

INTL FCSTONE INC.  
Form 10-Q  
May 09, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the Quarterly Period Ended March 31, 2012

OR

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

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 000-23554

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

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Delaware  
(State or other jurisdiction of  
incorporation or organization)  
708 Third Avenue, Suite 1500  
New York, NY 10017  
(Address of principal executive offices) (Zip Code)  
(212) 485-3500  
(Registrant's telephone number, including area code)

59-2921318  
(I.R.S. Employer  
Identification No.)

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

As of May 4, 2012, there were 19,129,017 shares of the registrant's common stock outstanding.



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 Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2012  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## INTL FCStone Inc.

## Condensed Consolidated Balance Sheets

(in millions, except par value and share amounts)	March 31, 2012 (Unaudited)	September 30, 2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 182.3	\$ 220.6
Cash, securities and other assets segregated under federal and other regulations (including \$74.7 and \$22.7 at fair value at March 31, 2012 and September 30, 2011, respectively)	435.5	119.4
Deposits and receivables from:		
Exchange-clearing organizations (including \$1,163.0 and \$1,408.2 at fair value at March 31, 2012 and September 30, 2011, respectively)	1,175.7	1,489.2
Broker-dealers, clearing organizations and counterparties (including \$0.9 and \$16.2 at fair value at March 31, 2012 and September 30, 2011, respectively)	125.8	146.5
Receivables from customers, net	158.7	115.9
Notes receivable, net	17.9	26.3
Income taxes receivable	8.4	8.8
Financial instruments owned, at fair value	199.7	223.1
Physical commodities inventory	104.9	160.6
Deferred income taxes	21.2	20.7
Property and equipment, net	18.7	15.0
Goodwill and intangible assets, net	56.4	56.1
Other assets	26.2	33.5
Total assets	\$2,531.4	\$ 2,635.7
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Accounts payable and other accrued liabilities (including \$23.3 and \$22.3 at fair value at March 31, 2012 and September 30, 2011, respectively)	\$ 126.0	\$ 122.0
Payables to:		
Customers	1,683.5	1,739.8
Broker-dealers, clearing organizations and counterparties	3.0	3.4
Lenders under loans and overdrafts	194.4	77.4
Income taxes payable	1.8	4.6
Financial instruments sold, not yet purchased, at fair value	220.5	390.9
Total liabilities	2,229.2	2,338.1
Commitments and contingencies (Note 11)		
Equity:		
INTL FCStone Inc. stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$.01 par value. Authorized 30,000,000 shares; 19,081,545 issued and 19,069,988 outstanding at March 31, 2012 and 18,653,964 issued and 18,642,407 outstanding at September 30, 2011	0.2	0.2
Common stock in treasury, at cost - 11,557 shares at March 31, 2012 and September 30, 2011	(0.1	) (0.1
Additional paid-in capital	209.0	205.2

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Retained earnings	99.0	97.0	
Accumulated other comprehensive loss	(5.9	) (6.0	)
Total INTL FCStone Inc. stockholders' equity	302.2	296.3	
Noncontrolling interests	—	1.3	
Total equity	302.2	297.6	
Total liabilities and equity	\$2,531.4	\$ 2,635.7	

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.  
 Condensed Consolidated Income Statements  
 (Unaudited)

