash held by us at banks and on deposit as collateral with our liquidity providers, less interest paid to our customers.

Our cash and customer cash is generally invested in money market funds, which primarily invest in short-term United States government securities or treasury bills. Such deposits and investments earned interest at an average effective rate of approximately 0.1% for the year ended December 31, 2015 and 2014. Interest paid to customers varies primarily due to the net value of a customer account. A customer’s net account value equals cash on deposit plus the mark-to-market of open positions as of the measurement date. Interest income and interest expense are recorded when earned and incurred, respectively. Net interest revenue was $0.2 million for the year ended December 31, 2015, compared to net interest revenue of $0.8 million for the year ended December 31, 2014.

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Expenses

Our expenses are principally comprised of employee compensation and benefits, selling and marketing, referral fees, trading expenses, interest on long term borrowings, communications and technology expenses, as well as general and administrative expenses.

Employee Compensation and Benefits

Employee compensation and benefits includes salaries, bonuses, commissions, stock-based compensation, contributions to benefit programs and other related employee costs.

Selling and Marketing
Our marketing strategy employs a combination of direct online marketing and focused branding programs, with the goal of raising awareness and cost-effectively acquiring customers for our products and services.

Referral Fees

Referral fees consist of compensation paid to our white label partners and introducing brokers. We generally provide white label partners with the platform, systems, and back-office services necessary for them to offer trading services to their customers. Introducing brokers identify and direct customers to us.

Referral fees are largely variable and change principally based on the level of customer trading volume directed to us from our white label partners and introducing brokers, the specific terms of our agreements with the white label partners and introducing brokers, which vary on a partner-by-partner and regional basis, and the relative percentage of trading volume generated from particular relationships in any given period. The majority of our white label and introducing broker partners are paid based on the trading volume generated by the customers they introduce, directly or indirectly, to us, rather than on a revenue sharing basis. As such, during periods in which their customers' trading activity is not profitable for us, if the associated trading volume remains high, we may be required to make larger payments to these partners despite the fact that we are generating lower revenue from their customers. Our indirect business accounted for 48.4%, 48.7% and 38.6% of retail trading volume in the years ended December 31, 2015, 2014 and 2013, respectively. The increase in indirect business in 2014 was largely due to the acquisition of GFT.

Trading Expenses
Trading expenses consists of exchange fees paid to stock exchanges and other third-parties for exchange market data that we provide to our customers or use to create our own derived data products, as well as fees for news services and fees paid to prime brokers in connection with our institutional and futures segments.

General and Administrative
General and administrative expenses consist of bank fees, professional fees, occupancy and equipment and other miscellaneous expenses.

Depreciation and amortization
Depreciation and amortization consists of the recognition of expense for physical assets and software purchased for use over a period of several years and of the amortization of internally developed software.

Purchased Intangible Amortization

Purchased intangible amortization consists of amortization related to intangible assets we acquired in 2015, 2014 and 2013 in connection with our acquisitions. The principal intangible assets acquired were technology, customer assets and a non-compete agreement. These intangible assets have useful lives ranging from one year to ten years.

Communications and Technology

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Communications and technology consists of communications fees, data fees, product development, software and maintenance expenses.

Bad debt provision
Bad debt provision represents the amounts estimated for the uncollectibility of certain outstanding balances during the period.

Restructuring Expenses
In 2015, 2014 and 2013, we incurred restructuring expenses, which reflected costs arising from headcount reductions and other exit costs, measured and disclosed in accordance with ASC 420 Exit or Disposal Cost Obligations and ASC 712 Compensation - Nonretirement Postemployment Benefits.

Acquisition Expenses
In 2015, 2014 and 2013, we incurred acquisition-related expenses, which included professional services costs, such as legal, accounting, valuation and other costs specified in ASC 805. These costs are expensed as incurred.

Integration Expenses
In 2015, 2014 and 2013, we incurred integration expenses, which are acquisition-related costs that are incurred while integrating the acquired company into the consolidated group. These costs include retention bonuses paid to employees and the cost of retiring redundant assets.

Impairment of Investment
In 2013, our investment in Kapitall, Inc. became impaired. In 2014, the remaining value of the investment was written off.

Interest Expense on Long-term borrowings
Interest expense on long-term borrowings consists of interest expense on our 4.125% Convertible Senior Notes due 2018, issued in November 2013 and interest expense on our 4.125% Convertible Senior Notes due 2020, issued in April 2015 as part of the consideration for the City Index acquisition.

Non-GAAP Financial Measures

We use adjusted net income and adjusted earnings per common share, each of which is a non-GAAP financial measure, to evaluate our business. We believe our reporting of adjusted net income and adjusted earnings per share assists investors in evaluating our operating performance. Adjusted net income and adjusted earnings per common share are not measures of financial performance calculated in accordance with GAAP. They should be considered in addition to, but not as a substitute for, other measures of our financial performance reported in accordance with GAAP, such as net income and earnings per common share. Below is a discussion and reconciliation of these non-GAAP financial measures.

Adjusted Net Income and Adjusted Earnings Per Share
Adjusted net income is a non-GAAP financial measure and represents our net income excluding restructuring, acquisition and integration expenses, which include deal-related acquisition costs, such as legal, accounting and valuation expenses, accelerated amortization of trading platforms, gain on extinguishment of debt and other expenses incurred in connection with, or as a result of, merger and acquisition transactions. In addition, adjusted net income excludes the adjustment to the fair value of consideration from the Galvan acquisition and the bad debt expense related to the Swiss National Bank event in January 2015. We exclude these items from our adjusted net income and adjusted earnings per share, because we view these as transactions not components of our core operations, which we believe to be the most meaningful indicators of the Company's performance.

Adjusted earnings per share is a non-GAAP financial measure and represents our adjusted net income per share. We believe these financial measures assist investors in evaluating our operating performance. These non-GAAP financial measures have certain limitations, including that they do not have standardized meanings. Therefore, our definitions may be different from similar non-GAAP financial measures used by other companies or analysts, and it may be difficult to compare our financial performance to that of other companies.

Reconciliation of Non-GAAP Financial Measures

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As discussed in Note 2 to our audited consolidated financial statements under the heading "Restatement," we have restated our financial statements for the years ending December 31, 2014 and 2013. The following table provides a reconciliation of GAAP net income to adjusted net income and adjusted earnings per common share for the restated amounts (amounts in thousands except per share amounts):

	Year Ended December 31,		
	2015	2014 (As Restated)	2013 (As Restated)
Net income applicable to GAIN Capital Holdings, Inc.	$10,279	$24,877	$28,107
Add Back, net of tax:			
Acquisition expense	2,199	2,539	1,171
Restructuring	2,716	1,680	289
Integration	21,510	1,792	1,252
Other items[1]	—	36	(995)
Adjustment to fair value of contingent consideration	(4,369)	—	—
Bad Debt related to SNB event in January 2015	1,950	—	—
Adjusted net income	$34,285	$30,924	$29,824
Adjusted earnings per common share			
Basic	$0.72	$0.76	$0.82
Diluted	$0.71	$0.72	$0.75

(1) Other items, net of tax include impairment of investment and gain on extinguishment of debt.

Operating Metrics

In addition to the financial measures discussed above, we review various key operating metrics, which are described below, to evaluate the performance of our businesses.

	Key Operating Metrics (Unaudited) Year Ended December 31,				
	2015	2014	2013	2012	2011
Retail					
OTC Trading Volume (billions)	$3,985.8	$2,430.5	$1,796.7	$1,303.4	$1,574.0
OTC Average Daily Volume (billions)	$15.4	$9.4	$6.9	$5.0	$6.0
Active OTC Accounts	146,977	94,895	98,696	60,219	63,435
Client Assets (millions)	$920.6	$759.6	$739.3	$446.3	$310.4
Institutional					
Volume (billions)	$2,671.9	$3,183.7	$2,599.6	$1,493.8	$445.7
Average Daily Volume (billions)	$10.3	$12.7	$10	$5.7	$1.7
Futures					
Futures Contracts	8,623,392	7,027,008	5,386,383	1,507,425	—
Futures Average Daily Contracts	34,356	28,108	21,460	18,383	—

OTC Trading Volume

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OTC trading volume is the U.S. dollar equivalent of the aggregate notional value of OTC trades executed by customers in our retail segment. Approximately 59.9% of our overall customer trading volume for the year ended December 31, 2015 was generated in our retail segment, compared to 43.3% for the year ended December 31, 2014.

OTC Average Daily Volume
Average daily volume is the U.S. dollar equivalent of the aggregate notional value of trades executed by our customers in a given period divided by the number of trading days in the given period.

Active OTC Accounts
Active OTC accounts represents retail segment customers who executed at least one trade during the relevant period. We believe active OTC accounts is an important operating metric because it correlates to trading volume and revenue in our retail segment.

Client Assets
Client assets represent amounts due to clients in our retail and futures segments, including customer deposits and unrealized gains or losses arising from open positions.

GTX Volume
GTX volume is the U.S. dollar equivalent of the aggregate notional value of OTC trades executed by customers in our institutional segment. Approximately 40.1% and 56.7% of our overall customer trading volume for the years ended December 31, 2015 and 2014, respectively, was generated in our institutional segment.

Futures Contracts
Futures contracts represent the total number of contracts transacted by customers in our futures segment.

We believe that our customer trading volumes are driven by eight main factors. Four of these factors are broad external factors outside of our control that generally impact customer trading volumes, and include:

- overall economic conditions and outlook;
- volatility of financial markets;
- legislative changes; and
- regulatory changes.

The volatility of financial markets has generally been positively correlated with customer trading volume. Our customer trading volume is also affected by the following additional factors:

- the effectiveness of our sales activities;
- the competitiveness of our products and services;
- the effectiveness of our customer service team; and
- the effectiveness of our marketing activities.

In order to increase customer trading volume, we focus our marketing and our customer service and education activities on attracting new customers and extending the duration and scope of the relationship our customers have with us.

For the years ended December 31, 2015 and December 31, 2014, no single retail or institutional customer accounted for more than 4% of our total net revenue.

Results of Operations

As discussed in Note 2 to our audited consolidated financial statements under the heading "Restatement," we have restated our financial statements as of December 31, 2014 and for the years ending December 31, 2014 and 2013 to reflect certain tax and other adjustments. The information presented below reflects the restated results of our operations.

During the fourth quarter of 2015, we changed our segment reporting structure to include three operating segments, retail, institutional and futures, rather than a single operating segment as had been previously reported. These operating segments are

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discussed in more detail below. We also report information relating to general corporate services in a fourth component, corporate and other. See Notes 1 and 22 to our audited consolidated financial statements for additional information.

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Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue (amounts in thousands)

	Year Ended December 31,	
	2015	2014
REVENUE:		
Retail revenue	$347,489	$292,778
Institutional revenue	33,773	34,518
Futures revenue	45,427	36,160
Other revenue	8,487	4,904
Total non-interest revenue	435,176	368,360
Interest revenue	1,220	1,428
Interest expense	1,049	599
Total net interest revenue	171	829
Net Revenue	$435,347	$369,189

Our total net revenue increased $66.2 million, or 17.9%, for the year ended December 31, 2015, compared to the year ended December 31, 2014.

