INTL FCSTONE INC.
Form 10-Q
August 07, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2013

OR

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

For the Transition Period From to

Commission File Number 000-23554

INTL FCStone Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	59-2921318 (I.R.S. Employer Identification No.)

708 Third Avenue, Suite 1500
New York, NY 10017
(Address of principal executive offices) (Zip Code)
(212) 485-3500
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 305 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company.

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

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

As of August 5, 2013, there were 19,245,510 shares of the registrant's common stock outstanding.

Table of Contents

INTL FCStone Inc.
Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2013
Table Of Contents

		Page
Part I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets	1
	Condensed Consolidated Income Statements	2
	Condensed Consolidated Statements of Comprehensive Income	3
	Condensed Consolidated Cash Flows Statements	4
	Condensed Consolidated Statement of Stockholders' Equity	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	50
Item 4.	Controls and Procedures	52
Part II. OTHER INFORMATION		
Item 1.	Legal Proceedings	52
Item 1A.	Risk Factors	54
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	56
Item 6.	Exhibits	56
Signatures		57

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
INTL FCStone Inc.
Condensed Consolidated Balance Sheets

(in millions, except par value and share amounts)	June 30, 2013 (Unaudited)	September 30, 2012
ASSETS		
Cash and cash equivalents	$219.3	$ 236.3
Cash, securities and other assets segregated under federal and other regulations (including $34.7 and $72.8 at fair value at June 30, 2013 and September 30, 2012, respectively)	291.0	357.5
Deposits and receivables from:		
Exchange-clearing organizations (including $1,305.9 and $1,510.0 at fair value at June 30, 2013 and September 30, 2012, respectively)	1,654.7	1,619.8
Broker-dealers, clearing organizations and counterparties (including $0.3 and $(0.7) at fair value at June 30, 2013 and September 30, 2012, respectively)	164.3	127.4
Receivables from customers, net	170.5	68.9
Notes receivable, net	33.6	104.0
Income taxes receivable	14.9	11.9
Financial instruments owned, at fair value	172.9	171.7
Physical commodities inventory	58.6	131.6
Deferred income taxes, net	19.8	21.9
Property and equipment, net	18.2	18.9
Goodwill and intangible assets, net	56.1	54.7
Other assets	33.5	34.3
Total assets	$2,907.4	$ 2,958.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other accrued liabilities (including $16.1 and $14.8 at fair value at June 30, 2013 and September 30, 2012, respectively)	$126.7	$ 127.0
Payables to:		
Customers	2,091.2	2,072.3
Broker-dealers, clearing organizations and counterparties	21.7	39.4
Lenders under loans	145.6	218.2
Income taxes payable	5.2	5.5
Financial instruments sold, not yet purchased, at fair value	183.0	175.4
Deferred income taxes	—	2.0
Total liabilities	2,573.4	2,639.8
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, $0.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, $0.01 par value. Authorized 30,000,000 shares; 19,540,217 issued and 19,201,135 outstanding at June 30, 2013 and 19,214,219 issued and 18,984,951 outstanding at September 30, 2012	0.2	0.2
Common stock in treasury, at cost - 339,082 shares at June 30, 2013 and 229,064 shares at September 30, 2012, respectively	(6.1)	(4.1)
Additional paid-in capital	218.9	213.2

Retained earnings	129.6	112.0
Accumulated other comprehensive loss, net	(8.6)	(2.2)
Total stockholders' equity	334.0	319.1
Total liabilities and stockholders' equity	$2,907.4	$ 2,958.9

See accompanying notes to condensed consolidated financial statements.

1

Table of Contents

INTL FCStone Inc.
Condensed Consolidated Income Statements
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions, except share and per share amounts)	2013	2012	2013	2012
Revenues:				
Sales of physical commodities	$10,918.9	$17,201.0	$36,506.5	$51,238.5
Trading gains, net	61.7	94.8	200.5	206.2
Commission and clearing fees	46.8	45.4	130.2	118.9
Consulting and management fees	9.4	7.1	25.4	20.6
Interest income	2.6	2.7	9.0	7.7
Other income	0.1	0.1	0.5	0.6
Total revenues	11,039.5	17,351.1	36,872.1	51,592.5
Cost of sales of physical commodities	10,917.4	17,227.3	36,507.0	51,252.8
Operating revenues	122.1	123.8	365.1	339.7
Interest expense	3.2	2.6	9.6	8.3
Net revenues	118.9	121.2	355.5	331.4
Non-interest expenses:				
Compensation and benefits	52.2	54.6	150.9	155.5
Clearing and related expenses	29.4	30.6	83.5	80.4
Introducing broker commissions	11.0	7.9	29.0	21.7
Communication and data services	5.9	6.3	17.0	16.5
Occupancy and equipment rental	2.9	2.7	9.0	8.2
Professional fees	2.9	3.3	10.1	9.6
Depreciation and amortization	2.0	1.9	6.1	5.3
Bad debts and impairments	0.1	0.6	0.2	0.6
Other	8.4	7.4	25.4	24.8
Total non-interest expenses	114.8	115.3	331.2	322.6
Income from operations, before tax	4.1	5.9	24.3	8.8
Income tax expense	1.3	1.2	6.7	2.2
Net income	2.8	4.7	17.6	6.6
Add: Net loss attributable to noncontrolling interests	—	—	—	0.1
Net income attributable to INTL FCStone Inc. common stockholders	$2.8	$4.7	$17.6	$6.7
Basic earnings per share:				
Net income attributable to INTL FCStone Inc. common stockholders	$0.15	$0.24	$0.92	$0.35
Diluted earnings per share:				
Net income attributable to INTL FCStone Inc. common stockholders	$0.15	$0.23	$0.90	$0.33
Weighted-average number of common shares outstanding:				
Basic	18,480,644	18,392,823	18,377,965	18,286,308
Diluted	18,864,040	19,098,667	18,862,872	19,156,471

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	2013	2012	2013	2012
Net income	$2.8	$4.7	$17.6	$6.6
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(0.5)	(0.4)	(1.1)	(0.6)
Pension liabilities adjustment	—	0.1	0.4	0.2
Net unrealized gain or loss on available-for-sale securities	0.5	6.0	0.7	6.2
Reclassification of adjustment for gains included in net income:				
Foreign currency translation adjustment (included in other income)	—	—	(0.1)	—
Realized gain on available-for-sale securities (included in trading gains, net)	—	—	(8.3)	—
Income tax expense from reclassification adjustments (included in income tax expense)	—	—	2.0	—
Reclassification adjustment for gains included in net income:	—	—	(6.4)	—
Other comprehensive income (loss)	—	5.7	(6.4)	5.8
Comprehensive income	$2.8	$10.4	$11.2	$12.4

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INTL FCStone Inc.
Condensed Consolidated Cash Flows Statements
(Unaudited)

	Nine Months Ended June 30,	
(in millions)	2013	2012
Cash flows from operating activities:		
Net income	$17.6	$6.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6.1	5.3
Provision for bad debts and impairments	0.2	0.6
Deferred income taxes	(0.6)	(2.4)
Amortization of debt issuance costs and debt discount	0.9	1.2
Amortization of stock-based compensation expense	5.3	3.8
Gain on sale of exchange memberships and common stock	(9.1)	—
Changes in operating assets and liabilities, net:		
Cash, securities and other assets segregated under federal and other regulations	62.1	(413.2)
Deposits and receivables from exchange-clearing organizations	(36.8)	229.3
Deposits and receivables from broker-dealers, clearing organizations, and counterparties	(39.7)	(5.2)
Receivable from customers, net	(101.1)	7.1
Notes receivable, net	70.3	14.3
Income taxes receivable	(3.1)	0.2
Financial instruments owned, at fair value	(10.2)	100.9
Physical commodities inventory	73.1	59.9
Other assets	(0.5)	6.9
Accounts payable and other accrued liabilities	1.1	9.5
Payable to customers	27.6	106.3
Payable to broker-dealers, clearing organizations and counterparties	(17.6)	1.8
Income taxes payable	2.0	(0.1)
Financial instruments sold, not yet purchased, at fair value	7.6	(214.4)
Net cash provided by (used in) operating activities	55.2	(81.6)
Cash flows from investing activities:		
Deconsolidation of affiliates	—	0.4
Cash paid for acquisitions, net	—	(11.7)
Sale of exchange memberships and common stock	10.2	—
Purchase of property and equipment	(3.9)	(6.9)
Net cash provided by (used in) investing activities	6.3	(18.2)
Cash flows from financing activities:		
Net change in payable to lenders under loans	(72.6)	98.0
Payments related to earn-outs on acquisitions	(3.4)	(3.4)
Debt issuance costs	(0.4)	—
Exercise of stock options	0.7	1.7
Share repurchases	(2.2)	(2.8)
Tax shortfall on stock options and awards	(0.3)	—
Net cash (used in) provided by financing activities	(78.2)	93.5
Effect of exchange rates on cash and cash equivalents	(0.3)	(0.6)
Net decrease in cash and cash equivalents	(17.0)	(6.9)
Cash and cash equivalents at beginning of period	236.3	220.6
Cash and cash equivalents at end of period	$219.3	$213.7

Supplemental disclosure of cash flow information:		
Cash paid for interest	$7.2	$5.7
Income taxes paid, net of cash refunds	$8.3	$4.0
Supplemental disclosure of non-cash investing and financing activities:		
Identified intangible assets and goodwill on acquisitions	$3.1	$1.8
Additional consideration payable related to acquisitions, net	$4.7	$1.8

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances as of September 30, 2012	$0.2	$(4.1)	$213.2	$112.0	$ (2.2)	$319.1
Net income				17.6		17.6
Other comprehensive loss					(6.4)	(6.4)
Exercise of stock options			0.4			0.4
Stock-based compensation			5.3			5.3
Share repurchases		(2.0)				(2.0)
Balances as of June 30, 2013	$0.2	$(6.1)	$218.9	$129.6	$ (8.6)	$334.0

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INTL FCStone Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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

INTL FCStone Inc., a Delaware corporation, and its consolidated subsidiaries (collectively “INTL” or “the Company”), form a financial services group focused on domestic and select international markets. The Company’s services include comprehensive risk management advisory services for commercial customers; execution of listed futures and options-on-futures contracts on all major commodity exchanges; the sale of structured over-the-counter (“OTC”) products in a wide range of commodities; physical trading and hedging of precious metals and select other commodities; trading of more than 130 foreign currencies; market-making in international equities; debt origination and asset management.