(in millions, except share and per share amounts)	Three Months Ended		Six Months Ended	
	March 31, 2012	2011	March 31, 2012	2011
Revenues:				
Sales of physical commodities	\$ 16,861.6	\$ 14,506.4	\$ 34,037.5	\$ 30,715.2
Trading gains	38.0	30.9	111.4	47.9
Commission and clearing fees	41.5	36.9	73.5	74.5
Consulting and management fees	7.3	5.5	13.5	10.0
Interest income	2.3	3.0	5.0	5.5
Other income	0.3	0.3	0.5	0.7
Total revenues	16,951.0	14,583.0	34,241.4	30,853.8
Cost of sales of physical commodities	16,831.4	14,470.0	34,025.5	30,644.1
Operating revenues	119.6	113.0	215.9	209.7
Interest expense	3.6	3.3	5.7	7.1
Net revenues	116.0	109.7	210.2	202.6
Non-interest expenses:				
Compensation and benefits	55.1	43.1	100.9	85.6
Clearing and related expenses	27.1	20.2	49.8	40.4
Introducing broker commissions	8.0	6.0	13.8	11.4
Communication and data services	5.6	3.4	10.2	6.9
Occupancy and equipment rental	2.7	2.2	5.5	4.0
Professional fees	3.6	1.9	6.3	4.0
Depreciation and amortization	1.9	1.1	3.4	2.1
Bad debts and impairments	(0.1	) 2.1	—	4.5
Other	8.5	6.4	17.4	14.5
Total non-interest expenses	112.4	86.4	207.3	173.4
Income from continuing operations, before tax	3.6	23.3	2.9	29.2
Income tax expense	1.2	8.0	1.0	10.1
Net income from continuing operations	2.4	15.3	1.9	19.1
Income from discontinued operations, net of tax	—	—	—	0.2
Net income	2.4	15.3	1.9	19.3
Add: Net loss attributable to noncontrolling interests	—	0.1	0.1	0.1
Net income attributable to INTL FCStone Inc. common stockholders	\$ 2.4	\$ 15.4	\$ 2.0	\$ 19.4
Basic earnings per share:				
Income from continuing operations attributable to INTL FCStone Inc. common stockholders	\$ 0.13	\$ 0.87	\$ 0.11	\$ 1.09
Income from discontinued operations attributable to INTL FCStone Inc. common stockholders	—	—	—	0.01
Net income attributable to INTL FCStone Inc. common stockholders	\$ 0.13	\$ 0.87	\$ 0.11	\$ 1.10
Diluted earnings per share:				
Income from continuing operations attributable to INTL FCStone Inc. common stockholders	\$ 0.12	\$ 0.81	\$ 0.10	\$ 1.02
Income from discontinued operations attributable to INTL FCStone Inc. common stockholders	—	—	—	0.01

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Net income attributable to INTL FCStone Inc. common stockholders	\$0.12	\$0.81	\$0.10	\$1.03
Weighted-average number of common shares outstanding:				
Basic	18,303,968	17,830,888	18,233,340	17,622,306
Diluted	19,187,360	19,224,588	19,167,927	19,181,158
Amounts attributable to INTL FCStone Inc. common stockholders:				
Income from continuing operations, net of tax	\$2.4	\$15.4	\$2.0	\$19.2
Income from discontinued operations, net of tax	—	—	—	0.2
Net income	\$2.4	\$15.4	\$2.0	\$19.4
See accompanying notes to condensed consolidated financial statements.				

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INTL FCStone Inc.

Condensed Consolidated Cash Flows Statements

(Unaudited)

(in millions)	Six Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$1.9	\$19.3
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	3.4	2.1
Provision for bad debts and impairments	—	4.5
Deferred income taxes	(0.5	) 0.9
Amortization of debt issuance costs and debt discount	0.8	0.1
Convertible debt interest settled in company stock upon conversion	—	0.1
Amortization of stock-based compensation expense	2.3	1.0
Gain on acquisition of INTL Provident	—	(0.4
Changes in operating assets and liabilities, net:		
Cash, securities and other assets segregated under federal and other regulations	(316.2	) (49.6
Deposits and receivables from exchange-clearing organizations	313.3	(348.0
Deposits and receivables from broker-dealers, clearing organizations, and counterparties	19.2	51.6
Receivable from customers, net	(42.2	) (27.4
Notes receivable from customers, net	8.4	(16.8
Income taxes receivable	0.5	1.0
Financial instruments owned and securities purchased under agreements to resell, at fair value	23.2	86.1
Physical commodities inventory	55.7	(38.0
Other assets	6.5	1.6
Accounts payable and other accrued liabilities	4.2	12.7
Payable to customers	(56.3	) 81.8
Payable to broker-dealers, clearing organizations and counterparties	(0.5	) (1.1
Income taxes payable	(2.8	) 4.9
Financial instruments sold, not yet purchased, at fair value	(170.5	) 366.3
Net cash (used in) provided by operating activities	(149.6	) 152.7
Cash flows from investing activities:		
Deconsolidation of affiliates	0.4	—
Cash paid for acquisitions, net	(1.3	) (10.4
Purchase of exchange memberships and common stock	—	(3.4
Sale of exchange memberships and common stock	—	1.3
Purchase of property and equipment	(5.8	) (3.9
Net cash used in investing activities	(6.7	) (16.4
Cash flows from financing activities:		
Net change in payable to lenders under loans and overdrafts	117.0	(82.8
Payments related to earn-outs on acquisitions	(0.3	) —
Repayment of subordinated debt	—	(0.5
Debt issuance costs	—	(1.2
Exercise of stock options	1.5	1.2
Income tax benefit on stock options and awards	—	0.1
Net cash provided by (used in) financing activities	118.2	(83.2