Retail revenue increase $54.7 million, or 18.7%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily the result of the City Index acquisition in April 2015.

Institutional revenue decreased $0.7 million, or 2.2%, for the year ended December 31, 2015, compared to the year ended December 31, 2014.The decrease primarily resulted from a reduction in commission revenue from our institutional sales and trading services, partially offset by a growth in commissions revenue from trading on our GTX platform.

Futures revenue increased $9.3 million, or 25.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to inclusion of full year results of GAA and Top Third, in which we acquired controlling interests in March 2014.

Other revenue increased $3.6 million, or 73.1%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to an adjustment to the recorded amount of contingent consideration relating to our Galvan acquisition, partially offset by foreign currency revaluation.

Our net interest revenue decreased from $0.8 million for the year ended December 31, 2014 to $0.2 million for the year ended December 31, 2015.

Operating Expenses (amounts in thousands)

	Year Ended December 31,			
	2015		2014	
Total operating expenses (amounts in thousands)	$417,698		$317,592	
As a percentage of net revenue	95.9	%	86.0	%

Our total operating expenses increased $100.1 million, or 31.5%, for the year ended December 31, 2015, compared to the year ending December 31, 2014, primarily due to the effects of the City Index acquisition.

The increase in operating expenses consisted primarily of increases of $7.3 million in employee compensation and benefits, $7.0 million in selling and marketing, $12.6 million in referral fees, $5.7 million in trading expenses, $16.4 million in general and administrative expenses, $4.5 million in depreciation and amortization, $8.5 million in purchased intangible amortization, $3.4 million in communication and technology, $3.8 million in bad debt provision, $1.1 million in restructuring expenses, and $30.6 million in integration expenses offset by a decrease of $0.7 million in acquisition expenses.

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The changes in expenses are discussed in more detail below.

Employee Compensation and Benefits

	Year Ended December 31,			
	2015		2014	
Employee compensation and benefits (amounts in thousands)	$106,581		$99,233	
As a percentage of net revenue	24.5	%	26.9	%

Employee compensation and benefits expenses increased $7.3 million, or 7.4%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to compensation and benefits for the additional employees acquired in the acquisition of City Index, partially offset by the headcount reductions effected in the third and fourth quarters of 2015.

Selling and Marketing Expenses

	Year Ended December 31,			
	2015		2014	
Selling and marketing (amounts in thousands)	$27,168		$20,213	
As a percentage of net revenue	6.2	%	5.5	%

Selling and marketing expenses increased $7.0 million, or 34.4%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. These increases were primarily due to costs incurred to support additional brands following the acquisition of City Index.

Referral Fees

	Year Ended December 31,			
	2015		2014	
Referral fees (amounts in thousands)	$103,523		$90,972	
As a percentage of net revenue	23.8	%	24.6	%

Referral fees increased $12.6 million, or 13.8%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to increased trading volume introduced to us by introducing brokers in 2015, primarily due to our acquisition of City Index, partially offset by lower average referral fees per million paid to such partners in respect of introduced trading volumes.

Trading Expenses

	Year Ended December 31,			
	2015		2014	
Trading expenses (amounts in thousands)	$31,914		$26,168	
As a percentage of net revenue	7.3	%	7.1	%

Trading expenses increased $5.7 million, or 22.0%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to increased trading expenses resulting from the expansion of our business following the acquisition of City Index.

General and Administrative

	Year Ended December 31,			
	2015		2014	
General and administrative (amounts in thousands)	$55,067		$38,651	
As a percentage of net revenue	12.6	%	10.5	%

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General and administrative expense increased $16.4 million, or 42.5%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to an increase in occupancy and equipment, primarily due to the additional locations acquired in the City Index transaction, as well as increased bank fees attributable to an increase in customer activity and accounts acquired in the City Index transaction.

Depreciation and Amortization

	Year Ended December 31,			
	2015		2014	
Depreciation and amortization (amounts in thousands)	$11,111		$6,610	
As a percentage of net revenue	2.6	%	1.8	%

Depreciation and amortization increased by $4.5 million, or 68.1%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to the depreciation of property and equipment acquired in the City Index transaction.

Purchased Intangible Amortization

	Year Ended December 31,			
	2015		2014	
Purchased intangible amortization (amounts in thousands)	$16,550		$8,080	
As a percentage of net revenue	3.8	%	2.2	%

Purchased intangible amortization increased $8.5 million, or 104.8%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to an increase in amortization relating to the acquisitions of City Index in 2015 and the full year inclusion of amortization from our acquisitions in 2014 of GAA, Top Third, Galvan and the intellectual property rights relating to our GTX platform.

Communications and Technology

	Year Ended December 31,			
	2015		2014	
Communications and technology (amounts in thousands)	$18,929		$15,567	
As a percentage of net revenue	4.3	%	4.2	%

Communications and technology expenses increased $3.4 million, or 21.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. These increases were primarily due to the acquisition of City Index.

Bad debt provision

	Year Ended December 31,			
	2015		2014	
Bad debt (amounts in thousands)	$7,462		$3,699	
As a percentage of net revenue	1.7	%	1.0	%

Bad debt provision increased $3.8 million, or 101.7%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. This increase was primarily due to an increase in bad debt as a result of negative balances experienced by some of our customers following actions taken by the Swiss National Bank in January 2015, as well as the acquisition of City Index.

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Restructuring expenses

	Year Ended December 31,	
	2015	2014
Restructuring (amounts in thousands)	$3,482	$2,334
As a percentage of net revenue	0.8 %	0.6 %

Restructuring expenses were $3.5 million and $2.3 million for the years ended December 31, 2015 and December 31, 2014, respectively. Restructuring expenses include severance payments and related expenses that arose in connection with headcount reduction initiatives, such as those that took place in the third and fourth quarters of 2015 following our acquisition of City Index.

Integration expenses

	Year Ended December 31,	
	2015	2014
Integration (amounts in thousands)	$33,092	$2,489
As a percentage of net revenue	7.6 %	0.7 %

Integration expenses were $33.1 million and $2.5 million for the years ended December 31, 2015 and December 31, 2014 respectively. In the year ended December 31, 2015 these expenses consisted primarily of the accelerated amortization of intangible and other assets made redundant by the City Index acquisition. In the year ended December 31, 2014, these expenses included accelerated amortization of platform assets related to our GFT acquisition integration efforts.

Acquisition expenses

	Year Ended December 31,	
	2015	2014
Acquisition expense (amounts in thousands)	$2,819	$3,526
As a percentage of net revenue	0.6 %	1.0 %

Acquisition expenses were $2.8 million and $3.5 million for the years ended December 31, 2015 and December 31, 2014 respectively. Acquisition expenses are costs directly attributable to acquisitions, including legal, accounting and other professional advisory fees.

Interest on long term borrowings

	Year Ended December 31,	
	2015	2014
Interest on long term borrowings (amounts in thousands)	$9,222	$6,147
As a percentage of net revenue	2.1 %	1.7 %

Interest on long term borrowings were $9.2 million and $6.1 million for the years ended December 31, 2015 and December 31, 2014, respectively. Interest on long-term borrowings consists of interest expense on our 4.125% Convertible Senior Notes due 2018, issued in November 2013, and our 4.125% Convertible Senior Notes due 2020, issued in April 2015 in connection with the City Index acquisition.

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Income Taxes

	Year Ended December 31,	
	2015	2014
Income tax expense (amounts in thousands)	$(3,512)	$19,140
Effective tax rate	(41.7)%	42.1%

Income tax expense decreased $22.7 million, resulting in a tax benefit of $3.5 million for the year ended December 31, 2015, compared to income tax expense of $19.1 million for the year ended December 31, 2014. Our effective tax rate in the year ended December 31, 2015 was (41.7)%. The decrease in effective tax compared to the year ended December 31, 2014 was due to significant discrete items in the year ended December 31, 2015. See Note 19 to our audited consolidated financial statements for more detail.

Segment Results - Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Retail Segment

	Year Ended December 31,	
	2015	2014
Net revenue	$351,472	$296,941
Employee compensation and benefits	67,515	61,989
Selling and marketing	26,129	19,574
Referral fees	87,175	78,553
Other operating expenses	76,301	51,561
Segment profit	$94,352	$85,264

Retail segment net revenue increased $54.5 million, or 18.4%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily the result of the City Index acquisition in April 2015.

Employee compensation and benefits expenses for the retail segment increased $5.5 million, or 8.9%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to the compensation and benefits for the additional employees employed following the acquisition of City Index, partially offset by the headcount reductions effected in the third and fourth quarters of 2015.

Selling and marketing expense for the retail segment increased $6.6 million, or 33.5%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to costs incurred to support additional brands following the acquisition of City Index.

Referral fees for the retail segment increased $8.6 million, or 11.0%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase in referral fees was primarily due to increased trading volume introduced to us by introducing brokers, primarily due to our acquisition of City Index, partially offset by lower average referral fees per million paid to partners in respect of introduced trading volumes.

Other operating expenses for the retail segment increased $24.7 million, or 48.0%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to the acquisition of City Index. Other operating expenses for the retail segment include general and administrative expenses, communication and technology expenses and trading expenses.

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Institutional Segment

	Year Ended December 31,	
	2015	2014
Net revenue	35,072	35,413
Employee compensation and benefits	15,305	13,963
Selling and marketing	138	120
Other operating expenses	9,573	10,939
Segment profit	$ 10,056	$ 10,391

Institutional segment net revenue was largely unchanged for the year ended December 31, 2015, compared to the year ended December 31, 2014. Institutional segment revenue for the year ended December 31, 2015 reflected a decrease in commission revenue of $3.6 million from our institutional sales and trading services, partially offset by growth in commissions revenue of $3.1 million from trading on our GTX platform, in each case as compared to the year ended December 31, 2014.

Employee compensation and benefits expenses for the institutional segment increased $1.3 million, or 9.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to additional employees hired during late 2014 to support our institutional segment operations.

Selling and marketing expenses for the institutional segment remained largely unchanged for the year ended December 31, 2015, compared to the year ended December 31, 2014.

Other operating expenses for the institutional segment decreased $1.4 million, or 12.5%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The decrease was primarily due to reduced platform operating costs following the purchase of the software and other intellectual property assets utilized to operate the electronic trading platform offered to customers in our GTX business. Other operating expenses from the institutional segment include general and administrative expenses, communication and technology expenses and trading expenses.

Futures Segment

	Year Ended December 31,	
	2015	2014
Net revenue	$ 45,797	$ 36,016
Employee compensation and benefits	10,634	8,918
Selling and marketing	901	519
Referral fees	16,348	12,419
Other operating expenses	13,960	11,585
Segment profit	$ 3,954	$ 2,575

Futures segment net revenue increased $9.8 million, or 27.2%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to inclusion of full year results of GAA and Top Third, which were acquired in March 2014.

Employee compensation and benefits expenses for the futures segment increased $1.7 million, or 19.2%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to the inclusion of a full year of compensation and benefits for the additional employees employed following the acquisitions of GAA and Top Third in March 2014.

Selling and marketing expenses for the futures segment increased $0.4 million, or 73.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to the inclusion of a full year of selling and marketing expenses related to GAA and Top Third, in which we acquired controlling interests in March 2014.