The Company provides these services to a diverse group of more than 20,000 accounts, representing approximately 11,000 consolidated customers located throughout the world, including producers, processors and end-users of nearly all widely-traded physical commodities to manage their risks and enhance margins; to commercial counterparties who are end-users of the firm’s products and services; to governmental and non-governmental organizations; and to commercial banks, brokers, institutional investors and major investment banks.

Basis of Presentation and Consolidation

The accompanying condensed consolidated balance sheet as of September 30, 2012, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the condensed consolidated financial statements for the interim periods presented have been reflected as required by Rule 10-01 of Regulation S-X.

Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. It is suggested that these interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes contained in the Company’s Form 10-K for the fiscal year ended September 30, 2012 filed with the SEC.

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

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

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

Recent Accounting Pronouncements

On December 16, 2011, the Financial Accounting Standards Board (“FASB”) issued new guidance on the disclosures about offsetting assets and liabilities. While the FASB retained the existing offsetting models under U.S. GAAP, the new standard requires disclosures to allow investors to better compare and understand significant quantitative differences in financial statements prepared under U.S. GAAP. The new standard is effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective application is

required. This guidance is effective for the Company's fiscal year beginning October 1, 2013. The Company expects to adopt this guidance starting with the first quarter of fiscal year 2014. The adoption of this guidance is expected to change some of the Company's disclosures within the notes to its condensed consolidated financial statements.
In July 2012, the FASB issued final guidance on indefinite-lived intangible assets impairment testing. Under the guidance, entities testing indefinite-lived intangibles for impairment have the option of first performing a qualitative assessment to

Table of Contents

determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If a company determines that it is more likely than not that the fair value of such an asset exceeds its carrying amount, it would not need to calculate the fair value of the asset in that year. However, if a company concludes otherwise, it must calculate the fair value of the asset, compare that value with its carrying amount and record an impairment charge, if any. The guidance does not revise the requirement to test indefinite-lived intangible assets annually for impairment. In addition, the guidance does not amend the requirement to test indefinite-lived intangible assets for impairment between annual tests if events or circumstances warrant, however, it does revise the examples of events and circumstances that an entity should consider. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company adopted this guidance and it did not have a material impact on the Company's condensed consolidated financial statements.

In February 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income requiring new disclosures regarding reclassification adjustments from accumulated other comprehensive income ("AOCI"). ASU No. 2013-02 requires disclosure of amounts reclassified out of AOCI by component. In addition, the entity is required to present, either on the face of the statement where net income is presented or the notes, significant amounts reclassified out of AOCI by the respective line items of net income. The Company expects to adopt this guidance starting with the first quarter of fiscal year 2014. The adoption of this guidance is not expected to have a material impact on the Company's condensed consolidated financial statements.

Note 2 – Earnings per Share

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

Basic EPS has been computed by dividing net income by the weighted-average number of common shares outstanding. The following is a reconciliation of the numerator and denominator of the diluted net income per share computations for the periods presented below.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions, except share amounts)	2013	2012	2013	2012
Numerator:				
Income from operations attributable to INTL FCStone Inc. stockholders	$2.8	$4.7	$17.6	$6.7
Less: Allocation to participating securities	(0.1)	(0.2)	(0.7)	(0.1)
Income from operations allocated to common stockholders	$2.7	$4.5	$16.9	$6.6
Diluted net income	$2.8	$4.7	$17.6	$6.7
Less: Allocation to participating securities	(0.1)	(0.2)	(0.7)	(0.1)
Diluted net income allocated to common stockholders	$2.7	$4.5	$16.9	$6.6
Denominator:				
Weighted average number of:				
Common shares outstanding	18,480,644	18,392,823	18,377,965	18,286,308
Dilutive potential common shares outstanding:				
Share-based awards	383,396	705,844	484,907	870,163
Diluted weighted-average shares	18,864,040	19,098,667	18,862,872	19,156,471

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

Table of Contents

Options to purchase 1,488,235 and 1,488,121 shares of common stock for the three and nine months ended June 30, 2013, respectively, and options to purchase 634,766 and 749,413 shares of common stock for the three and nine months ended June 30, 2012, respectively, were excluded from the calculation of diluted earnings per share because they would have been anti-dilutive.

Note 3 – Assets and Liabilities, at Fair Value

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

- Cash and cash equivalents
- Cash, securities and other assets segregated under federal and other regulations
- Deposits and receivables from exchange-clearing organizations, broker-dealers, clearing organizations and counterparties
- Financial instruments owned
- Accounts payable and other accrued liabilities
- Payables to customers
- Payables to broker-dealers, clearing organizations and counterparties
- Financial instruments sold, not yet purchased

Fair Value Hierarchy

The majority of financial assets and liabilities on the condensed consolidated balance sheets are reported at fair value. Cash is reported at the balance held at financial institutions. Cash equivalents include money market funds, which are valued at period-end at the net asset value provided by the fund's administrator, and certificates of deposit, which are stated at cost plus accrued interest, which approximates fair value. Cash, securities and other assets segregated under federal and other regulations include the value of cash collateral as well as the value of other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities and commodities warehouse receipts. Deposits with and receivables from exchange-clearing organizations and broker-dealers, clearing organizations and counterparties and payables to customers and broker-dealers, clearing organizations and counterparties include the value of cash collateral as well as the value of money market funds and other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities and mortgage-backed securities. These balances also include the fair value of exchange-traded futures and options-on-futures and exchange-cleared swaps and options determined by prices on the applicable exchange. Financial instruments owned and sold, not yet purchased include the value of U.S. and foreign government obligations, corporate debt securities, derivative financial instruments, commodities and mutual funds. The fair value of exchange common stock is determined by quoted market prices, and the fair value of exchange memberships is determined by recent sale transactions. Payable to lenders carry variable rates of interest and thus approximate fair value.

The fair value estimates presented in the condensed consolidated financial statements are based on pertinent information available to management as of June 30, 2013 and September 30, 2012. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these condensed consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented in the condensed consolidated financial statements.

Cash equivalents, securities, commodities warehouse receipts, derivative financial instruments, commodities leases, exchange common stock and contingent liabilities are carried at fair value, on a recurring basis, and are classified and disclosed into three levels within the fair value hierarchy. The Company did not have any fair value adjustments for assets or liabilities measured at fair value on a non-recurring basis during the nine months ended June 30, 2013. The three levels of the fair value hierarchy under the Fair Value Measurements and Disclosures Topic of the ASC are:

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

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

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

Table of Contents

The following tables set forth the Company's financial and nonfinancial assets and liabilities accounted for at fair value, on a recurring basis, as of June 30, 2013 and September 30, 2012 by level within the fair value hierarchy.

	June 30, 2013				
(in millions)	Level 1	Level 2	Level 3	Netting and Collateral (1)	Total
Assets:					
Money market funds	$0.1	$—	$—	$—	$0.1
Certificate of deposits	0.8	—	—	—	0.8
Unrestricted cash equivalents	0.9	—	—	—	0.9
Commodities warehouse receipts	8.3	—	—	—	8.3
U.S. government obligations	—	26.4	—	—	26.4
Securities and other assets segregated under federal and other regulations	8.3	26.4	—	—	34.7
Money market funds	551.6	—	—	—	551.6
U.S. government obligations	—	843.7	—	—	843.7
Mortgage-backed securities	—	5.7	—	—	5.7
Derivatives	2,415.8	—	—	(2,510.9)	(95.1)
Deposits and receivables from exchange-clearing organizations	2,967.4	849.4	—	(2,510.9)	1,305.9
Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives	1.1	—	—	(0.8)	0.3
Common and preferred stock and American Depositary Receipts ("ADRs")	37.0	16.3	0.8	—	54.1
Exchangeable foreign ordinary equities and ADRs	28.3	—	—	—	28.3
Corporate and municipal bonds	0.2	—	3.6	—	3.8
Foreign government obligations	10.0	—	—	—	10.0
Derivatives	284.6	469.6	—	(689.2)	65.0
Commodities leases	—	69.3	—	(65.7)	3.6
Exchange firm common stock	4.6	—	—	—	4.6
Mutual funds and other	3.5	—	—	—	3.5
Financial instruments owned	368.2	555.2	4.4	(754.9)	172.9
Total assets at fair value	$3,345.9	$1,431.0	$4.4	$(3,266.6)	$1,514.7
Liabilities:					
Accounts payable and other accrued liabilities - contingent liabilities	$—	$—	$16.1	$—	$16.1
Payables to exchange-clearing organizations, broker-dealers and counterparties - derivatives	2,434.7	—	—	(2,434.7)	—
Common and preferred stock and ADRs	60.9	12.6	—	—	73.5
Exchangeable foreign ordinary equities and ADRs	11.3	—	—	—	11.3
Derivatives	332.1	448.5	—	(738.0)	42.6
Commodities leases	—	105.1	—	(49.5)	55.6
Financial instruments sold, not yet purchased	404.3	566.2	—	(787.5)	183.0
Total liabilities at fair value	$2,839.0	$566.2	$16.1	$(3,222.2)	$199.1