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Referral fees for the futures segment increased $3.9 million, or 31.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to the inclusion of a full year of referral fees for GAA and Top Third.

Other operating expenses for the futures segment increased $2.4, or 20.5%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to the inclusion of a full year of other operating expenses related to GAA and Top Third. Other operating expenses from the futures segment include general and administrative expenses, communication and technology expenses and trading expenses.

Corporate and Other

	Year Ended December 31,	
	2015	2014
Other revenue	$(3,716)	$819
Employee compensation and benefits	13,127	14,362
Other operating expenses	11,038	10,001
Loss	$(27,881)	$(23,544)

Corporate and other revenue decreased $4.5 million, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to an adjustment to the recorded amount of contingent consideration relating to our Galvan acquisition, partially offset by foreign currency revaluations.

Employee compensation and benefits expenses for employees not attributed to any of our operating segments, such as our executive officers, decreased $1.2 million, or 8.6%, for the year ended December 31, 2015, compared to the year ended December 31, 2014.

Other operating expenses not attributed to any of our operating segments increased $1.0 million, or 10.4%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase was primarily due to an increase in indirect taxes primarily due to our acquisition of City Index.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue (amounts in thousands)

	Year Ended December 31,	
	2014	2013
REVENUE:		
Retail revenue	$292,778	$215,734
Institutional revenue	34,518	28,005
Futures revenue	36,160	22,188
Other revenue	4,904	1,099
Total non-interest revenue	368,360	267,026
Interest revenue	1,428	821
Interest expense	599	156
Total net interest revenue	829	665
Net Revenue	$369,189	$267,691

Our total net revenue increased $101.5 million, or 37.9%, for the year ended December 31, 2014, compared to the year ended December 31, 2013.

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Retail revenue increased $77.0 million, or 35.7%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily the result of the GFT acquisition in September 2013.

Institutional revenue increased $6.5 million, or 23.3%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to growth in commission revenue from both our institutional sales and trading services and our GTX platform.

Futures revenue increased $14.0 million, or 63.0%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to the acquisition of 55% interests in GAA and Top Third in March 2014.

Other revenue increased $3.8 million, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to foreign currency revaluations.

Our net interest revenue increased from $0.7 million for the year ended December 31, 2013 to $0.8 million for the year ended December 31, 2014.

Operating Expenses

	Year Ended December 31,			
	2014		2013	
Total operating expenses (amounts in thousands)	$317,592		$222,968	
As a percentage of net revenue	86.0	%	83.3	%

Our total operating expenses increased $94.6 million, or 42.4%, for the year ended December 31, 2014, compared to the year ending December 31, 2013. The increase in operating expenses was primarily due to an increase of $24.6 million in employee compensation and benefits, an increase of $38.3 million in referral fees, an increase of $8.0 million in trading expenses, an increase of $12.1 million in general and administrative expenses, an increase of $5.2 million in purchased intangible amortization and an increase of $4.3 million in communication and technology, partially offset by decreases of $2.1 million in selling and marketing expenses and $1.7 million in depreciation and amortization expenses.

Employee Compensation and Benefits

	Year Ended December 31,			
	2014		2013	
Employee compensation and benefits (amounts in thousands)	$99,233		$74,607	
As a percentage of net revenue	26.9	%	27.9	%

Employee compensation and benefits expenses increased $24.6 million, or 33.0%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. Salaries and benefits (excluding commissions and bonus) increased $5.5 million primarily due to the additional employees employed following the acquisitions of GFT, GAA, Top Third and Galvan. Commissions increased $23.1 million, primarily due to our sales trader employees, who joined us following the closing of the GFT acquisition in September 2013, as well as the commissions paid to employees who joined us in the acquisitions of GAA, Top Third and Galvan during 2014. Bonus expenses decreased $2.3 million.

Selling and Marketing Expenses

	Year Ended December 31,	
	2014	2013
Selling and marketing (amounts in thousands)	$20,213	$22,337

As a percentage of net revenue	5.5	%	8.3	%

Selling and marketing expenses decreased $2.1 million, or 9.5%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The decrease was primarily due to the continued optimization of our direct marketing efforts.

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Referral fees

	Year Ended December 31,			
	2014		2013	
Referral fees (amounts in thousands)	$90,972		$52,623	
As a percentage of net revenue	24.6	%	19.7	%

Referral fees increased $38.3 million, or 72.9%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to greater customer trading volume directed to us by our white label partners and introducing brokers, in part as a result of partner relationships acquired as part of the GFT acquisition.

Trading Expenses

	Year Ended December 31,			
	2014		2013	
Trading expenses (amounts in thousands)	$26,168		$18,164	
As a percentage of net revenue	7.1	%	6.8	%

Trading expenses increased $8.0 million, or 44.1%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. Of the increase, $5.3 million was primarily due to increased exchange data fees resulting from greater trading volume. There was a $2.8 million increase in clearing and exchange fees associated with our institutional and futures segments, primarily due to increases in trading volumes in such segments.

General and Administrative

	Year Ended December 31,			
	2014		2013	
General and administrative (amounts in thousands)	$38,651		$26,558	
As a percentage of net revenue	10.5	%	9.9	%

General and administrative expenses increased $12.1 million, or 45.5%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to increased bank fees attributable to an increase in customer activity and accounts acquired in the GFT transaction, and an increase in occupancy and equipment, primarily due to the additional locations acquired in the GFT transaction.

Depreciation and Amortization

	Year Ended December 31,			
	2014		2013	
Depreciation and amortization (amounts in thousands)	$6,610		$8,283	
As a percentage of net revenue	1.8	%	3.1	%

Depreciation and amortization decreased by $1.7 million, or 20.2%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The decrease was primarily due to our no longer amortizing prepaid exclusive intellectual property rights licensed from Valaquenta and Forexster following our acquisition of such rights in July 2014. These rights are now being amortized as a component of purchased intangible amortization.

Purchased Intangible Amortization

	Year Ended December 31,			
	2014		2013	
Purchased intangible amortization (amounts in thousands)	$8,080		$2,906	
As a percentage of net revenue	2.2	%	1.1	%

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Purchased intangible amortization increased $5.2 million, or 178.0%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to an increase in amortization relating to the acquisitions of GFT, GAA, Top Third and Galvan, as well as the intellectual property rights acquired from Valaquenta and Forexster.

Communications and Technology

	Year Ended December 31,	
	2014	2013
Communication and technology (amounts in thousands)	$15,567	$11,315
As a percentage of net revenue	4.2 %	4.2 %

Communications and technology expenses increased $4.3 million, or 37.6%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to our acquisitions of GFT, GAA, Top Third and Galvan.

Bad Debt Provision

	Year Ended December 31,	
	2014	2013
Bad debt provision (amounts in thousands)	$3,699	$1,501
As a percentage of net revenue	1.0 %	0.6 %

Bad debt provision increased $2.2 million, or 146.4%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to an increase in the volume of credit card chargebacks during the period, as well as an increase in customer accounts with negative balances that were deemed uncollectible.

Restructuring expenses

	Year Ended December 31,	
	2014	2013
Restructuring (amounts in thousands)	$2,334	$450
As a percentage of net revenue	0.6 %	0.2 %

Restructuring expenses reflect severance payments and related expenses that arose in connection with headcount reduction initiatives in 2014 following our acquisition of GFT.

Acquisition expenses

	Year Ended December 31,	
	2014	2013
Acquisition expense (amounts in thousands)	$3,526	$1,824
As a percentage of net revenue	1.0 %	0.7 %

Acquisition expenses are costs directly attributable to the acquisitions closed in 2014 and 2013, as well as our acquisition of City Index which was signed in October 2014. These costs consist primarily of legal, accounting and other professional advisory fees.

Integration expense

	Year Ended December 31,	
	2014	2013
Integration (amounts in thousands)	$2,489	$1,950

As a percentage of net revenue	0.7 %	0.7 %

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Integration expenses are acquisition-related costs that are incurred while integrating the acquired company into the consolidated group. These costs include incentive payments to employees to remain through the acquisition and costs of retiring redundant assets, as well as accelerated amortization of assets retired as a result of acquisitions.

Interest on long term borrowings

	Year Ended December 31,			
	2014		2013	
Interest on long term borrowings (amounts in thousands)	$6,147		$1,233	
As a percentage of net revenue	1.7	%	0.5	%

Interest on long term borrowings were $6.1 million and $1.2 million for the years ended December 31, 2014 and December 31, 2013, respectively. Interest on long-term borrowings consisted of interest expense on our 4.125% Convertible Senior Notes due 2018, issued in November 2013.

Income Taxes

	Year Ended December 31,			
	2014		2013	
Income tax expense/(benefit) (amounts in thousands)	$19,140		$17,383	
Effective tax rate	42.1	%	38.2	%

Income tax expense increased $1.8 million, resulting in a tax expense of $19.1 million for the year ended December 31, 2014, compared to income tax expense of $17.4 million for the year ended December 31, 2013. Our effective tax rate in the year ended December 31, 2014 was 42.1%. This is higher than the 35% U.S. statutory rate, primarily due to the foreign rate differential from our international operations, where tax rates for those operations are generally lower than the U.S. statutory rate. As such, the proportion of our consolidated taxable earnings originating in foreign jurisdictions impacts our consolidated tax rate. Please see Note 19 to our audited consolidated financial statements for more information on our effective tax rate.

Segment Results - Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Retail Segment

	Year Ended December 31,	
	2014	2013
Net revenue	$296,941	$218,848
Employee compensation and benefits	61,989	44,924
Selling and marketing	19,574	21,761
Referral fees	78,553	41,459
Other operating expenses	51,561	33,148
Segment profit	$85,264	$77,556

Retail segment net revenue increased $78.1 million, or 35.7%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily the result of the GFT acquisition in September 2013.

Employee compensation and benefits expenses for the retail segment increased $17.1 million, or 38.0%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. Salaries and benefits (excluding commissions and bonus) increased primarily due to the additional employees employed following in the acquisitions of GFT and Galvan. Commissions increased primarily due to our sales trader employees, who joined us following the closing of the GFT acquisition in September

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2013, as well as the commissions paid to employees who joined us following the acquisition of Galvan during 2014. These increases were partially offset by a reduction in bonus expenses due to our performance compared to the prior year relative to internal budgets.

Selling and marketing expenses for the retail segment decreased $2.2 million, or 10.1%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The decrease was primarily due to the continued optimization of our direct marketing efforts.

Referral fees for the retail segment increased $37.1 million, or 89.5%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to greater customer trading volume directed to us by our white label partners and introducing brokers, in part as a result of partner relationships acquired as part of the GFT acquisition.

Other operating expenses for the retail segment increased $18.4 million, or 55.5%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to increased exchange data fees resulting from greater trading volume, as well as increased bank fees attributable to an increase in customer activity and accounts acquired in the GFT transaction, and an increase in occupancy and equipment, primarily due to the additional locations acquired in the GFT transaction. Other operating expenses from the retail segment include general and administrative expenses, communication and technology expenses and trading expenses.

Institutional Segment

	Year Ended December 31,	
	2014	2013
Net revenue	35,413	29,213
Employee compensation and benefits	13,963	13,006
Selling and marketing	120	244
Other operating expenses	10,939	8,170
Segment profit	$ 10,391	$ 7,793

Institutional segment net revenue increased $6.2 million, or 21.2%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase primarily resulted from growth in commission revenue of $5.9 million from our institutional sales and trading services and $1.4 million from trading on our GTX platform, in each case as compared to the year ended December 31, 2013.

Employee compensation and benefits expenses for the institutional segment increased $1.0 million, or 7.4%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to additional headcount to drive growth of the business.

Other operating expenses for the institutional segment increased $2.8 million, or 33.9%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to increased clearing fees as a result of increases in trading volumes.

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Futures Segment

	Year Ended December 31,	
	2014	2013
Net revenue	$ 36,016	$ 23,360
Employee compensation and benefits	8,918	3,399
Selling and marketing	519	332
Referral fees	12,419	11,164
Other operating expenses	11,585	8,948
Segment profit	$ 2,575	$ (483)

Futures segment net revenue increased $12.7 million, or 54.2%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to the acquisition of 55% interests in GAA and Top Third in March 2014.

Employee compensation and benefits expenses for the futures segment increased $5.5 million, or 162.4%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to the acquisition of GAA and Top Third in March 2014.

Selling and marketing expenses for the futures segment increased $0.2 million, or 56.3%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to the acquisition of GAA and Top Third in March 2014.

Referral fees for the futures segment increased $1.3 million, or 11.2%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to the acquisition of GAA and Top Third in March 2014.

Other operating expenses for the futures segment increased $2.6 million, or 29.5%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to the acquisition of GAA and Top Third in March 2014.

Corporate and Other

	Year Ended December 31,	
	2014	2013
Other revenue	$ 819	$ (3,729)
Employee compensation and benefits	14,362	13,279
Other operating expenses	10,001	7,272
Loss	$ (23,544)	$ (24,280)

Corporate and other revenue increased $4.5 million for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to foreign currency revaluations. Additionally, net interest revenue increased from $0.7 million for the year ended December 31, 2013 to $0.8 million for the year ended December 31, 2014.

Employee compensation and benefits expenses for employees not attributed to any of our operating segments, such as our executive officers, increased $1.1 million, or 8.2%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due to additional Corporate headcount arising from the GFT acquisition.

Other operating expenses not attributed to any of our operating segments increased $2.7 million, or 37.5%, for the year ended December 31, 2014, compared to the year ended December 31, 2013. The increase was primarily due in an increase in general administrative costs, such as insurance and travel arising from the GFT acquisition.

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Liquidity and Capital Resources

We have historically financed our liquidity and capital needs primarily through the use of funds generated from operations by our subsidiaries, the issuance of debt and equity securities, including the 4.125% Convertible Senior Notes due 2018 that we issued in the fourth quarter of 2013 and the 4.125% Convertible Senior Notes due 2020 that were issued in 2015 in connection with our acquisition of City Index, and access to secured lines of credit. We plan to finance our future operating liquidity and regulatory capital needs in a manner consistent with our past practice. We expect that our capital expenditures for the next 12 months will be consistent with our annual spend during 2015, as we continue to build out the technology platforms that were acquired as part of the City Index transaction.

We primarily hold and invest our cash at various financial institutions and in various investments, including cash held at banks, deposits at our liquidity providers and money market funds which invest in short-term U.S. government securities. In general, we believe all of our investments and deposits are of high credit quality and we have more than adequate liquidity to conduct our businesses.

The following table shows the amount of cash (including customer cash) held by our subsidiaries located outside the United States and the amount of accumulated earnings at December 31, 2015 (amounts in millions):

Entity Name	Cash	Accumulated Earnings
GAIN Capital-Forex.com U.K., Ltd.	$230.6	$67.2
GAIN Capital UK Limited	307.9	17.3
GAIN Capital Japan Co., Ltd.	48.8	—
GAIN Capital Forex.com Australia, Pty. Ltd.	9.0	—
GAIN Capital-Forex.com Hong Kong, Ltd.	4.4	—
GAIN Capital-Forex.com Canada Ltd.	6.5	—
GAIN Capital Singapore Pte. Ltd.	28.4	0.9
GAIN Capital Australia Pty Ltd.	20.0	1.3
Galvan Research and Trading Ltd.	0.7	4.7
GAIN Global Markets, Inc.	0.3	—
Faraday Research LLP	0.3	0.6
GTX Bermuda Ltd.	6.5	8.0
Gain Global Markets Bermuda, Ltd.	2.8	—
Total	$666.2	$100.0

At December 31, 2015, we had approximately $100.0 million held in accumulated earnings of our foreign subsidiaries. We have made provisions for U.S. taxes that would arise on distribution if $48.3 million of these earnings were repatriated to the United States. The remaining earnings are indefinitely invested outside the United States and are expected to be reinvested in the working capital and other business needs of the foreign subsidiaries. If the remaining earnings had been repatriated into the United States as of December 31, 2015, in the form of dividends or otherwise, we would have been subject to additional income taxes of approximately $9.8 million.

Some of our operating subsidiaries are subject to requirements of various regulatory bodies, including the CFTC and NFA in the United States, the FCA in the United Kingdom, the FSA, METI and MAFF in Japan, the SFC in Hong Kong, IIROC and the OSC in Canada and the CIMA in the Cayman Islands, relating to liquidity and capital standards, which limit funds available for the payment of dividends to GAIN Capital Holdings, Inc. As a result, we may be unable to access funds which are generated by our operating subsidiaries when we need them.

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of December 31, 2015 and the actual amounts of capital that were maintained on that date (amounts in millions):

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Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital
GAIN Capital Group, LLC	$26.1	$36.3	$10.2
GAIN Capital Securities, Inc.	0.1	0.4	0.3
GAIN Global Markets, Inc.	0.2	0.3	0.1
GAIN Capital Forex.com Australia, Pty. Ltd.	0.7	2.4	1.7
GAIN Capital Forex.com U.K., Ltd.	27.8	61.6	33.8
GAIN Capital-Forex.com Hong Kong, Ltd.	1.9	3.9	2.0
GAIN Capital-Forex.com Canada Ltd.	0.2	1.4	1.2
Forex.com Japan., Ltd.	0.9	9.6	8.7
GAIN Capital UK, Ltd.	54.5	127.9	73.4
GAIN Capital Singapore Pte, Ltd.	0.6	7.4	6.8
GAIN Capital Australia Pty Ltd.	0.7	2.8	2.1
Galvan Research and Trading, Ltd.	0.7	4.3	3.6
Global Assets Advisors, LLC	0.1	1.2	1.1
Total	$114.5	$259.5	$145.0

Our futures commission merchant and forex dealer subsidiary, GAIN Capital Group, LLC, is subject to the Commodity Futures Trading Commission Net Capital Rule (Rule 1.17) and NFA Financial Requirements, Sections 11 and 12. Under applicable provisions of these regulations, Gain Capital Group, LLC is required to maintain adjusted net capital of the greater of $1.0 million or 8% of Customer and Non-Customer Maintenance Margin, or $20 million plus 5% of all liabilities owed to retail customers exceeding $10 million. Net capital represents current assets less total liabilities as defined by CFTC Rule 1.17. Our current assets primarily consist of cash and cash equivalents reported on our balance sheet as cash, receivables from brokers and trading securities, which are generally short-term U.S. government securities. Our total liabilities include payables to customers, accrued expenses, accounts payable, sales and marketing expense payable, introducing broker fees payable and other liabilities. From net capital we take certain percentage deductions against assets held based on factors required by the Commodity Exchange Act to calculate adjusted net capital. Our net capital and adjusted net capital changes from day to day. As of December 31, 2015, GAIN Capital Group, LLC had net capital of approximately $36.3 million and net capital requirements of $26.1 million. As of December 31, 2015, GAIN Capital Group's excess net capital was $10.2 million. We believe that we currently have sufficient capital to satisfy these on-going minimum net capital requirements. In accordance with CFTC regulation 1.12 and NFA Financial Requirements Section 1, a 20.0% decrease in GAIN Capital Group, LLC's net capital and a 30.0% decrease in excess net capital due to a planned equity withdrawal requires regulatory notification and/or approval.

GAIN Capital Forex.com U.K. Ltd., or GCUK1, GAIN Capital UK Limited, or GCUK2, and Galvan Research and Trading, Ltd., or Galvan, all three together the U.K. Entities, are all registered in the U.K. and are regulated by the Financial Conduct Authority in respect of their trading activity. The U.K. Entities are required to comply with relevant U.K. and E.U. legislation. In addition they must comply with the rules and guidance contained in the FCA Handbook of rules and guidance, or FCA Handbook.

GCUK1, is regulated by the FCA, as a full scope €730k IFPRU Investment Firm. GCUK1 is required to maintain the greater of $1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration, market and forex risk. At December 31, 2015, GCUK1 maintained $33.8 million more than the minimum required regulatory capital for a total of 2.2 times the required capital and at all times maintained compliance with all applicable regulations.

GCUK2, is regulated by the FCA as a full scope €730k IFPRU Investment Firm. GCUK2 is required to maintain the greater of $1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration, market and forex risk. At December 31, 2015, GCUK2 maintained $73.4 million more than the minimum required regulatory capital for a total of 2.3 times the required capital and at all times maintained compliance with all applicable regulations.

Effective from January 1, 2016, the FCA has introduced the addition of a capital conservation buffer and a countercyclical capital buffer in line with the requirements set out in Capital Requirements Directive, or CRD IV, Article 160 Transitional

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Provisions for Capital Buffers. This will require all firms to maintain an additional buffer on top of the minimum capital requirements. The amount of buffer, which is a percentage of the firm's common equity tier 1 capital against the total risk exposure amount, will be based on a transitional period from January 1, 2016 to December 31, 2018. During that period, the minimum common equity tier 1 capital ratio requirement will increase from 5.125% to 8%.

Galvan, is regulated by the FCA as a BIPRU Limited License Firm. Galvan is required to maintain a base financial resources requirement of $0.1 million (€0.05 million) and a capital requirement of the higher of either credit risk plus market risk or fixed overhead requirement. At December 31, 2015, Galvan maintained $3.6 million more than the minimum required regulatory capital for a total of 6.1 times the required capital and at all times maintained compliance with all applicable regulations.

In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. A number of significant provisions contained in the law affect, or will affect once implementing regulations are adopted by the appropriate federal agencies, our business. Among other things, the Dodd-Frank Act provides for additional regulation of swaps and security-based swaps, including some types of foreign exchange and metals derivatives in which we engage. The Dodd-Frank Act requires the registration of swap dealers and swap execution facilities with the CFTC and imposes significant regulatory requirements on swap dealers and swap execution facilities. Effective February 27, 2013, GAIN GTX, LLC, became registered with the CFTC and NFA as a swap dealer. Effective April 17, 2014, GTX SEF, LLC became temporarily registered with the CFTC as a swap execution facility. Certain of our other subsidiaries may be required to register, or may register voluntarily, as swap dealers and/or swap execution facilities. Swap dealers and swap execution facilities are subject to a comprehensive regulatory regime with new obligations for the swaps activities for which they are registered, including adherence to risk management policies, supervisory procedures, trade record and real time reporting requirements as well as proposed rules for new minimum capital requirements. The specific parameters of these swap dealer and swap execution facility requirements are being developed by the CFTC and other regulators. The full impact of the regulation on GAIN GTX, LLC, GTX SEF, LLC and any other of our subsidiaries that register as a swap dealer and/or swap execution facility remains unclear. It is likely, however, that these entities will face increased costs due to the registration and regulatory requirements listed above. Complying with the proposed regulation of swap dealers and swap execution facilities could require us to restructure our businesses, require extensive systems changes, require personnel changes or raise additional potential liabilities and regulatory oversight. Compliance with swap-related regulatory capital requirements may require us to devote more capital to our GTX business. 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, or financial condition.