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

Table of Contents

(in millions)	September 30, 2012 Level 1	Level 2	Level 3	Netting and Collateral (1)	Total
Assets:					
Money market funds	$0.1	$—	$—	$—	$0.1
Certificate of deposits	10.4	—	—	—	10.4
Unrestricted cash equivalents	10.5	—	—	—	10.5
Commodities warehouse receipts	22.3	—	—	—	22.3
U.S. government obligations	—	50.5	—	—	50.5
Securities and other assets segregated under federal and other regulations	22.3	50.5	—	—	72.8
Money market funds	335.1	—	—	—	335.1
U.S. government obligations	—	1,318.3	—	—	1,318.3
Mortgage-backed securities	—	7.0	—	—	7.0
Derivatives	3,344.3	—	—	(3,494.7)	(150.4)
Deposits and receivables from exchange-clearing organizations	3,679.4	1,325.3	—	(3,494.7)	1,510.0
Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives	0.7	5.0	—	(6.4)	(0.7)
Common and preferred stock and American Depositary Receipts ("ADRs")	17.8	5.6	0.9	—	24.3
Exchangeable foreign ordinary equities and ADRs	10.0	—	—	—	10.0
Corporate and municipal bonds	0.3	0.6	3.6	—	4.5
U.S. government obligations	—	0.3	—	—	0.3
Foreign government obligations	14.8	—	—	—	14.8
Derivatives	315.6	785.3	—	(1,047.0)	53.9
Commodities leases	—	135.2	—	(93.1)	42.1
Commodities warehouse receipts	7.5	—	—	—	7.5
Exchange firm common stock	3.4	9.0	—	—	12.4
Mutual funds and other	1.9	—	—	—	1.9
Financial instruments owned	371.3	936.0	4.5	(1,140.1)	171.7
Total assets at fair value	$4,084.2	$2,316.8	$4.5	$(4,641.2)	$1,764.3
Liabilities:					
Accounts payable and other accrued liabilities - contingent liabilities	$—	$—	$14.8	$—	$14.8
Payables to exchange-clearing organizations, broker-dealers and counterparties - derivatives	3,562.3	—	—	(3,562.3)	—
Common and preferred stock and ADRs	16.4	5.9	—	—	22.3
Exchangeable foreign ordinary equities and ADRs	5.7	—	—	—	5.7
Derivatives	338.1	775.2	—	(1,068.7)	44.6
Commodities leases	—	220.0	—	(117.2)	102.8
Financial instruments sold, not yet purchased	360.2	1,001.1	—	(1,185.9)	175.4
Total liabilities at fair value	$3,922.5	$1,001.1	$14.8	$(4,748.2)	$190.2

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

Realized and unrealized gains and losses are included within ‘trading gains, net’ in the condensed consolidated income statements.

Table of Contents

Information on Level 3 Financial Assets and Liabilities

The Company's financial assets at fair value classified within level 3 of the fair value hierarchy as of June 30, 2013 and September 30, 2012 are summarized below:

(in millions)	June 30, 2013	September 30, 2012
Total level 3 assets	$4.4	$4.5
Level 3 assets for which the Company bears economic exposure	$4.4	$4.5
Total assets	$2,907.4	$2,958.9
Total financial assets at fair value	$1,514.7	$1,764.3
Total level 3 assets as a percentage of total assets	0.2 %	0.2 %
Level 3 assets for which the Company bears economic exposure as a percentage of total assets	0.2 %	0.2 %
Total level 3 assets as a percentage of total financial assets at fair value	0.3 %	0.3 %

The following tables set forth a summary of changes in the fair value of the Company's level 3 financial assets and liabilities during the three and nine months ended June 30, 2013 and 2012, including a summary of unrealized gains (losses) during the respective periods on the Company's level 3 financial assets and liabilities still held as of June 30, 2013.

Level 3 Financial Assets and Financial Liabilities
For the Three Months Ended June 30, 2013

(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Purchases/issuances	Settlements	Transfers in or (out) of Level 3	Balances at end of period
Assets:							
Common stock and ADRs	$0.9	$ —	$ (0.1)	$ —	$ —	$—	$0.8
Corporate and municipal bonds	3.8	—	(0.2)	—	—	—	3.6
	$4.7	$ —	$ (0.3)	$ —	$ —	$—	$4.4
Liabilities:							
Contingent liabilities	$18.4	$ —	$0.8	$ —	$ (3.1)	$—	$16.1

Level 3 Financial Assets and Financial Liabilities
For the Nine Months Ended June 30, 2013

(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Purchases/issuances	Settlements	Transfers in or (out) of Level 3	Balances at end of period
Assets:							
Common stock and ADRs	$0.9	$ —	$ (0.1)	$ —	$ —	$—	$ 0.8
Corporate and municipal bonds	3.6	—	—	—	—	—	3.6
	$4.5	$ —	$ (0.1)	$ —	$ —	$—	$ 4.4
Liabilities:							
Contingent liabilities	$14.8	$ —	$1.6	$ 3.1	$ (3.4)	$—	$ 16.1

Level 3 Financial Assets and Financial Liabilities
For the Three Months Ended June 30, 2012

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

Assets:							
Common stock and ADRs	$ 1.1	$ —	$ —	$ —	$ —	$ —	$ 1.1
Corporate and municipal bonds	3.6	—	(0.1)	—	—	—	3.5
Mutual funds and other	0.4	—	—	—	—	—	0.4
	$ 5.1	$ —	$ (0.1)	$ —	$ —	$ —	$ 5.0
Liabilities:							
Contingent liabilities	$ 23.3	$ —	$ 0.5	$ —	$ (3.1)	$ —	$ 20.7

Table of Contents

Level 3 Financial Assets and Financial Liabilities
For the Nine Months Ended June 30, 2012

(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Purchases/issuances	Settlements	Transfers in or (out) of Level 3	Balances at end of period
Assets:							
Common stock and ADRs	$1.1	$ —	$—	$ —	$—	$—	$ 1.1
Corporate and municipal bonds	3.6	—	(0.1)	—	—	—	3.5
Mutual funds and other	0.4	—	—	—	—	—	0.4
	$5.1	$ —	$(0.1)	$ —	$—	$—	$ 5.0
Liabilities:							
Contingent liabilities	$22.3	$ —	$1.8	$ —	$(3.4)	$—	$ 20.7

In accordance with the Fair Value Measurements and Disclosures Topic of the ASC, the Company has estimated on a recurring basis each period the fair value of debentures issued by a single asset owning company of Suriwongse Hotel located in Chiang Mai, Thailand. The Company has classified its investment in the hotel within level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which include projected cash flows. These cash flows are discounted employing present value techniques. The Company estimates the fair value of its investment in these debentures by using a management-developed forecast, which is based on the income approach. The Company continues to evaluate the fair value of the debentures. There were no significant changes in the fair value of the debentures during the nine months ended June 30, 2013 and 2012.

The Company is required to make additional future cash payments based on certain financial performance measures of its acquired businesses. The Company is required to remeasure the fair value of the cash earnout arrangements on a recurring basis in accordance with the guidance in the Business Combinations Topic of the ASC. The Company has classified its net liabilities for the contingent earnout arrangements within level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which include projected cash flows. The estimated fair value of the contingent purchase consideration is based upon management-developed forecasts, a level 3 input in the fair value hierarchy. These cash flows are discounted employing present value techniques in arriving at the acquisition-date fair value. The discount rate was developed using market participant company data and there have been no significant changes in the discount rate environment. From the dates of acquisition to June 30, 2013, certain acquisitions have had changes in the estimates of undiscounted cash flows, based on actual performances fluctuating from estimates. The fair value of the contingent consideration increased $0.8 million and $0.5 million during the three months ended June 30, 2013 and 2012, respectively, and $1.6 million and $1.8 million during the nine months ended June 30, 2013 and 2012, respectively, with the corresponding amount classified as 'other expense' within the condensed consolidated income statements.

The Company reports transfers in and out of levels 1, 2 and 3, as applicable, using the fair value of the securities as of the beginning of the reporting period in which the transfer occurred.

On March 31, 2013, the commodities market experienced downward limit price movements on certain commodities. As a result, certain exchange-traded derivative contracts, which would normally be valued using quoted market prices and classified as level 1 within the fair value hierarchy, were priced using a valuation model using observable inputs. Due to the change in valuation techniques because of the limit moves, some derivative assets and liabilities were classified as level 2 at March 31, 2013. Such derivative assets and liabilities were valued using quoted market prices, and as such, were classified as level 1 as of June 30, 2013 and prior to March 31, 2013. There were no significant similar occurrences of upward or downward limit price movements as of June 30, 2013.

Except as described above, the Company did not have any additional significant transfers between level 1 and level 2 fair value measurements for the nine months ended June 30, 2013 and 2012.

The Company has recorded unrealized gains, net of income tax expense, related to U.S. government obligations and corporate bonds classified as available-for-sale securities in other comprehensive income ("OCI") as of June 30, 2013.

12

Table of Contents

The following tables summarize the amortized cost basis, the aggregate fair value and gross unrealized holding gains and losses of the Company's investment securities classified as available-for-sale as of June 30, 2013 and September 30, 2012:

June 30, 2013

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

	Amortized	Unrealized Holding[(1)]		Estimated
(in millions)	Cost	Gains	(Losses)	Fair Value
U.S. government obligations	$799.1	$—	$—	$799.1
Mortgage-backed securities	5.6	0.1	—	5.7
	$804.7	$0.1	$—	$804.8

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

September 30, 2012

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

	Amortized	Unrealized Holding[(1)]		Estimated
(in millions)	Cost	Gains	(Losses)	Fair Value
U.S. government obligations	$1,298.9	$—	$—	$1,298.9
Mortgage-backed securities	6.8	0.1	—	6.9
	$1,305.7	$0.1	$—	$1,305.8

(1) Unrealized gain/loss on U.S. government obligations as of September 30, 2012, were less than $0.1 million.

As of June 30, 2013 and September 30, 2012, investments in debt securities classified as available-for-sale ("AFS") mature as follows:

June 30, 2013

	Due in		Estimated
(in millions)	Less than 1 year	1 year or more	Fair Value
U.S. government obligations	$799.1	$—	$799.1
Mortgage-backed securities	—	5.7	5.7
	$799.1	$5.7	$804.8

September 30, 2012

	Due in		Estimated
(in millions)	Less than 1 year	1 year or more	Fair Value
U.S. government obligations	$1,298.9	$—	$1,298.9
Mortgage-backed securities	—	6.9	6.9
	$1,298.9	$6.9	$1,305.8

There were no sales of AFS securities, other than noted below, during the nine months ended June 30, 2013 and 2012, and as a result, no realized gains or losses were recorded for the nine months ended June 30, 2013 and 2012.

For the purposes of the maturity schedule, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the expected maturity of the underlying collateral. Mortgage-backed securities may mature earlier than their stated contractual maturities because of accelerated principal repayments of the underlying loans.

The Company has also classified equity investments in exchange firms' common stock not pledged for clearing purposes as available-for-sale. The investments are recorded at fair value, with unrealized gains and losses recorded, net of taxes, as a component of OCI until realized. As of June 30, 2013, the cost and fair value of all the equity investments in exchange firms was $3.7 million and $4.6 million, respectively.