We are required to maintain cash on deposit with our liquidity providers in order to conduct our hedging activities. As of December 31, 2015, we posted $121.2 million in cash with liquidity providers. As of December 31, 2015, our total client assets were $920.6 million. Total client assets represent amounts due to clients, including deposits and unrealized gains or losses arising from open positions.

The table set forth below provides information regarding our total available liquidity as of December 31, 2015 and 2014, respectively. We use this non-GAAP measure to evaluate our business operations and our ability to continue to grow through acquisitions (amounts in millions):

	As of December 31, 2015	As of December 31, 2014
Cash and cash equivalents	$171.9	$139.4
Receivables from brokers	121.2	134.9
Net operating cash	293.1	274.3

Less: Minimum regulatory requirements	(114.5)	(76.3)
Free Cash Available[1]	$38.6	$118.0

(1) Our Convertible Senior Notes due 2018 and 2020 are excluded given their long-dated maturity

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Convertible Senior Notes

On November 27, 2013, we issued $80 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2018 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the note offering were approximately $77.2 million, after deducting discounts to the initial purchasers and estimated offering expenses payable by the company.

The notes bear interest at a fixed rate of 4.125% per year, payable semiannually in arrears on June 1 and December 1 of each year, beginning on June 1, 2014. The interest payment on the notes was approximately $3.3 million for the year ended December 31, 2014. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election. The notes will mature on December 1, 2018, unless earlier converted, redeemed or repurchased. We may not redeem the notes prior to December 1, 2016.

On April 1, 2015, as part of the consideration for our acquisition of City Index, we issued $60 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2020 to City Index Group Limited. These notes bear interest at a fixed rate of 4.125% per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2015. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election, subject to certain limitations. The notes will mature on April 1, 2020, unless earlier converted, redeemed or repurchased. We may not redeem the notes until the two year period prior to the maturity date of the notes.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. ASC 470-20 requires an entity to separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash (such as our 4.125% Convertible Senior Notes and the convertible notes to be issued in connection with our acquisition of City Index) in a manner that reflects the issuer's economic interest cost for non-convertible debt. The liability component of the notes is initially valued at the fair value of a similar debt instrument that does not have an associated equity component and, for our 4.125% Convertible Senior Notes, is reflected as a liability in our consolidated balance sheet in an amount equal to the fair value, which, as of December 31, 2015 and 2014, was $122.0 million and $68.4 million, respectively. The equity component of the notes is included in the additional paid-in capital section of our stockholders' equity on our Consolidated Balance Sheets, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The equity component, as of December 31, 2014 and 2013, for our 4.125% Convertible Senior Notes was $12.1 million. This original issue discount is amortized to non-cash interest expense over the term of the notes, and, as a result, we record a greater amount of interest expense in current periods. Accordingly, we will report lower net income in our financial results than would have been recorded had we reflected only cash interest expense in our consolidated income statement because ASC 470-20 will require the interest expense associated with the notes to include both the current period's amortization of the original issue discount and the notes' cash coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as our 4.125% Convertible Senior Notes due 2018 and our 4.125% Convertible Senior Notes due 2020) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, were issued.

Credit Facility

As part of our acquisition of GFT in September 2013, all outstanding obligations under a revolving line of credit we maintained at that time were satisfied and the line of credit was terminated.

Cash Flow

The following table sets forth a summary of our cash flow for each of the three years ended December 31, 2015 (amounts in thousands):

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	Year ended December 31,		
	2015	2014	2013
Cash provided by / (used for) operating activities	$77,213	$136,788	$(18,887)
Cash used for investing activities	(16,081)	(35,463)	(9,807)
Cash (used for) / provided by financing activities	(25,840)	(5,938)	33,633
Effect of exchange rate changes on cash and cash equivalents	(2,755)	4,093	(1,888)
INCREASE IN CASH AND CASH EQUIVALENTS	$32,537	$99,480	$3,051

The primary drivers of our cash flow provided by/(used for) operating activities are net income, adjusted for non-cash charges, such as depreciation and amortization, and amounts posted as collateral with liquidity providers.

For the year ended December 31, 2013, amounts posted as collateral with liquidity providers were included on our balance sheet as receivables from brokers and represented collateral required to be deposited with our liquidity providers in order for us to hold securities positions, as well as amounts we posted, at our discretion, with liquidity providers in excess of applicable collateral requirements. Due to a change made in 2014, starting with the year ended December 31, 2014, amounts required to be posted as collateral with our liquidity providers are included on our balance sheet as receivables from brokers, while discretionary amounts posted in excess of applicable collateral requirements are viewed as available cash to the extent not required to be classified as cash and securities held for customers. We receive interest on amounts we have posted as collateral with our liquidity providers. The amount of collateral required by our liquidity providers in the future will be commensurate with the amount of securities positions that they hold on our behalf. The amount of cash posted with liquidity providers in excess of applicable collateral requirements is discretionary and may increase or decrease in future periods as we determine the most efficient uses of our cash.

Our largest operating expenses are employee compensation and benefits and referral fees. Employee compensation and benefits include salaries, bonuses and other employee related costs as well as commissions paid to certain sales personnel.
Referral fees consist primarily of compensation paid to our white label partners and introducing brokers.

Unrealized gains and losses on cash positions revalued at prevailing foreign currency exchange rates are included in trading revenue but have no direct impact on cash flow from operations. Gains and losses become realized and impact cash flow from operations when customer transactions are liquidated. To some extent, the amount of net deposits made by our customers in any given period is influenced by unrealized gains and losses because our customers’ trading positions are impacted by unrealized gains and losses and our customers may be required to post additional funds to maintain open positions or may choose to withdraw excess funds on open positions.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Cash provided by operating activities was $77.2 million for the year ended December 31, 2015, compared to $136.8 million provided by operating activities for the year ended December 31, 2014. Our cash provided by operating activities for the year ended December 31, 2014 was primarily due to the change in the manner in which we viewed amounts posted with our liquidity providers in excess of applicable collateral requirements, as discussed above.

Cash used for investing activities was $16.1 million for the year ended December 31, 2015, compared to $35.5 million used for investing activities in the year ended December 31, 2014. Cash used for acquisitions and for the purchase of intangible assets decreased approximately $11.7 million and $12.4 million, respectively. Cash used for the purchase of property and equipment increased $10.9 million.

Cash used for financing activities was $25.8 million for the year ended December 31, 2015, compared to $5.9 million used for financing activities for the year ended December 31, 2014. Cash used for contractual payments of acquisition increased $13.9 million, cash used for tax benefit from employee stock option exercises increased $0.1 million, cash used for the purchase of treasury stock increased $3.8 million, and cash used for the dividend payments increased $1.4 million.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Cash provided by operating activities was $141.7 million for the year ended December 31, 2014, compared to $18.3 million used for the year ended December 31, 2013. The increase in cash provided by operating activities was primarily due to the movement in receivables from brokers of $173.0 million as a result of the change in the way we record available cash discussed above.

Cash used for investing activities was $35.5 million for the year ended December 31, 2014, compared to $9.8 million used for investing activities in the year ended December 31, 2013. Cash used for acquisitions increased approximately $10.7 million and an additional $12.4 million was used for the purchase of intangible assets. Cash used for the purchase of property and equipment increased $2.6 million.

Cash used for financing activities was $5.9 million for the year ended December 31, 2014, compared to $33.6 million provided by financing activities for the year ended December 31, 2013. Cash provided by the issuance of convertible senior notes decreased $77.9 million, cash used for principal payment on notes payable decreased $31.2 million and cash used for the purchase of treasury stock decreased $5.9 million.

Capital Expenditures

Capital expenditures were $19.7 million for the year ended December 31, 2015, compared to $8.8 million for the year ended December 31, 2014 and $6.2 million for the year ended December 31, 2013. Capital expenditures for the years ended December 31, 2015, 2014, and 2013 were primarily related to the development of various trading platforms and websites, including the build out of the technology platforms acquired as part of the City Index transaction.

Off-Balance-Sheet Arrangements

At December 31, 2015 and 2014 we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2015. (Amounts in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Purchase Obligations	$14,039	$12,781	$1,258	$—	$—
Operating Leases	39,538	8,587	10,575	8,158	12,218
Total	$53,577	$21,368	$11,833	$8,158	$12,218

The amounts reported above for "Purchase Obligations" are calculated based upon mandatory pre-cancellation notice periods, if any. Excluded from the amounts set forth above are obligations relating to the $80 million in principal amount of our 4.125% Convertible Senior Notes due 2018 that we issued in the fourth quarter of 2013 and the $60 million in principal amount of our 4.125% Convertible Senior Notes due 2020 that were issued in 2015 in connection with our acquisition of City Index, as our obligations under these Convertible Senior Notes are not sure to be settled in cash. By their terms, these Convertible Senior Notes may be settled in cash, shares of our common stock or in a combination of shares and cash at our discretion.

Critical Accounting Policies

Our consolidated financial statements and accompanying notes have been prepared in accordance with GAAP applied on a consistent basis. The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. We evaluate these estimates and assumptions on an ongoing basis. We base our estimates on the information currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made; if different estimates reasonably could have been used; or if

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changes in the estimate that are reasonably likely to occur periodically could materially impact the financial statements. While our significant accounting policies are described in more detail in the notes to our consolidated financial statements included in this annual report, we believe the following accounting policies are critical to the estimates and assumptions used in the preparation of our consolidated financial statements.

Revenue Recognition

Retail revenue comprises trading and commission revenue from our retail segment. OTC trading includes forex trading, or forex, metals trading, contracts-for-difference, or CFDs, and spread-betting (in markets which do not prohibit such transactions), as well as other financial products.

Gains or losses are realized when customer transactions are liquidated. Unrealized gains or losses on trading positions are revalued at prevailing foreign currency exchange rates (the difference between contract price and market price) at the date of the balance sheet and are included in Receivables brokers as well as Payables to customers on the Consolidated Balance Sheets. Changes in net unrealized gains or losses are recorded in Retail revenue on the Consolidated Statements of Income and Comprehensive Income. Retail revenue is recorded on a trade date basis.

Institutional revenue consists of revenue from our institutional segment, which provides a proprietary trading platform and sales and trading services to institutions. Revenue from the institutional segment is generated primarily through commissions or spreads on trades executed on the GTX platform or by voice-brokers. We act as an agent for the trades executed on the GTX platform and therefore do not assume any market or credit risk in connection with those transactions. Revenues are booked on a trade date basis.