In June 2012, the board of LME Holdings Limited ("LME Holdings"), the parent company of The London Metal Exchange ("LME"), entered into a framework agreement regarding the terms of a recommended cash offer for the entire issued and outstanding ordinary share capital of LME Holdings. In July 2012, the shareholders of LME Holdings approved the sale of LME Holdings to the Hong Kong Exchanges & Clearing Limited. In December 2012, the Company received proceeds of $8.6 million from the sale of its shares in the LME. The shares of the LME were previously held by the Company as available-for-sale and the unrealized gain for those shares was reflected in OCI.

For the nine months ended June 30, 2013, the Company reclassified the unrealized gain remaining in AOCI of approximately $6.3 million, net of income tax expense of $2.0 million, into the current period earnings.

Table of Contents

The Company recorded unrealized gains of $0.7 million, net of income tax expense of $0.4 million, for the nine months ended June 30, 2013, in OCI related to the remaining equity investments in exchange firms as of June 30, 2013. The Company monitors the fair value of exchange common stock on a periodic basis, and does not consider any current unrealized losses to be anything other than a temporary impairment.

In December 2012, the Company sold its exchange membership seats in the Board of Trade of Kansas City, Missouri, Inc. (“KCBT”), in connection with the acquisition of the KCBT by Chicago Mercantile Exchange (“CME”). The Company was required to hold these exchange membership seats for clearing purposes and, as a result, the associated KCBT shares were being held at cost on the condensed consolidated balance sheet. The Company received proceeds of $1.5 million and recognized a gain of $0.9 million before taxes, during the nine months ended June 30, 2013, in connection with the sale of these seats.

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

The Company is party to certain financial instruments with off-balance sheet risk in the normal course of its business. The Company has sold financial instruments that it does not currently own and will therefore be obliged to purchase such financial instruments at a future date. The Company has recorded these obligations in the condensed consolidated financial statements as of June 30, 2013 at the fair values of the related financial instruments. The Company will incur losses if the fair value of the underlying financial instruments increases subsequent to June 30, 2013. The total of $183.0 million as of June 30, 2013 includes $42.6 million for derivative contracts, which represents a liability to the Company based on their fair values as of June 30, 2013.

Derivatives

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

The Company continues to employ an interest rate risk management strategy, implemented in April 2010, that uses derivative financial instruments in the form of interest rate swaps to manage a portion of the aggregate interest rate position. The Company’s objective is to invest the majority of customer segregated deposits in high quality, short-term investments and swap the resulting variable interest earnings into the medium-term interest stream. When the spread between these short-term investments and medium term interest rates is above a minimum level, the Company enters into interest rate swaps which then mature every quarter, in order to achieve the two year moving average of the two year swap rate. The risk mitigation of these interest rate swaps is not within the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC, and as a result they are recorded at fair value, with changes in the fair value of the financial instruments recorded within ‘trading gains, net’ in the condensed consolidated income statements. As of June 30, 2013, approximately $200 million in notional principal of interest rate swaps were outstanding. The remaining interest rate swaps mature in August 2013.

Table of Contents

Listed below are the fair values of the Company's derivative assets and liabilities as of June 30, 2013 and September 30, 2012. Assets represent net unrealized gains and liabilities represent net unrealized losses.

	June 30, 2013		September 30, 2012	
(in millions)	Assets [1]	Liabilities [1]	Assets [1]	Liabilities [1]
Derivative contracts not accounted for as hedges:				
Exchange-traded commodity derivatives	$2,123.0	$2,187.1	$3,325.6	$3,565.3
OTC commodity derivatives	547.8	568.1	823.6	841.4
Exchange-traded foreign exchange derivatives	142.1	129.4	63.0	47.7
OTC foreign exchange derivatives [2]	214.7	178.1	215.4	196.6
Exchange-traded interest rate derivatives	18.5	7.2	0.9	2.6
OTC interest rate derivatives	0.1	—	1.6	—
Equity index derivatives	124.9	145.4	20.8	22.0
Gross fair value of derivative contracts	3,171.1	3,215.3	4,450.9	4,675.6
Impact of netting and collateral	(3,200.9)	(3,172.7)	(4,548.1)	(4,631.0)
Total fair value included in 'Deposits and receivables from exchange-clearing organizations'	$(95.1)		$(150.4)	
Total fair value included in 'Deposits and receivables from broker-dealers, clearing organizations and counterparties'	$0.3		$(0.7)	
Total fair value included in 'Financial instruments owned, at fair value'	$65.0		$53.9	
Fair value included in 'Financial instruments sold, not yet purchased, at fair value'		$42.6		$44.6

(1) As of June 30, 2013 and September 30, 2012, the Company's derivative contract volume for open positions were approximately 3.7 million and 4.1 million contracts, respectively.

(2) In accordance with agreements with counterparties, the Company is allowed to periodically take advances against its open trade fair value. There were advances against open trade fair value outstanding of $14.3 million and $9.2 million as of June 30, 2013 and September 30, 2012, respectively.

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

The following table sets forth the Company's gains (losses) related to derivative financial instruments for the three and nine months ended June 30, 2013 and 2012, in accordance with the Derivatives and Hedging Topic of the ASC. The gains (losses) set forth below are included within 'trading gains, net' in the condensed consolidated income statements.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	2013	2012	2013	2012
Commodities	$18.9	$73.9	$60.3	$94.3
Foreign exchange	4.0	2.1	9.7	7.7
Interest rate	—	0.1	0.1	0.7
Net gains (losses) from derivative contracts	$22.9	$76.1	$70.1	$102.7

Table of Contents

Credit Risk

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

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

The Company is a party to financial instruments in the normal course of its business through customer and proprietary trading accounts in exchange-traded and OTC derivative instruments. These instruments are primarily the execution of orders for commodity futures, options on futures and forward foreign currency contracts on behalf of its customers, substantially all of which are transacted on a margin basis. Such transactions may expose the Company to significant credit risk in the event margin requirements are not sufficient to fully cover losses which customers may incur. The Company controls the risks associated with these transactions by requiring customers to maintain margin deposits in compliance with individual exchange regulations and internal guidelines. The Company monitors required margin levels daily and, therefore, may require customers to deposit additional collateral or reduce positions when necessary. The Company also establishes credit limits for customers, which are monitored daily. The Company evaluates each customer’s creditworthiness on a case by case basis. Clearing, financing, and settlement activities may require the Company to maintain funds with or pledge securities as collateral with other financial institutions. Generally, these exposures to both customers and exchanges are subject to master netting, or customer agreements, which reduce the exposure to the Company by permitting receivables and payables with such customers to be offset in the event of a customer default. Management believes that the margin deposits held as of June 30, 2013 and September 30, 2012 were adequate to minimize the risk of material loss that could be created by positions held at that time. Additionally, the Company monitors collateral fair value on a daily basis and adjusts collateral levels in the event of excess market exposure. Generally, these exposures to both customers and counterparties are subject to master netting or customer agreements which reduce the exposure to the Company.

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

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

Receivables from customers, net and notes receivable, net include an allowance for bad debts, which reflects the Company’s best estimate of probable losses inherent in the receivables from customers and notes receivable. The Company provides for an allowance for doubtful accounts based on a specific-identification basis. The Company continually reviews its allowance for bad debts. The allowance for doubtful accounts related to receivables from customers was $1.0 million and $0.9 million as of June 30, 2013 and September 30, 2012, respectively. The allowance for doubtful accounts related to notes receivable was $0.1 million as of June 30, 2013 and September 30, 2012.

The Company originates short-term notes receivable from customers with the outstanding balances being insured 90% to 98% by a third party, including accrued interest. The total balance outstanding under insured notes receivable was $17.2 million and $10.2 million as of June 30, 2013 and September 30, 2012, respectively. The Company has obligations related to sale of participation rights in the short-term notes receivable of $14.9 million and $0.8 million as of June 30, 2013 and September 30, 2012, respectively.
See discussion of notes receivable related to commodity repurchase agreements in Note 10.

Table of Contents

Note 6 – Physical Commodities Inventory

Physical commodities inventories are stated at the lower of cost or market (“LCM”) using the weighted-average price and first-in first-out cost method. Cost includes finished commodity or raw material and processing costs related to the purchase and processing of inventories. Commodities in process include commodities in the process of being recycled. As of June 30, 2013 and September 30, 2012, $20.3 million and $129.1 million, respectively, of physical commodities inventory served as collateral under one of the Company’s credit facilities, as detailed further in Note 9. The carrying values of the Company’s inventory as of June 30, 2013 and September 30, 2012 are shown below.

(in millions)	June 30, 2013	September 30, 2012
Commodities in process	$—	$13.6
Finished commodities	58.6	118.0
Physical commodities inventory	$58.6	$131.6

As a result of declining market prices for some commodities, the Company has recorded LCM adjustments for physical commodities inventory of $2.0 million and $0.4 million as of June 30, 2013 and September 30, 2012, respectively. The adjustments are included within ‘cost of sales of physical commodities’ in the condensed consolidated income statements.

Note 7 – Goodwill

The carrying value of goodwill by segment is as follows:

(in millions)	June 30, 2013	September 30, 2012
Commodity and Risk Management Services	$32.0	$ 32.0
Foreign Exchange	6.3	6.3
Securities	5.3	5.3
Goodwill	$43.6	$ 43.6

Note 8 – Intangible Assets

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

	June 30, 2013			September 30, 2012		
(in millions)	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets subject to amortization						
Noncompete agreement	$3.7	$(3.7)	$—	$3.7	$(3.0)	$0.7
Trade name	0.7	(0.6)	0.1	0.7	(0.5)	0.2
Software programs/platforms	2.2	(1.4)	0.8	2.2	(1.0)	1.2
Customer base	12.7	(2.2)	10.5	9.6	(1.8)	7.8
	19.3	(7.9)	11.4	16.2	(6.3)	9.9
Intangible assets not subject to amortization						
Trade name	1.1	—	1.1	1.2	—	1.2
Total intangible assets	$20.4	$(7.9)	$12.5	$17.4	$(6.3)	$11.1

Amortization expense related to intangible assets was $1.7 million and $1.8 million for the nine months ended June 30, 2013 and 2012, respectively.