Futures revenue consists of revenue from our futures segment, which offers exchange-based trading execution services, focusing on the indices, agricultural hedging, and commodities sectors. Revenues in this business are generated through commissions, which are earned for executing our customers' trades. These revenues are booked on a trade date basis. We act in an agency capacity with respect to the clearing of trades, but as a principal with respect to fees paid to introducing brokers in the futures business. Therefore, we take no market risk in this business.

Income Taxes

We have restated our consolidated financial statements as of December 31, 2014 and for the years ended December 31, 2013 and 2014 to reflect adjustments to the tax treatment of certain intercompany payables and receivables among our domestic and overseas subsidiaries. See Note 2 to our audited consolidated financial statements for additional information.

Current income tax is calculated on the basis of the tax laws enacted or substantially enacted at the year end in the countries where we operate and generate taxable income.

Deferred income tax expenses are provided using the asset and liability method, under which deferred tax assets and liabilities are determined based upon the temporary differences between the consolidated financial statements and the income tax basis, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in our Consolidated Statements of Income and Comprehensive Income in the period of enactment. We routinely evaluate all deferred tax assets to determine the likelihood of their realization.

We use estimates in determining income tax positions under ASC 740-10-25, Income Taxes. Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgment and is subject to audit by tax authorities in the ordinary course of business.

To the extent we are required to pay amounts in excess of our reserves, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement could require use of our cash and result in an increase in our effective income tax rate in the period of resolution.

In accordance with ASC 740, we evaluate a tax position to determine whether it is more likely than not that the tax position will be sustained upon examination, based on the technical merits of the position. If the position does not meet a more likely than not threshold, a tax reserve is established and no income tax benefit is recognized. We are audited by U.S. federal and state, as well as foreign, tax authorities. In some cases, many years may elapse before a tax return containing tax positions for which an ASC 740 reserve has been established is examined and an audit is completed. As audit settlements are reached, we adjust the corresponding reserves, if required, in the period in which the final determination is made. While it is difficult to predict the final outcome or timing of a particular tax matter, we believe that our reserves for uncertain tax positions are

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recorded pursuant to the provisions of ASC 740.

We operate a permanent reinvestment strategy, under which earnings derived from foreign business remain invested in the Company's foreign subsidiaries. We have no plans to repatriate these earnings.

Convertible Senior Notes

In November 2013, we issued $80 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2018. In April 2015, we issued $60 million aggregate principal amount of our 4.125% Unsecured Convertible Senior Notes due 2020. These notes are hybrid instruments, having both a debt and an equity component, and we accounted for them in accordance with relevant guidance for such instruments. The debt component includes an initial discount determined by the notes' coupon rate and prevailing market interest rates. The equity component equals the initial discount and is included in Additional Paid in Capital. The discount will amortize over the life of the notes, as we record interest expense. The notes will mature on December 1, 2018 and April 1, 2020, respectively, unless earlier converted, redeemed or repurchased. We may not redeem the notes prior to December 1, 2016 and April 1, 2018, respectively.

Business Combinations

In April 2015, we completed our acquisition of City Index. In July 2014, we completed our acquisition of Galvan. In March 2014, we acquired the controlling interests in GAA and Top Third. In September 2013, we completed our acquisition of GFT. We accounted for these transaction in accordance with accounting guidance for business combinations, which required identifying the acquirer, determining the acquisition date, determining the purchase price and determining fair values for assets and liabilities assumed, as well as calculating goodwill. We disclosed acquisition, restructuring, and integration expenses separately.See Note 11 to our audited consolidated financial statements for more information.

Goodwill and Intangible Assets

Relevant accounting guidance requires purchased intangible assets other than goodwill to be amortized over their useful lives unless the useful lives are determined to be indefinite. If the assets are determined to have a finite life in the future, we will amortize the carrying value over the remaining useful life at that time. Our URLs (foreignexchange.com and forex.com) are indefinite life intangible assets and are, therefore, not amortized. We compare the recorded value of the indefinite life intangible assets to their fair value on an annual basis and whenever circumstances arise that indicate that an impairment may have occurred. In accordance with relevant accounting guidance, we test goodwill for impairment on an annual basis during the fourth quarter and on an interim basis when conditions indicate impairment may have occurred. Goodwill impairment is determined by comparing the estimated fair value of the reporting unit with its respective book value. We performed our annual test for goodwill impairment in the fourth quarter of 2015 and noted there was no impairment.

Accrued Compensation

We make estimates in determining our quarterly and annual accrued non-share-based compensation. A significant portion of our employee incentive compensation programs are discretionary. Each quarter and year-end we determine the amount of discretionary cash bonus pools. We also review compensation throughout the year to determine how overall performance compares to management's expectations. We take these and other factors, including historical performance and our performance relative to budget, into account in reviewing accrued discretionary cash compensation estimates quarterly and adjusting accrual rates as appropriate. Changes to these factors could cause a material increase or decrease in the amount of compensation expense that we report in a particular period.

Derivatives

Forex, metals and CFDs allow for the exchange of the difference in value of a particular asset such as a stock index, energy product, or gold contracts, between the time at which a contract is opened and the time at which it is closed. Our open positions and those of our retail customers are considered derivatives under FASB ASC 815. Therefore, they are accounted for at fair value and are included in Receivables from brokers and Payables to customers in the consolidated balance sheets.

Share Based Payments

ASC 718-10, Compensation – Stock Compensation, requires measurement of share based payment arrangements at fair value and recognition of compensation cost over the service period, net of estimated forfeitures. The fair value of restricted stock

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units is determined based on the number of units granted and the grant date fair value of GAIN Capital Holding, Inc.'s common stock.

We measure the fair value of stock options on the date of grant using the Black-Scholes option pricing model which requires the use of several estimates, including:

- The volatility of our stock price;
- The expected life of the option;
- Risk free interest rates; and
- Expected dividend yield.

The use of different assumptions in the Black-Scholes pricing model would result in different amounts of stock-based compensation expense. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted in the future.

The average risk free rate is based upon the five year bond rate converted to a continuously compounded interest rate.

Contingent Consideration

Under the agreements governing certain of our business combinations, we are obligated to make contingent payments that are Level 3 financial liabilities. These contingent payments are recorded under Accrued expenses and other liabilities on our Consolidated Balance Sheet. The fair value of these payments are determined using prevailing interest rates as of the balance sheet date and forecasts of the acquired company's performance, estimation of which does not have any basis in quoted or observable markets. Interest expense associated with our contingent consideration is included in earnings. At the time the Galvan acquisition closed, we estimated the acquisition date fair value of the contingent consideration to be $10.5 million. In December 2015, we entered into an agreement with the former owners of Galvan to satisfy all remaining obligations under the contingent earn-out arrangement we entered into in connection with the Galvan acquisition for a one-time payment of $1.5 million, which was paid in early 2016.

Recent Accounting Pronouncements

In February 2016, the FASB issued new guidance regarding the accounting for leases. The FASB issued this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal year. We are currently assessing the impact on our consolidated financial statements of adopting this guidance.

In September 2015, FASB issued new guidance regarding the accounting for provisional adjustments of business combinations. The guidance states that if changes are required to be made to provisional amounts included in previously issued financial statements, such changes should be included in the period in which they are identified. These changes include adjustments to goodwill, as well as the cumulative impact of adjustments for depreciation, amortization or other income. The guidance is effective for annual periods beginning after December 15, 2015, including interim periods within that reporting period. This guidance will impact how we deal with provisional adjustments for business combinations following adoption.

In April 2015, the FASB issued new guidance regarding the accounting for debt issuance costs. The guidance requires presenting any deferred financing costs from debt issuances as a reduction in the amount of debt included on the balance sheet, which is a change from currently applicable rules requiring such costs to be classified as assets. In August 2015, the FASB issued updated guidance, which incorporated an SEC staff announcement highlighting that costs incurred for line-of-credit arrangements could be recorded as assets and amortized ratably over the term of the line-of-credit arrangement (regardless of whether there are any outstanding borrowings). The guidance is effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. We do not expect this guidance to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued new revenue recognition guidance that superseded the previously existing revenue recognition guidance and most industry-specific guidance applicable to revenue recognition. The guidance requires recognizing revenue when transferring promised goods or services to customers. Recognition should reflect the consideration which the company expects to receive in exchange for those goods or services. The guidance requires enhanced disclosures to help financial statement users better understand the nature, amount, timing and uncertainty of the revenues that are recognized. The guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2017, which is a one year deferral from the original guidance, approved by the FASB in July 2015. Early application is permitted for annual periods beginning after December 15, 2016, including interim periods within that reporting period. We are currently assessing the impact on our consolidated financial statements of adopting this guidance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will impact our consolidated financial statements. Our net interest revenue is directly affected by the short-term interest rates we earn from re-investing our cash and our customer’s cash. As a result, a portion of our interest income will decline if interest rates fall. 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. Our cash and cash equivalents and customer cash and cash equivalents are held in cash and cash equivalents including cash at banks, deposits at liquidity providers, in money market funds that invest in short-term U.S. government securities and in United States and Canadian Imperial Bank of Commerce treasury bills. The interest rates earned on these deposits and investments affects our interest revenue. We estimate that as of December 31, 2015, an immediate 100 basis point increase in short-term interest rates would result in approximately $10.6 million more in annual pretax income.

Foreign Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of our earnings and assets. Entities that have assets and liabilities denominated in currencies other than the primary economic environment in which the entity operates are subject to re-translation.

We monitor our exchange rate exposure and may make settlements to reduce our exposure. We do not take proprietary directional market positions.

Historically we have experienced relatively small impacts due to the composition of our balance sheets and the lack of volatility between exchanges rates in the jurisdictions in which we operate. Our exposure to foreign currency exchange rates may increase in the future and we may consider entering into hedging transactions to mitigate our exposure to foreign currency exchange rates. These hedging transactions may not be successful.

Credit Risk

Our trading operations require a commitment of our capital and involve risk of loss because of the potential that a customer’s losses may exceed the amount of cash in their account. While we are able to closely monitor each customer’s exposure, it does not guarantee our ability to eliminate negative customer account balances prior to an adverse currency price change or other market events, such as the extreme volatility in the Swiss franc following the SNB market event in January 2015. Changes in market conditions or unforeseen extreme market events could result in our customers experiencing losses in excess of the funds they have deposited with us. In such an event, we may not be able to recover the negative client equity from our customers, which could materially adversely affect our results of operations. In addition, if we cannot recover funds from our customers, we may nonetheless be required to fund positions we hold with our liquidity providers or other third parties and, in such an event, our available funds may not be sufficient to meet our obligations to these third parties, which could materially adversely affect our business, financial condition, results of operations and cash flows.

In order to help mitigate this risk, we require that each trade must be collateralized in accordance with our margin policies described below. Each customer is required to have minimum funds in their account for opening positions, which we refer to as the initial margin, and for maintaining positions, which we refer to as maintenance margin, depending on the product being traded. Margin requirements are expressed as a percentage of the customer's total position in that product, and the customer's total margin requirement is based on the aggregate margin requirement across all of the positions that a customer holds at any one moment in time. Each net position in a particular product is margined separately. Accordingly, we do not net across different positions, thereby following a more conservative margin policy. Our systems automatically monitor each customer's margin requirements in real time, and we confirm that each of our customers has sufficient cash collateral in his or her account before we execute their trades. We may also adjust required customer margins (both initial and maintenance) from time to time based on our monitoring of various factors, including volatility and liquidity. If at any point in time a customer's trading position does not comply with the applicable margin requirement, the position may be automatically liquidated, partially or entirely, in accordance with our margin policies and procedures. This policy protects both us and the customer. Our margin and liquidation policies are set forth in our customer agreements.