Table of Contents

As of June 30, 2013, the estimated future amortization expense was as follows:

(in millions)	
Fiscal 2013 (remaining three months)	$ 1.0
Fiscal 2014	1.7
Fiscal 2015	1.4
Fiscal 2016	1.1
Fiscal 2017	1.0
Fiscal 2018 and thereafter	5.2
	$ 11.4

During the nine months ended June 30, 2013, as part of the intangible assets impairment assessment, the Company reviewed the value of the indefinite-lived trade name related to a previous acquisition and determined that the full value of the Hanley Companies trade name had been impaired during the period. The Company has discontinued the use of that trade name, which impaired the value of the previously recorded indefinite-lived intangible asset. The remaining value, if any, of the trade name was determined based on the income approach utilizing projected sales, an estimated royalty rate and discount rate.

The Company recorded impairment loss for the trade name of $0.1 million, within ‘bad debts and impairments’ on the condensed consolidated income statement, during the three and nine months ended June 30, 2013. The Hanley Companies trade name was recorded within the C&RM segment.

Note 9 – Credit Facilities

As of June 30, 2013, the Company had four committed credit facilities under which the Company could borrow up to $355 million, subject to certain conditions. The amounts outstanding under these credit facilities were short term borrowings and carried variable rates of interest, thus approximating fair value.

The following table lists the credit facilities in effect on June 30, 2013, the committed amounts under these facilities as of June 30, 2013 and outstanding borrowings as of June 30, 2013 and September 30, 2012:

(in millions)				Amounts Outstanding	
Borrower	Security	Renewal / Expiration Date	Commitment as of June 30, 2013 (1) (2)	June 30, 2013	September 30, 2012
INTL FCStone Inc.	Certain pledged shares	October 1, 2013	$ 105.0	$ 79.0	$ 48.0
INTL Commodities	Certain commodities assets	Expired July 31, 2013	100.0	60.0	107.0
FCStone, LLC	None	April 10, 2014	75.0	—	20.0
FCStone Merchants	Certain commodities assets	May 1, 2014	75.0	6.6	43.2
			$ 355.0	$ 145.6	$ 218.2

(1) The commitment under the INTL FCStone Inc. facility was increased from $105 million to $135 million on July 29, 2013.

(2) On July 31, 2013, the commitment under the INTL Commodities facility expired without renewal, and the amount outstanding was repaid in full.

The Company’s credit facility agreements contain financial covenants relating to financial measures on a consolidated basis, as well as on a certain stand-alone subsidiary basis, including minimum net worth, minimum working capital, minimum regulatory capital, minimum net unencumbered liquid assets, minimum equity, minimum interest coverage and leverage ratios and maximum net loss. Failure to comply with these covenants could result in the debt becoming payable on demand. As of June 30, 2013, the Company was in compliance with all of its covenants under its credit facilities.

The INTL Commodities credit facility expired without renewal on July 31, 2013 in conjunction with the decision to wind down and exit the physical base metals business, and the amount outstanding was repaid in full. The Company does not believe the expiration of the committed facility will have a material negative impact on the operations of the Company.

The Company’s current credit facilities consist of the following:

- $135.0 million facility available to INTL FCStone Inc. and INTL Global Currencies Ltd., for general working capital requirements, committed until October 1, 2013. An additional commitment agreement to the facility was executed on July 29, 2013, securing an additional $30 million in the facility, and increasing the maximum amount which the Company is entitled to borrow from $105 million to $135 million. The line of credit is secured by a pledge of shares

18

Table of Contents

held in certain of the Company's subsidiaries. The Company is currently in discussions with current and potential lenders to renew and potentially increase this facility. Based on our discussions with these lenders, we believe that this facility will be renewed in a timely manner for amounts that equal or exceed the current commitments under this facility.

- $75.0 million facility available to our wholly owned subsidiary, FCStone, LLC, for short-term funding of margin to commodity exchanges, committed until April 10, 2014. This line of credit is subject to annual review, and the facility is guaranteed by INTL FCStone Inc.
- $75.0 million committed facility available to our wholly owned subsidiary, FCStone Merchant Services, LLC, for financing traditional commodity financing arrangements and commodity repurchase agreements, committed until May 1, 2014. This facility is secured by the assets of FCStone Merchants, and guaranteed by INTL FCStone Inc.

The current credit facilities are scheduled to expire during the next twelve months. At this time, the Company is unable to determine the duration, applicable interest rates or other costs associated with the renewal or replacement of these facilities.

Note 10 – Commodity and Other Repurchase Agreements

The Company's outstanding notes receivable in connection with sale/repurchase agreements, under which customers sell certain commodity inventory and agree to repurchase the commodity inventory at a future date at either a fixed or floating rate, as of June 30, 2013 and September 30, 2012 were $9.2 million and $92.5 million, respectively.

The obligations outstanding related to commodities sold under repurchase agreements that are recorded within 'broker-dealers, clearing organizations and counterparties' as of June 30, 2013 and September 30, 2012 were zero and $37.0 million, respectively. The obligations outstanding related to commodities sold under repurchase agreements that are recorded within 'lenders under loans' as of June 30, 2013 and September 30, 2012 were $6.7 million and $43.2 million, respectively.

Note 11 – Commitments and Contingencies

Legal and Regulatory Proceedings

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

If the assessment of a contingency indicates that it is probable that a material loss had been incurred at the date of the financial statements and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Neither accrual nor disclosure is required for loss contingencies that are deemed remote. The Company accrues legal fees related to contingent liabilities as they are incurred.

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

As of June 30, 2013 and September 30, 2012, the condensed consolidated balance sheets include loss contingency accruals recorded prior to September 30, 2012 which are not material, individually or in the aggregate, to the Company's financial position or liquidity. In the opinion of management, possible exposure from loss contingencies in excess of the amounts accrued, and in addition to the possible losses discussed below, is not likely to be material to the Company's earnings, financial position or liquidity.

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

Securities Litigation and Regulatory Proceedings

FCStone and certain officers of FCStone were named as defendants in an action filed in the United States District Court for the Western District of Missouri in July 2008. A consolidated amended complaint (“CAC”) was subsequently filed in September 2009. As alleged in the CAC, the action purports to be brought as a class action on behalf of purchasers of FCStone common stock between November 15, 2007 and February 24, 2009. The CAC seeks to hold defendants liable under Section 10(b) and

19

Table of Contents

Section 20(a) of the Securities Exchange Act of 1934 and concerns disclosures included in FCStone's fiscal year 2008 public filings. Specifically, the CAC relates to FCStone's public disclosures regarding an interest rate hedge, a bad debt expense arising from unprecedented events in the cotton trading market, and certain disclosures beginning on November 3, 2008 related to losses it expected to incur arising primarily from a customer energy trading account. FCStone and the named officers moved to dismiss the action. The parties to the litigation reached an agreement in principle to settle this matter during May 2012, which was approved by order of the court on July 23, 2013. The settlement was at no cost to the Company after consideration of insurance coverage.

In August 2008, a shareholder derivative action was filed against FCStone and certain directors of FCStone in the Circuit Court of Platte County, Missouri, alleging breaches of fiduciary duties, waste of corporate assets and unjust enrichment. An amended complaint was subsequently filed in May 2009 to add claims based upon the losses sustained by FCStone arising out of a customer energy trading account. In July 2009, the same plaintiff filed a motion for leave to amend the existing case to add a purported class action claim on behalf of the holders of FCStone common stock.

In July 2009, a purported shareholder class action complaint was filed against FCStone and its directors, as well as the Company in the Circuit Court of Clay County, Missouri. The complaint alleged that FCStone and its directors breached their fiduciary duties by failing to maximize stockholder value in connection with the contemplated acquisition of FCStone by the Company. This complaint was subsequently consolidated with the complaint filed in the Circuit Court of Platte County, Missouri. The plaintiffs subsequently filed an amended consolidated complaint which does not assert any claims against the Company. This complaint purports to be filed derivatively on FCStone and the Company's behalf and against certain of FCStone's current and former directors and officers and directly against the same individuals. The Company, FCStone and the defendants filed motions to dismiss on multiple grounds. The parties to the litigation reached an agreement in principle to settle this matter during October 2012. The parties are currently completing the documents and negotiating the final terms of the settlement. The proposed settlement would result in the Company incurring a legal cost of $250,000 after consideration of expected insurance coverage, and is subject to approval by the court. The terms of the settlement are expected to be presented to the court for approval during the fourth quarter of fiscal 2013.

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

The settlement, with appropriate waivers and consents, required FCStone, LLC to:

- cease and desist from violating CFTC Regulation 166.3;
- pay $1.5 million to the CFTC; and
- appoint an independent third party reviewer to review and evaluate FCStone LLC's existing policies and procedures relating to certain risks, to ensure that the Company has made sufficient modifications to its risk controls since 2008.

The fine of $1.5 million, accrued by the Company in full during the three months ended December 31, 2012, was paid to the CFTC during the three months ended June 30, 2013.

Sentinel Litigation

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

In August 2008, the bankruptcy trustee of Sentinel filed adversary proceedings against FCStone, LLC, and a number of other FCMs in the Bankruptcy Court for the Northern District of Illinois. The case was subsequently reassigned to the United States District Court, for the Northern District of Illinois. In the complaint, the trustee is seeking avoidance of alleged transfers or withdrawals of funds received by FCStone, LLC and other FCMs within 90 days prior to the filing of the Sentinel bankruptcy petition, as well as avoidance of post-petition distributions and disallowance of the proof of claim filed by FCStone, LLC. The trustee seeks recovery of pre- and post-petition transfers totaling approximately $15.5 million. In April 2009, the trustee filed an amended complaint adding a claim for unjust enrichment. FCStone, LLC answered the complaints and all parties entered into the discovery phase of the litigation. In January 2011, the trustee filed a motion for summary judgment on various counts in the

Table of Contents

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

Contractual Commitments

Contingent Liabilities - Acquisitions

Under the terms of the purchase agreements related to the acquisitions listed below, the Company has obligations to pay additional consideration if specific conditions and earnings targets are met. In accordance with the Business Combinations Topic of the ASC, the fair value of the additional consideration is recognized as a contingent liability as of the acquisition date. The contingent liability for these estimated additional purchase price considerations are included within ‘accounts payable and other accrued liabilities’ in the condensed consolidated balance sheets as of June 30, 2013 and September 30, 2012. The acquisition date fair value of additional consideration is remeasured and adjusted to its fair value each reporting period, with changes in fair value recorded in current earnings.

The Company recorded an estimated contingent liability of $3.1 million, relating to the December 2012 acquisition of the accounts of Tradewire Securities, LLC, as described in Note 16.

The Company has a contingent liability relating to the November 2011 acquisition of Coffee Network, LLC, subsequently reorganized as a division of FCStone, LLC, which may result in the payment of additional purchase price consideration. The contingent liability recorded represents the fair value of the expected consideration to be paid, based on the forecasted adjusted pre-tax net earnings during the three annual periods following the closing of the acquisition plus a final contingent payment, and a discount rate being applied to those future payments. There was no significant change in fair value for the three and nine months ended June 30, 2013. The present value of the estimated total purchase price, including contingent consideration, is less than $0.3 million as of June 30, 2013, of which $0.1 million has not been paid and is included within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet.

The Company has a contingent liability relating to the October 2010 acquisition of Hencorp Becstone Futures, L.C., subsequently reorganized as a division of FCStone, LLC, which may result in the payment of additional purchase price consideration. The contingent liability recorded represents the fair value of the expected consideration to be paid, based on the forecasted adjusted pre-tax net earnings during the third and fourth fiscal years following the closing of the acquisition and a discount rate being applied to those future payments. The change in fair value for the three and nine months ended June 30, 2013 was an increase of $0.4 million and $0.6 million, respectively, included within ‘other expense’ in the condensed consolidated income statements. The present value of the estimated total purchase price, including contingent consideration, is $7.1 million as of June 30, 2013, of which $2.8 million has not been paid and is included within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet.

As of June 30, 2013, the Company had a contingent liability relating to the July 2010 acquisition of the Hanley Companies, which has resulted in the payment of additional purchase price consideration. The contingent liability recorded represented contingent payments equal to 15% of the adjusted earnings before interest and taxes of the soft commodities derivatives business of the acquired Hanley Companies and INTL FCStone Markets, LLC (the “Derivatives Division”) for the twelve-month period ending June 30, 2013 and a final contingent payment based on the

cumulative adjusted earnings before taxes of the Derivatives Division for the three year period commencing on July 1, 2010, with a discount rate being applied to those future payments. The change in fair value for the three and nine months ended June 30, 2013 was an increase of $0.3 million and $0.7 million, respectively, included within ‘other expense’ in the condensed consolidated income statements. The present value of the estimated total purchase price, including contingent consideration, is $54.2 million as of June 30, 2013, of which $10.0 million had not been paid and is included within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet. On July 8, 2013, the Company paid $10.0 million, representing the final payment relating to the contingent payments for the acquisition of the Hanley Companies.

In May 2013, the Company paid $3.1 million, representing the final payment relating to the April 2010 acquisition of the RMI Companies, subsequently reorganized as divisions of FCStone, LLC, which was reflected as a contingent liability within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet as of March 31, 2013.

Table of Contents

Exchange Member Guarantees

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

Note 12 – Capital and Other Regulatory Requirements

The Company's activities are subject to significant governmental regulation, both in the United States and overseas. The subsidiaries of the Company were in compliance with all of their regulatory requirements as of June 30, 2013, as follows:

(in millions)			As of June 30, 2013	
Subsidiary	Regulatory Authority	Requirement Type	Actual	Minimum Requirement
FCStone, LLC	CFTC	Net capital	$106.2	$ 66.2
FCStone, LLC	CFTC	Segregated funds	$1,638.6	$ 1,617.2
FCStone, LLC	CFTC	Secured funds	$66.1	$ 56.2
INTL FCStone Ltd	FCA (United Kingdom)	Net capital	$50.6	$ 20.5
INTL FCStone Ltd	FCA (United Kingdom)	Segregated funds	$53.7	$ 51.8
INTL Global Currencies Limited	FCA (United Kingdom)	Net capital	$19.4	$ 1.0
INTL FCStone Securities Inc.	SEC	Net capital	$4.3	$ 1.0
FCC Investments, Inc.	SEC	Net capital	$0.3	$ 0.3
FCStone Australia	Australian Securities and Investment Commission	Net capital	$1.7	$ 0.9
FCStone Australia	New Zealand Clearing Ltd	Capital adequacy	$11.5	$ 3.9
FCStone Commodity Services (Europe), Ltd.	Central Bank of Ireland	Net capital	$1.9	$ 0.6
INTL FCStone DTVM Ltda.	Brazilian Central Bank and Securities and Exchange Commission of Brazil	Capital adequacy	$0.8	$ 0.7
INTL Capital S.A.	Rosario Futures Exchange (Argentina)	Capital adequacy	$3.2	$ 0.1
INTL Capital S.A.	General Inspector of Justice (Argentina)	Net capital	$7.8	$ 5.8
INTL CIBSA S.A.	Superintendence of Securities Markets of Buenos Aires (Argentina)	Net capital	$3.4	$ 0.3

Certain other non-U.S. subsidiaries of the Company are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of June 30, 2013, these subsidiaries were in compliance with their local capital adequacy requirements.

Note 13 – Stock-Based Compensation

Stock-based compensation expense is included within 'compensation and benefits' in the condensed consolidated income statements and totaled $1.7 million and $1.6 million for the three months ended June 30, 2013 and 2012, respectively, and $5.3 million and $3.8 million for the nine months ended June 30, 2013 and 2012, respectively.

Stock Option Plan

The Company sponsored a stock option plan for its directors, officers, employees and consultants. The Company's Board of Directors approved a new stock option plan (the "2013 Stock Option Plan"), which was approved by the shareholders at the 2013 annual meeting, and authorized the Company to issue stock options covering up to 1.0

million shares of the Company's common stock. As of June 30, 2013, there were 1.0 million shares authorized for future grant under this plan. The Company settles stock option exercises with newly issued shares of common stock.

Table of Contents

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

	Nine Months Ended June 30, 2013	
Expected stock price volatility	35	%
Expected dividend yield	—	%
Risk free interest rate	0.37	%
Average expected life (in years)	2.88	

Expected stock price volatility rates are based primarily on the historical volatility. The Company has not paid dividends in the past and does not currently expect to do so in the future. Risk free interest rates are based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option award. The average expected life represents the estimated period of time that options or awards granted are expected to be outstanding, based on the Company's historical share option exercise experience for similar option grants. The weighted average fair value of options issued during the nine months ended June 30, 2013 was $4.21.

The following is a summary of stock option activity for the nine months ended June 30, 2013:

	Shares Available for Grant	Number of Options Outstanding	Weighted Average Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value ($ millions)
Balances as of September 30, 2012	921,412	1,890,634	$ 23.36	$11.11	5.45	$6.0
Expiration of 2003 Plan	(828,321)					
Additional shares authorized	1,000,000					
Granted	(100,000)	100,000	$ 17.53	$4.21		
Exercised		(127,268)	$ 5.47	$2.81		
Forfeited	6,666	(18,498)	$ 8.38	$3.60		
Expired	243	(910)	$ 21.23	$10.27		
Balances as of June 30, 2013	1,000,000	1,843,958	$ 24.43	$11.38	4.98	$3.4
Exercisable as of June 30, 2013		731,352	$ 26.67	$11.07	2.07	$2.2

The total compensation cost not yet recognized for non-vested awards of $10.5 million as of June 30, 2013 has a weighted-average period of 5.90 years over which the compensation expense is expected to be recognized. Compensation expense is amortized on a straight-line basis over the vesting period. The total intrinsic value of options exercised during the nine months ended June 30, 2013 and 2012 was $1.8 million, and $3.0 million, respectively.

Restricted Stock Plan

The Company sponsors a restricted stock plan for its directors, officers and employees. As of June 30, 2013, 1,204,777 shares were authorized for future grant under the 2012 restricted stock plan. Awards that expire or are canceled generally become available for issuance again under the plan. The Company utilizes newly issued shares of common stock to make restricted stock grants.

The following is a summary of restricted stock activity for the nine months ended June 30, 2013:

	Shares Available for Grant	Number of Shares Outstanding	Weighted Average Grant Date Fair Value	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value ($ millions)
Balances as of September 30, 2012	1,420,114	512,124	$22.09	1.81	$9.8
Granted	(216,502)	216,502	$17.76		

Vested		(221,585)	$21.41		
Forfeited	1,165	(8,202)	$24.11		
Balances as of June 30, 2013	1,204,777	498,839	$20.48	1.97	$8.7

Table of Contents

The total compensation cost not yet recognized of $7.5 million as of June 30, 2013 has a weighted-average period of 1.97 years over which the compensation expense is expected to be recognized. Compensation expense is amortized on a straight-line basis over the vesting period. Restricted stock grants are included in the Company's total issued and outstanding common shares.

Subsequent to June 30, 2013, the Company and an executive of a wholly-owned subsidiary mutually agreed to the executive's retirement from employment as of July 1, 2013. As a result of the executive's retirement from employment, the company expects to record compensation cost, related to the individual's restricted stock, of $2.6 million during the quarter ended September 30, 2013.

Note 14 – Other Expenses

Other expenses for the three and nine months ended June 30, 2013 and 2012 consisted of the following:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	2013	2012	2013	2012
Business development	$2.7	$2.3	$7.9	$8.6
Contingent consideration, net(1)	0.7	0.5	1.9	2.7
Insurance	0.5	0.4	1.4	1.2
Advertising, meetings and conferences	0.6	0.7	1.7	1.8
Non-trading hardware and software maintenance and software licensing	0.6	0.4	2.2	1.8
Office supplies and printing	0.3	0.3	1.0	1.0
Other non-income taxes	1.9	1.1	4.1	3.0
Other	1.1	1.7	5.2	4.7
	$8.4	$7.4	$25.4	$24.8

(1) For the three and nine months ended June 30, 2013 and 2012, contingent consideration included remeasurement of contingent liabilities related to business combinations accounted for in accordance with the provisions of the Business Combinations Topic of the ASC (see Note 3). Also, for the nine months ended June 30, 2013 and 2012, contingent consideration included additional purchase price, based on achieving specific conditions and earnings targets, relating to FCStone, LLC's previous acquisition of Globecot, Inc. ("Globecot"). The Globecot acquisition was recorded in accordance with SFAS No. 141, Business Combinations ("SFAS 141"). As a result of the Company's merger with FCStone Group, Inc. ("FCStone") on September 30, 2009, this contingent purchase price amount was considered a pre-acquisition contingency, which was not reasonably estimable during the merger allocation period following the FCStone transaction. In accordance with SFAS 141, adjustments to pre-acquisition contingencies, made after the end of the allocation period, are included in earnings in the current period. There is no further contingent consideration outstanding related to the Globecot acquisition.