We are also exposed to potential credit risk relating to the counterparties with which we hedge our trades and the financial institutions with which we deposit cash. We mitigate these risks by transacting with several of the largest financial institutions in the world. In the event that our access to one or more financial institutions becomes limited, our ability to hedge may be impaired.

Market Risk

We are exposed to market risk in connection with our retail trading activities. Because we act as counterparty to our retail customers' transactions, we are exposed to risk on each trade that the market price of our position will decline. Accordingly, accurate and efficient management of our net exposure is a high priority, and as such we have developed both automated and manual policies and procedures to manage our exposure. These risk-management policies and procedures are established and reviewed regularly by the Risk Committee of our Board of Directors. Our risk-management policies require quantitative analyses by currency pair, as well as assessment of a range of market inputs, including trade size, dealing rate, customer margin and market liquidity. Our risk-management procedures require our team of senior traders to monitor risk exposure on a continuous basis and update senior management both informally over the course of the trading day and formally through intraday and end of day reporting. A key component of our approach to managing market risk is that we do not initiate market positions for our own account in anticipation of future movements in the relative prices of products we offer. To facilitate our risk-management activities, we maintain levels of capital in excess of those currently required under applicable regulations. As of December 31, 2015, we maintained capital levels of $259.5 million, which represented approximately 2.3 times the capital we were required to hold under applicable regulations.

Cash Liquidity Risk

In normal conditions, our market making business and related services is self financing as we generate sufficient cash flows to pay our expenses as they become due. As a result, we generally do not face the risk that we will be unable to raise cash quickly enough to meet our payment obligations as they arise. Our cash flows, however, are influenced by customer trading volume, currency volatility and liquidity in foreign currencies pairs in which we have positions. These factors are directly impacted by domestic and international market and economic conditions that are beyond our control. In an effort to manage this risk, we have secured a substantial liquidity pool by establishing trading relationships with nine financial institutions. These relationships provide us with sufficient access to liquidity to allow us to consistently execute significant trades in varying market conditions at the notional amounts our customers desire by providing us with as much as 50:1 leverage on the notional amounts of our available collateral we have on deposit with such financial institutions. We generally maintain collateral on deposit, which includes our funds and our customers' funds. Collateral on deposit ranged from $134.9 million to $230.0 million in the aggregate, during the year ended December 31, 2015.

In addition, our trading operations involve the risk of losses due to the potential failure of our customers to perform their obligations under the transactions we enter into with them, which increases our exposure to cash liquidity risk. To reduce this risk, our margin policy requires that we mark our customers' accounts to market each time the market price of a position in their portfolio changes and provides for automatic liquidation of positions, as described above.

Operational Risk

Our operations are subject to broad and various risks resulting from technological interruptions, failures or capacity constraints in addition to risks involving human error or misconduct. Regarding technological risks, we are heavily dependent on the capacity and reliability of the computer and communications systems supporting our operations. We have established a program to monitor our computer systems, platforms and related technologies and to promptly address issues that arise. We have also established disaster recovery facilities in strategic locations to ensure that we can continue to operate with limited interruptions in the event that our primary systems are damaged. As with our technological systems, we have established policies and procedures designed to monitor and prevent both human errors, such as clerical mistakes or incorrectly placed trades, as well as human misconduct, such as unauthorized trading, fraud or negligence. In addition, we seek to mitigate the impact of any operational issues by maintaining insurance coverage for various contingencies.

Regulatory Capital Risk

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Various domestic and foreign government bodies and self-regulatory organizations responsible for overseeing our business activities require that we maintain specified minimum levels of regulatory capital in our operating subsidiaries. If not properly monitored or adjusted, our regulatory capital levels could fall below the required minimum amounts set by our regulators, which could expose us to various sanctions ranging from fines and censure to imposing partial or complete restrictions on our ability to conduct business. To mitigate this risk, we continuously evaluate the levels of regulatory capital at each of our operating subsidiaries and adjust the amounts of regulatory capital in each operating subsidiary as necessary to ensure compliance with all regulatory capital requirements. These requirements may increase or decrease from time to time as required by regulatory authorities. We also maintain excess regulatory capital to provide liquidity during periods of unusual or unforeseen market volatility, and we intend to continue to follow this policy. In addition, we monitor regulatory developments regarding capital requirements so that we may be prepared for increases in the required minimum levels of regulatory capital that may occur from time to time in the future.

Regulatory Risk

We operate in a highly regulated industry and are subject to the risk of sanctions from U.S., federal and state, and international authorities if we fail to comply adequately with regulatory requirements. Failure to comply with applicable regulations could result in financial, operational and other penalties. Our authority to conduct business could be suspended or revoked. In addition, efforts to comply with applicable regulations may increase our costs or limit our ability to pursue certain business opportunities. Federal and state regulations significantly limit the types of activities in which we may engage.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements are included in pages F-1 to F-58 of this Annual Report on Form 10-K.

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ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") as appropriate, to allow timely decisions regarding required disclosure.

Management of the Company, with the participation of its CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluation and in light of the material weakness identified below, as of the end of the period covered by this Form 10-K, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were not effective.

(b) Management's Report On Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and is affected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP") and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this assessment, the Company has determined that there were material errors in the manner in which the Company accounted for income taxes for the years ended December 31, 2013 and 2014 and for certain quarters of 2015 under ASC 740, "Income Taxes". These errors related primarily to the manner in which certain intercompany payables and receivables between domestic and overseas subsidiaries of the Company were treated for accounting and tax purposes during the impacted periods. Accordingly, management, including the Company's CEO and CFO, concluded that a material weakness in internal control over financial reporting existed as of December 31, 2015.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management of the Company has identified the material weakness that existed as of December 31, 2015 as resulting from insufficient formal preventive or detective controls designed to ensure that the Company's accounting for intercompany payables and receivables was consistent with general accepted accounting principles and management's expectations as to the tax treatment of those payables and receivables.

Remediation Plan

Since identifying the material weakness in our internal control over financial reporting discussed above, the Company's management has begun implementing formal preventive and detective controls requiring the enhanced review of the accounting for and tax treatment of intercompany payables and receivables, particularly those between domestic and overseas subsidiaries. The Company is also reviewing resource requirements and capabilities in its finance and tax teams to determine whether roles and responsibilities need to be realigned and/or new personnel added. The management of the Company is continuing to review these matters to ensure that similar failures of internal control over financial reporting do not recur.

Our independent registered public accounting firm has audited and issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2015, which appears below.

(c) Changes in Internal Control Over Financial Reporting

As noted above, since identifying the material weakness in our internal control over financial reporting discussed above, the Company's management has begun implementing formal preventive and detective controls requiring the enhanced review of the accounting for and tax treatment of intercompany payables and receivables, particularly those between domestic and overseas subsidiaries.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
GAIN Capital Holdings, Inc.
Bedminster, New Jersey

We have audited the internal control over financial reporting of GAIN Capital Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report On Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We did not examine the effectiveness of internal control over financial reporting of GAIN Capital UK Limited, a wholly owned subsidiary, whose consolidated financial statements reflect total assets and revenues constituting 32% and 24%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2015. The effectiveness of GAIN Capital UK Limited's internal control over financial reporting was audited by other auditors whose report has been furnished to us, and our opinion, insofar as they relate to the effectiveness of GAIN Capital UK Limited's internal control over financial reporting, are based solely on the report of the other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: Management of the Company has identified the material weakness that existed as of December 31, 2015 as resulting from insufficient formal preventive or detective controls designed to ensure that the Company's accounting for intercompany payables and receivables was consistent with generally accepted accounting principles and management's expectations as to the tax treatment of those payables and receivables. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015, of the Company and this report does not affect our report on such consolidated financial statements and financial statement schedule.

In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015 of the Company and our report dated March 17, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule based on our audit and the report of the other auditors, and included an explanatory paragraph regarding the restatement of the consolidated balance sheet as of December 31, 2014, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2014 and 2013 to correct a misstatement.

/s/ Deloitte & Touche LLP

New York, New York
March 17, 2016

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Report of Independent Registered Public Accounting Firm
Board of Directors and Shareholder
GAIN Capital UK Limited
London, United Kingdom
We have audited GAIN Capital UK Limited’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). GAIN Capital UK Limited’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (not presented separately herein). Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
In our opinion, GAIN Capital UK Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheets of GAIN Capital UK Limited as of December 31, 2015 and March 31, 2015, and the related profit and loss account, statement of changes in equity and cash flows for the nine-month period ended December 31, 2015 and the year ended March 31, 2015, and the related notes to the financial statements and our report dated March 15, 2016 expressed an unqualified opinion thereon.
/s/ BDO LLP
London, United Kingdom
March 15, 2016

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ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required to be included in this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

Our Code of Business Conduct and Ethics (the "Code") applies to all of our employees, directors and officers, including our principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. We make the Code available free of charge through our investor relations website, which is located at ir.gaincapital.com. We intend to disclose any amendments to, or waivers from, the Code that are required to be publicly disclosed pursuant to rules of the SEC and the New York Stock Exchange in filings with the SEC and by posting such information on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information required to be included in this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required to be included in this item is incorporated by reference to our proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required to be included in this item is incorporated by reference to our proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information to be included in this item is incorporated by reference to our proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Schedules:

1. Financial Statements

The following financial statements and reports of independent registered public accounting firm are included herein:

2. Financial Statement Schedules

The following supplemental schedule is filed herewith:

Schedules other than those listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

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3. Exhibit index

Exhibit No.	Description
2.1†	Asset Purchase Agreement dated as of April 20, 2011 by and among GAIN Capital Group, LLC and Deutsche Bank AG, acting through is London Branch (Incorporated by reference to Exhibit 2.1 of the Registrant’s Form 10-Q for the quarter ended March 31, 2011, filed on May 16, 2011, No. 001-35008).
2.2	Stock Purchase Agreement, dated as of April 24, 2013, by and among GAIN Capital Holdings, Inc., Gary J. Tilkin and Global Futures & Forex, Ltd. (Incorporated by reference to Exhibit 2.1 of the Registrant’s Form 10-Q for the quarter ended March 31, 2013, filed on May 10, 2013, No. 001-35008).
2.3	Amended and Restated Stock Purchase Agreement, dated as of September 24, 2013, by and among GAIN Capital Holdings, Inc., Gary J. Tilkin and Global Futures & Forex, Ltd. (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on September 25, 2013, No. 001-35008).
2.4	Share Purchase Agreement, dated as of October 31, 2014, by and among GAIN Capital Holdings, Inc., City Index Group Limited, INCAP Gaming B.V. and IPGL Limited (Incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K/A, filed on January 12, 2015, No. 001-35008).
3.1	Third Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.3 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).
3.2	Certificate of Designation of Series A Participating Cumulative Preferred Stock of GAIN Capital Holdings, Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on April 10, 2013, No. 001-35008).
3.3	Amended and Restated By-laws (Incorporated by reference to Exhibit 3.2 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).
4.1	Specimen Certificate evidencing shares of common stock (Incorporated by reference to Exhibit 4.1 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).
4.2	Investor Rights Agreement, dated January 11, 2008, by and among the Company, the Investors and the Founding Stockholders, as defined therein (Incorporated by reference to Exhibit 4.2 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).
4.3	Amendment to Investor Rights Agreement, dated as of November 18, 2013, by and among the Company, the Investors named therein and the Founding Stockholder, as defined therein (Incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, as filed on March 17, 2014, No. 001-35008).
4.4	Rights Agreement, dated as of April 9, 2013, between GAIN Capital Holdings, Inc. and Broadridge Corporate Issuer Solutions, Inc., as Rights Agent (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on April 10, 2013, No.