Note 15 – Income Taxes

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

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

The income tax expense from operations of $1.3 million and $1.2 million for the three months ended June 30, 2013 and 2012, respectively, and income tax expense from operations of $6.7 million and $2.2 million for the nine months ended June 30, 2013 and 2012, respectively, reflect estimated federal, foreign and state taxes.

During the nine months ended June 30, 2013, the Company recorded a net decrease to its unrecognized tax benefits of $0.4 million, attributed to favorably settled income tax audits, of which $0.3 million impacted the Company's effective tax rate. For the three months ended June 30, 2013, the Company's effective tax rate was 32% compared to 20% for the three months ended

Table of Contents

June 30, 2012. For the nine months ended June 30, 2013, the Company's effective tax rate was 28% compared to 25% for the nine months ended June 30, 2012.

The Company and its subsidiaries file income tax returns with the U.S. federal jurisdiction and various state and foreign jurisdictions. FCStone is a wholly-owned subsidiary acquired on September 30, 2009. Both INTL FCStone Inc. and FCStone are under federal and state examinations for various periods, ranging from August 31, 2008 through September 30, 2012.

Note 16 – Acquisitions and Dispositions

First American Capital and Trading Corp.

On May 3, 2013, the Company reached an agreement in which First American Capital and Trading Corp. ("FACT"), has agreed to transfer its customer accounts to INTL FCStone Inc.'s broker-dealer subsidiary, INTL FCStone Securities Inc. Completion of this transaction is subject to certain conditions, including regulatory approval. FACT provides correspondent clearing services to institutional customers directly and through a global network of partners. FACT services a wide range of customers, including broker-dealers, investment advisors, and fund managers.

Tradewire Acquisition

On December 12, 2012, the Company finalized an agreement to acquire certain institutional accounts from Tradewire Securities, LLC ("Tradewire Securities"), a Miami-based securities broker-dealer servicing customers throughout Latin America and a wholly-owned subsidiary of Tradewire Group Ltd. These accounts were transferred to INTL FCStone Inc.'s broker-dealer subsidiary, INTL FCStone Securities. As part of the transaction, the Company hired more than 20 professional staff from Tradewire Securities' securities broker-dealer business based in Miami, Florida. These professionals provide global brokerage services to a wide range of customers, including hedge funds, pension funds, broker-dealers and banks located in Latin America, the Caribbean, North America and Europe.

The consideration to be paid for the acquisition of institutional accounts from Tradewire Securities consists of three annual contingent payments and a final contingent payment and is estimated to be $3.1 million as of June 30, 2013. The
purchase price for the acquisition is not expected to be material to the condensed consolidated financial statements. The
allocation of the purchase price to separately identifiable intangible assets is preliminary in nature, and is subject to adjustment as additional information is obtained, including but not limited to the calculation of the contingent consideration and valuation of separately identifiable intangible assets. These calculations and valuations of any identified intangible assets are subject to change within the measurement period (up to one year from the acquisition date) as valuations are finalized. When the valuations are finalized, any changes may result in adjustments to separately identifiable intangible assets and goodwill. Any adjustments made to the valuations are not expected to be material. The intangible assets recognized in this transaction of $3.1 million were assigned to the Securities segment.

Gletir Agente De Valores S.A. Disposition

On February 28, 2013, the Company, through its subsidiaries INTL Netherlands B.V. and Gainvest Asset Management Ltda, entered into an agreement to sell all of its ownership interest in another subsidiary, Gletir Agente De Valores S.A. ("Gletir Agente"), to Gletir Financial Corp (the "Purchaser"). The Company sold the capital stock of Gletir Agente for $0.8 million. Gletir Agente had net assets of $0.6 million, which included $0.1 million of AOCI related to foreign currency translation, included in the consolidated condensed balance sheet of the Company, at the time of the sale. The gain resulting from the sale price less the carrying amount of the net assets and the gain from the AOCI balance were recorded as components of other income on the consolidated condensed income statement for the nine months ended June 30, 2013.

Planned Exit of Physical Base Metals Business

During the quarter ended March 31, 2013, as a result of a change in management strategy within the Company's base metals product line, the Company elected to pursue an exit of its physical base metals business through the sale and/or orderly liquidation of current open positions. During the three months ended June 30, 2013, the Company completed a sale of a portion of the physical base metals open contract positions, and the liquidation of the majority of the remaining physical base metals open contract positions and inventory. The performance of the physical base metals activities, including $1.4 million in contract termination costs incurred in the aforementioned sale, resulted in a pre-tax

loss of $2.2 million and pre-tax income of $2.3 million during the three and nine month periods ending June 30, 2013, respectively. The physical base metals business is included within the C&RM Segment. The Company believes the exit of the physical base metals business will be completed by the end of fiscal 2013. The Company will continue to operate the portion of its base metals business related to non-physical assets, conducted primarily through the London Metals Exchange.

The Company has considered the impact of the exit of the physical base metals business on the Company's financial position, future operating results and liquidity, and believes the exit will not have a material negative impact to the condensed

Table of Contents

consolidated financial statements, expected cash flows or liquidity of the Company. The Company evaluated the recoverability of long-lived and intangible assets as a result of this planned exit, noting no impairment charges. The Company believes any additional exit costs, including termination benefits, additional contract termination costs and other associated costs will not be material to the condensed consolidated financial statements.

Note 17 – Segment Analysis

The Company reports its operating segments based on services provided to customers. The Company's activities are divided into the following functional areas:

- Commodity and Risk Management Services
- Foreign Exchange
- Securities
- Clearing and Execution Services
- Other

Commodity and Risk Management Services (C&RM)

The Company serves its commercial customers through its force of risk management consultants with a high value added service that differentiates the Company from other competitors and maximizes the opportunity to retain customers. The Integrated Risk Management Program ("IRMP®") involves providing customers with commodity risk management consulting services that are designed to develop a customized long term hedging program to help them mitigate their exposure to commodity price risk and maximize the amount and certainty of their operating profits. Customers are assisted in the execution of their hedging strategies through the Company's exchange-traded futures and options clearing and execution operations and through access to more customized alternatives provided by the OTC trading desk. Generally, customers direct their own trading activity and risk management consultants do not have discretionary authority to transact trades on behalf of customers. When transacting OTC contracts with customers, the Company may offset the customer's transaction simultaneously with one of its trading counterparties. Alternatively, the OTC trade desk will accept a customer transaction and offset that transaction with a similar but not identical position on the exchange.

In addition, the Company provides a full range of trading and hedging capabilities to select producers, consumers, recyclers and investors in both precious and base metals, as well as certain other related commodities. For base metals, following the exit of the physical trading business, this will involve acting as a Category One ring dealing member of the LME, providing execution, clearing and advisory services in exchange traded futures and OTC products. In precious metals, in addition to offering OTC products, the Company acts as a principal, committing its own capital to buy and sell precious metals on a spot and forward basis.

The Company records its physical commodities revenues on a gross basis. Operating revenues and losses from the Company's commodities derivatives activities are included within 'trading gains, net' in the condensed consolidated income statements. Inventory for the commodities business is valued at the lower of cost or fair value, under the provisions of the Inventory Topic of the ASC. The Company generally mitigates the price risk associated with commodities held in inventory through the use of derivatives. The Company does not elect hedge accounting under U.S. GAAP in accounting for this price risk mitigation. In such situations, unrealized gains in inventory are not recognized under U.S. GAAP, but unrealized gains and losses in related derivative positions are recognized under U.S. GAAP. As a result, the Company's reported earnings from commodities trading may be subject to significant volatility when calculated under U.S. GAAP.

Foreign Exchange

The Company provides treasury, global payment and foreign exchange services to financial institutions, multi-national corporations, government organizations and charitable organizations as well as assisting commercial customers with the execution of foreign exchange hedging strategies. The Company transacts in over 130 currencies and specializes in smaller, more difficult emerging markets where there is limited liquidity. In addition, the Company executes trades based on the foreign currency flows inherent in the Company's existing business activities. The Company primarily acts as a principal in buying and selling foreign currencies on a spot basis. The Company derives revenue from the difference between the purchase and sale prices.

The Company also provides spot foreign currency trading for a customer base of eligible contract participants and high net worth retail customers as well as operating a proprietary foreign exchange desk which arbitrages the futures and cash markets.

Securities

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

Table of Contents

investors. The Company also provides global execution services for institutional customers, including hedge funds, pension funds, broker-dealers and banks located primarily in Latin America, the Caribbean, North America and Europe.

The Company makes markets in approximately 800 ADRs and foreign ordinary shares traded in the OTC market. In addition, the Company will, on request, make prices in more than 8,000 other ADRs and foreign common shares. As a market-maker, the Company provides trade execution services by offering to buy shares from, or sell shares to, broker-dealers and institutions. The Company displays the prices at which it is willing to buy and sell these securities and adjusts its prices in response to market conditions. When acting as principal, the Company commits its own capital and derives revenue from the difference between the prices at which the Company buys and sells shares. The Company also earns commissions by executing trades on an agency basis.

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

The Company provides a full range of investment banking advisory services to commercial customers including the issuance of loans or equity. The Company also originates, structures and places a wide array of emerging market debt instruments in the international and domestic capital markets. These instruments include complex asset backed securities, unsecured bond and loan issues, negotiable notes and other trade-related debt instruments used in cross-border trade finance. On occasions the Company may invest its own capital in debt instruments before selling them. It also actively trades in a variety of international debt instruments.

Clearing and Execution Services (CES)

The Company seeks to provide competitive and efficient clearing and execution of exchange-traded futures and options for the institutional and professional trader market segments. Through its platform, customer orders are accepted and directed to the appropriate exchange for execution. The Company then facilitates the clearing of customers’ transactions. Clearing involves the matching of customers’ trades with the exchange, the collection and management of margin deposits to support the transactions, and the accounting and reporting of the transactions to customers. The Company seeks to leverage its capabilities and capacity by offering facilities management or outsourcing solutions to other FCMs.

Other

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

The Company operates a commodity financing and facilitation business which provides financing to commercial commodity-related companies against physical inventories, including grain, lumber, meats, energy products and renewable fuels. Sale and repurchase agreements are used to purchase commodities evidenced by warehouse receipts, subject to a simultaneous agreement to sell such commodities back to the original seller at a later date. These transactions are accounted for as product financing arrangements, and accordingly no commodity inventory, purchases or sales are recorded. Additionally, the Company, as a principal, engages in physical purchase and sale transactions related to inputs to the renewable fuels and feed ingredient industries.

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The total revenues reported combine gross revenues for the physical commodities business and net revenues for all other businesses. In order to reflect the way that the Company’s management views the results, the tables below also reflect the segment contribution to ‘operating revenues’, which is shown on the face of the condensed consolidated income statements and which is calculated by deducting physical commodities cost of sales from total revenues.

Segment data includes the profitability measure of net contribution by segment. Net contribution is one of the key measures used by management to assess the performance of each segment and for decisions regarding the allocation of the Company’s resources. Net contribution is calculated as revenue less direct cost of sales, clearing and related expenses, variable compensation, introducing broker commissions and interest expense. Variable compensation paid

to risk management consultants / traders generally represents a fixed percentage of an amount equal to revenues generated, and in some cases, revenues produced less clearing and related charges, base salaries and an overhead allocation.

Segment data also includes segment income which is calculated as net contribution less non-variable direct expenses of the segment. These non-variable direct expenses include trader base compensation and benefits, operational employee compensation and benefits, communication and data services, business development, professional fees, bad debt expense and other direct expenses.

Table of Contents

Inter-segment revenues, charges, receivables and payables are eliminated upon consolidation, except revenues and costs related to foreign currency transactions undertaken on an arm’s length basis by the foreign exchange trading business for the securities business. The foreign exchange trading business competes for this business as it does for any other business. If its rates are not competitive, the securities businesses buy or sell their foreign currency through other market counterparties.

On a recurring basis, the Company sweeps excess cash from certain operating segments to a centralized corporate treasury function in exchange for an intercompany receivable asset. The intercompany receivable asset is eliminated during consolidation, and therefore this practice may impact reported total assets between segments.

Table of Contents

Information concerning operations in these segments of business is shown in accordance with the Segment Reporting Topic of the ASC as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions)	2013	2012	2013	2012
Total revenues:				
Commodity and Risk Management Services	$10,874.3	$17,266.8	$36,497.0	$51,341.5
Foreign Exchange	19.0	16.5	51.3	47.4
Securities	13.8	8.6	42.7	28.8
Clearing and Execution Services	27.8	27.7	75.5	70.8
Other	105.3	31.3	198.1	104.5
Corporate unallocated	(0.7)	0.2	7.5	(0.5)
Total	$11,039.5	$17,351.1	$36,872.1	$51,592.5
Operating revenues (loss):				
Commodity and Risk Management Services	$56.2	$67.0	$173.0	$182.7
Foreign Exchange	19.0	16.5	51.3	47.4
Securities	13.8	8.6	42.7	28.8
Clearing and Execution Services	27.8	27.7	75.5	70.8
Other	6.0	3.8	15.1	10.5
Corporate unallocated	(0.7)	0.2	7.5	(0.5)
Total	$122.1	$123.8	$365.1	$339.7
Net contribution:				
(Revenues less cost of sales, clearing and related expenses, variable bonus compensation, introducing broker commissions and interest expense):				
Commodity and Risk Management Services	$31.2	$38.3	$102.9	$105.1
Foreign Exchange	12.6	11.3	33.2	31.6
Securities	6.3	4.8	22.4	14.4
Clearing and Execution Services	4.5	4.2	11.7	10.5
Other	3.7	2.7	8.9	7.4
Total	$58.3	$61.3	$179.1	$169.0
Segment income (loss):				
(Net contribution less non-variable direct segment costs):				
Commodity and Risk Management Services	$13.8	$18.9	$49.1	$50.0
Foreign Exchange	8.5	7.7	22.5	21.9
Securities	1.8	1.1	9.2	3.0
Clearing and Execution Services	1.7	1.0	1.5	1.6
Other	2.6	1.5	5.9	3.6
Total	$28.4	$30.2	$88.2	$80.1
Reconciliation of segment income to income from operations, before tax:				
Segment income	$28.4	$30.2	$88.2	$80.1
Costs not allocated to operating segments	24.3	24.3	63.9	71.3
Income from operations, before tax	$4.1	$5.9	$24.3	$8.8

(in millions)	As of June 30, 2013	As of September 30, 2012
Total assets:		

Commodity and Risk Management Services	$1,258.5	$1,449.2
Foreign Exchange	145.1	124.5
Securities	169.1	88.7
Clearing and Execution Services	1,186.8	1,090.9
Other	42.7	110.8
Corporate unallocated	105.2	94.8
Total	$2,907.4	$2,958.9

Table of Contents

Note 18 – Subsequent Events

On July 22, 2013, the Company completed the offering of $40.0 million aggregate principal amount of its 8.5% Senior Notes due 2020 (the “Notes”). The Company intends to use the net proceeds of the sale of the Notes for general corporate purposes. The Notes were issued under an Indenture dated as of July 22, 2013, between the Company and The Bank of New York Mellon, as Trustee. The Notes bear interest at a rate of 8.5% per year (payable quarterly on January 30, April 30, July 30 and October 30 of each year, beginning on October 30, 2013). The Notes will mature on July 30, 2020. Additionally, on August 6, 2013, the Company was notified by the underwriters of their election to exercise their option to purchase an additional $5.5 million aggregate principal amount of the Notes, scheduled for closing on August 9, 2013.

The Company may redeem the Notes, in whole or in part, at any time on and after July 30, 2016, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to, but not including, the redemption date.

Subsequent to June 30, 2013, the Company and an executive of a wholly-owned subsidiary mutually agreed to the executive’s retirement from employment as of July 1, 2013, as detailed further in Note 13.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of INTL FCStone Inc. and its subsidiaries (collectively “INTL” or “the Company”), including adverse changes in economic, political and market conditions, losses from the Company’s market-making and trading activities arising from counter-party failures and changes in market conditions, the possible loss of key personnel, the impact of increasing competition, the impact of changes in government regulation, the possibility of liabilities arising from violations of federal and state securities laws and the impact of changes in technology in the securities and commodities trading industries. Although the Company believes that its forward-looking statements are based upon reasonable assumptions regarding its business and future market conditions, there can be no assurances that the Company’s actual results will not differ materially from any results expressed or implied by the Company’s forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any forward-looking statements are not guarantees of future performance.

Recent Events Affecting the Financial Services Industry

On July 21, 2010, the President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The Dodd-Frank Act created a comprehensive new regulatory regime governing the OTC and listed derivatives markets and their participants by requiring, among other things: centralized clearing of standardized derivatives (with certain stated exceptions); the trading of clearable derivatives on swap execution facilities or exchanges; and registration and comprehensive regulation of new categories of market participants as “swap dealers” and swap “introducing brokers.” We registered our subsidiary, INTL FCStone Markets, LLC, as a swap dealer on December 31, 2012. Most of the rules affecting this business have now been finalized, and external business conduct rules came into effect on May 1, 2013. Nevertheless, some important rules, such as those setting capital and margin requirements, have not been finalized or fully implemented, and it is too early to predict with any degree of certainty how we will be affected. The Company will continue to monitor all applicable developments in the implementation of the Dodd-Frank Act. The legislation and implementing regulations affect not only us, but also many of our customers and counterparties.

Overview

INTL FCStone Inc. and its consolidated subsidiaries form a financial services group, employing 1,107 people in offices in 12 countries as of June 30, 2013. The Company’s services include comprehensive risk management advisory services for commercial customers; execution of listed futures and options-on-futures contracts on all major commodity exchanges; the sale of structured over-the-counter (“OTC”) products in a wide range of commodities; physical trading and hedging of precious metals and select other commodities, trading of more than 130 foreign

currencies, market-making in international equities, debt origination and asset management.

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

30

Table of Contents

The Company reports its operating segments based on services provided to customers. The Company's activities are divided into the following functional areas consisting of Commodity and Risk Management Services ("C&RM"), Foreign Exchange, Securities, Clearing and Execution Services ("CES") and Other. Additional information on these functional areas can be found within Note 17 of the Condensed Consolidated Financial Statements.

Executive Summary

The Company experienced a decline in operating revenues during the three months ended June 30, 2013 compared to the corresponding quarter of 2012, however year-to-date results reflect growth in operating revenues and net income compared to the first nine months of 2012.

All segments of the Company, with the exception of the C&RM segment experienced operating revenue growth over both the prior year three month and year-to-date periods. Both the C&RM and CES segments continue to be constrained by historically low interest rates. During the first nine months of 2013, interest income on customer deposits declined modestly, even though average customer assets on deposits, which generate interest income to the Company, increased $148 million over the prior year-to-date period to $1.65 billion.

The decrease in our core C&RM operating revenues was primarily a result of declines in both exchange-traded and OTC transactional volumes in our soft commodities product line as well as declines in the physical base metals business. The soft commodity product line has been constrained by low volatility and the lingering effects of the drought in the United States during 2012 on the agricultural commodity markets, and to a lesser extent, coupled with uncertainty on the part of our customers as to the effect that the Dodd-Frank legislation and related regulations will have on their OTC positions and operations.

During the quarter ended March 31, 2013, as a result of a change in management strategy within the Company's base metals product line, the Company elected to pursue an exit of its physical base metals business through the sale and/or orderly liquidation of current open positions. During the three months ended June 30, 2013, the Company completed a sale of a portion of the physical base metals open contract positions, and the liquidation of the majority of the remaining physical base metals open contract positions and inventory. The liquidation of these outstanding positions in the three months ended June 30, 2013, as well as the performance of the physical base metals for the entire year-to-date period, contributed to the decline in C&RM segment operating revenues. Additionally, on July 31, 2013, the Company elected to allow the $100.0 million credit facility which supported this business to expire without renewal, and the amount outstanding was repaid in full.

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

Operating revenues in our Foreign Exchange segment continued to increase, as the global payments product line experienced record revenues for the three months ended June 30, 2013 driven by continued acquisition of commercial bank clients and the successful implementation of a new back office platform which enables the Company to process increased volumes, including smaller notional payments, without requiring the hiring of additional support personnel.

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

Overall, net income declined for the three months ended June 30, 2013 compared to the prior year, primarily as a result of the decline in soft commodity product line revenues, the execution of the exit plan in the physical base metals business, as well as the increase in costs associated with the implementation of the Dodd-Frank Act legislation and other regulat