	001-35008).
4.5	Indenture, dated as of November 27, 2013, between GAIN Capital Holdings, Inc. and The Bank of New York Mellon (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on November 27, 2013, No. 001-35008).

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4.6	Indenture, dated as of April 1, 2015, between GAIN Capital Holdings, Inc. and The Bank of New York Mellon (Incorporated by reference to Exhibit 4.11 of the Registrant's Registration Statement on Form S-3, as amended, No. 333-208175).
10.1	2015 Omnibus Incentive Compensation Plan (Incorporated by reference to Annex A of the Registrant’s Definitive Proxy Statement on Schedule 14A, filed on October 15, 2015, No. 001-35008).**
10.2	2010 Omnibus Incentive Compensation Plan (Incorporated by reference to Exhibit 10.2 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).**
10.3	2011 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.3 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).**
10.4	Nonqualified Deferred Compensation Plan (Incorporated by reference to Exhibit 10.3 of the Registrant’s Form 10-K for the year ended December 31, 2010, filed on March 30, 2011, No. 001-35008).**
10.5	Form of Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.4 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632). **
10.6	Form of Nonqualified Stock Option Agreement (Incorporated by reference to Exhibit 10.5 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632). **
10.7	Form of Restricted Stock Agreement (Incorporated by reference to Exhibit 10.6 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632). **
10.8	Form of Restricted Stock Unit Agreement (Time Vesting) (Incorporated by reference to Exhibit 10.7 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).**
10.9	Form of Restricted Stock Unit Agreement (Performance Vesting) (Incorporated by reference to Exhibit 10.8 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).**
10.10	Form of Indemnification Agreement with the Company’s Non-Employee Directors (Incorporated by reference to Exhibit 10.10 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).**
10.11	Amended and Restated 2006 Equity Compensation Plan, effective December 31, 2006 (Incorporated by reference to Exhibit 10.60 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).**
10.12	Amendment No. 2007-1 to the GAIN Capital Holdings, Inc. 2006 Equity Compensation Plan (Incorporated by reference to Exhibit 10.61 of the Registrant’s Registration Statement on Form S-1, as amended, No. 333-161632).**
10.13	Amendment No. 2008-1 to the GAIN Capital Holdings, Inc. 2006 Equity Compensation Plan (Incorporated by reference to Exhibit 10.62 of the Registrant’s Registration Statement on Form

S-1, as amended, No. 333-161632).**

10.14	Amendment No. 2010-1 to the GAIN Capital Holdings, Inc. 2006 Equity Compensation Plan (Incorporated by reference to Exhibit 10.63 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.15†	FX Prime Brokerage Master Agreement, dated as of December 6, 2006, by and between GAIN Capital Group, LLC and The Royal Bank of Scotland, plc. (Incorporated by reference to Exhibit 10.24 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.16†	FX Prime Brokerage Agreement, dated as of July 8, 2005, by and between UBS AG and GAIN Capital, Inc. (Incorporated by reference to Exhibit 10.25 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.17†	Foreign Exchange Prime Brokerage Agency Agreement, dated as of July 12, 2006, by and between GAIN Capital Group, LLC and The Royal Bank of Scotland, plc. (Incorporated by reference to Exhibit 10.26 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.18†	Foreign Exchange Prime Brokerage Agreement, dated October 18, 2005, by and between Deutsche Bank AG, London Branch and GCAM, LLC (Incorporated by reference to Exhibit 10.27 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.19	Amendment to Foreign Exchange Prime Brokerage Agreement, dated January 26, 2006, by and between Deutsche Bank AG, London Branch and GCAM, LLC (Incorporated by reference to Exhibit 10.28 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.20	Form of ISDA Master Agreement, 1992 edition (Incorporated by reference to Exhibit 10.29 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.21	Form of Introducing Broker Agreement (Incorporated by reference to Exhibit 10.30 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.22	Form of Agreement for White Label Services (Incorporated by reference to Exhibit 10.31 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.23	Lease and Lease Agreement, dated August 18, 2009, by and between S/K Bed One Associates LLC and GAIN Capital Holdings, Inc. (Incorporated by reference to Exhibit 10.37 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.24†	License Agreement, dated August 9, 2007, by and between GAIN Capital Group, LLC and MetaQuotes Software Corp. (Incorporated by reference to Exhibit 10.43 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.25†	Agreement, dated November 22, 2004, by and between esignal, a division of Interactive Data Corporation, and GAIN Capital, Inc. (Incorporated by reference to Exhibit 10.44 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.26	

Form of ISDA Master Agreement, 2002 edition (Incorporated by reference to Exhibit 10.49 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).

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10.27	Executive Employment Agreement, dated May 5, 2015, by and between GAIN Capital Holdings, Inc. and Glenn Stevens (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 10, 2015, No. 001-35008).**
10.28	Executive Employment Agreement, dated May 5, 2015, by and between GAIN Capital Holdings, Inc. and Samantha Roady (Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 10, 2015, No. 001-35008).**
10.29	Executive Employment Agreement, dated May 5, 2015, by and between GAIN Capital Holdings, Inc. and Diego Rotsztain (Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 10, 2015, No. 001-35008).**
10.30	Executive Employment Agreement, dated May 5, 2015, by and between GAIN Capital Holdings, Inc. and Jeffrey Scott (Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 10, 2015, No. 001-35008).**
10.31*	Service Agreement, dated as of March 9, 2011, by and between City Index Limited and Nigel Rose.**
10.32	Asset Purchase Agreement, dated as of October 5, 2010, by and among GAIN Capital Group, LLC, GAIN Capital-Forex.com U.K., and GAIN Capital Forex.com Japan, Co. Ltd., and Capital Market Services, LLC, Capital Market Services UK Ltd., Capital Market Services International - BM, Ltd., and CMS Japan K.K. (Incorporated by reference to Exhibit 10.64 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.33	Amendment No. 1 to Asset Purchase Agreement, dated as of November 23, 2010, by and among GAIN Capital Group, LLC, GAIN Capital-Forex.com U.K., and GAIN Capital Forex.com Japan, Co. Ltd., and Capital Market Services, LLC, Capital Market Services UK Ltd., Capital Market Services International - BM, Ltd., and CMS Japan K.K. (Incorporated by reference to Exhibit 10.65 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.34	Stock Purchase Agreement between optionsXpress Holdings, Inc. and GAIN Capital Group, LLC dated as of June 27, 2012 (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed August 9, 2012, No. 001-35008).
10.35	Stockholders' Agreement, dated as of April 24, 2013, by and among GAIN Capital Holdings, Inc. and Gary J. Tilkin (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended March 31, 2013, filed on May 10, 2013, No. 001-35008).
10.36	Amended and Restated Stockholders' Agreement, dated as of September 24, 2013, by and between GAIN Capital Holdings, Inc. and Gary J. Tilkin (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended September 30, 2013, filed on November 12, 2013, No. 001-35008).

10.37	Loan and Security Agreement, dated as of September 24, 2013, by and between GAIN Capital Holdings, Inc. and Gary J. Tilkin (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q for the quarter ended September 30, 2013, filed on November 12, 2013, No. 001-35008).

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10.38	Membership Interest Purchase Agreement, dated as of March 7, 2014, by and among GAIN Capital Holdings, Inc., Global Asset Advisors, LLC, Lucky Good Dog, L.L.C., Glenn A. Swanson and Andrew W. Daniels (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 12, 2014, No. 001-35008).
10.39	Membership Interest Purchase Agreement, dated as of March 7, 2014, by and among GAIN Capital Holdings, Inc., Top Third Ag Marketing LLC, Global Asset Advisors, LLC, Lucky Good Dog, L.L.C., Glenn A. Swanson and Mark Gold (Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 12, 2014, No. 001-35008).
10.40	Asset Purchase Agreement, dated as of July 10, 2014, between GAIN GTX Bermuda, Ltd., GAIN Capital Holdings, Inc. and Valaquenta Intellectual Properties Limited (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 11, 2014, No. 001-35008).
10.41	Asset Purchase Agreement, dated as of July 10, 2014, between GAIN GTX Bermuda, Ltd., GAIN Capital Holdings, Inc. and Forexster Limited (Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 11, 2014, No. 001-35008).
10.42	Stockholders' Agreement, effective as of October 31, 2104, among GAIN Capital Holdings, Inc., City Index Group Limited and the other parties identified as "Stockholders" therein (Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K/A, filed on January 12, 2015, No. 001-35008).
10.43	Form of Registration Rights Agreement among GAIN Capital Holdings, Inc., City Index Group Limited, INCAP Gaming B.V. and the other parties identified as "Investors" therein (Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K/A, filed on January 12, 2015, No. 001-35008).
10.44	Letter Agreement, dated as of December 10, 2014, by and among GAIN Capital Holdings, Inc., VantagePoint Venture Partners IV (Q), L.P., VantagePoint Venture Partners IV, L.P., VantagePoint Venture Partners IV Principals Fund, L.P. and VP New York Venture Partners, L.P.
10.45*	Separation and Release Agreement, dated as of October 1, 2015, by and between GAIN Capital Holdings, Inc. and Jason Emerson.**
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Deloitte & Touche LLP
23.2*	Consent of BDO LLP
31.1*	Certification of Chief Executive Officer pursuant to rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	

	Certification of Chief Financial Officer pursuant to rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer as required by section 906 of the Sarbanes-Oxley Act of 2002.

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32.2*	Certification of Chief Financial Officer as required by section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+	XBRL Instance
101.SCH+	XBRL Taxonomy Extension Schema
101.CAL+	XBRL Taxonomy Extension Calculation
101.DEF+	XBRL Taxonomy Extension Definition
101.LAB+	XBRL Taxonomy Extension Labels
101.PRE+	XBRL Taxonomy Extension Presentation

* Filed herewith.

** Compensation related contract.

† Confidential treatment requested. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

\+ XBRL (Extensible Business Reporting Language) information is furnished and not filed, and is not a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this
report to be signed on its behalf by the undersigned, thereunto duly authorized on the 17th day of March, 2016.

GAIN CAPITAL HOLDINGS, INC.

By: /s/ Glenn H. Stevens
Glenn H. Stevens
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Signature	Title	Date
/s/ Glenn H. Stevens Glenn H. Stevens	President, Chief Executive Officer and Director (Principal Executive Officer)	March 17, 2016
/s/ Nigel Rose Nigel Rose	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 17, 2016