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Effect of exchange rates on cash and cash equivalents	(0.2	)	—
Net (decrease) increase in cash and cash equivalents	(38.3	)	53.1
Cash and cash equivalents at beginning of period	220.6		81.9
Cash and cash equivalents at end of period	\$182.3		\$135.0
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$4.0		\$4.3
Income taxes paid, net of cash refunds	\$3.5		\$2.2
Supplemental disclosure of non-cash investing and financing activities:			
Conversion of subordinated notes to common stock, net	\$—		\$6.8
Identified intangible assets and goodwill on acquisitions	\$0.7		\$—
Additional consideration payable related to acquisitions	\$1.4		\$4.2
See accompanying notes to condensed consolidated financial statements.			

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

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balances as of September 30, 2011	\$0.2	\$(0.1 )	\$ 205.2	\$97.0	\$ (6.0 )	\$ 1.3	\$297.6
Components of comprehensive income:							
Net income				2.0		(0.1 )	1.9
Change in foreign currency translation, net of tax					(0.2 )		(0.2 )
Change in pension liabilities, net of tax					0.1		0.1
Change in unrealized gain or loss on available-for-sale securities, net of tax					0.2		0.2
Total comprehensive income							2.0
Exercise of stock options			1.5				1.5
Stock-based compensation			2.3				2.3
Disposition or de-consolidation						(1.2 )	(1.2 )
Balances as of March 31, 2012	\$0.2	\$(0.1 )	\$ 209.0	\$99.0	\$ (5.9 )	\$ —	\$302.2
See accompanying notes to condensed consolidated financial statements.							

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

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

INTL FCStone Inc., a Delaware corporation, and its consolidated subsidiaries (collectively “INTL” or “the Company”), form a 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; structured over-the-counter (“OTC”) products in a wide range of commodities; physical trading and hedging of precious and base 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 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, 2011, 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, 2011 filed with the SEC.

These condensed consolidated financial statements include the accounts of INTL FCStone Inc. and its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. In accordance with the Consolidation Topic of the Accounting Standards Codification (“ASC”), the Company consolidates any variable interest entities for which it is the primary beneficiary, as defined.

The Company applies the equity method of accounting when the Company does not have a controlling interest in an entity, but exerts significant influence over the entity.

Our fiscal year end is September 30, and our fiscal quarters end on December 31, March 31, June 30 and September 30. Unless otherwise stated, all dates refer to our 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.

Reclassifications

To conform to the current presentation of the information concerning the Company's operating segments, the Company has reclassified \$0.9 million and \$2.0 million, for the three and six months ended March 31, 2011,

respectively, of costs not allocated to operating segments as non-variable direct segment costs, impacting reported net segment income, see Note 16.

**Recent Accounting Pronouncements**

In June 2011, the FASB issued new guidance on the presentation of comprehensive income. This guidance eliminates the current option to report OCI and its components in the statement of changes in equity. Under this guidance, an entity can elect

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to present items of net income and OCI in one continuous statement or in two separate, but consecutive, statements. In addition, the guidance requires entities to show the effects of items reclassified from OCI to net income on the face of the financial statements. This guidance is effective for fiscal years beginning after December 15, 2011 and interim and annual periods thereafter. Early adoption is permitted, but full retrospective application is required. This guidance is effective for the Company's fiscal year beginning October 1, 2012 and all interim periods within that fiscal year. In December 2011, the FASB issued guidance that deferred the portion of the original guidance that required a company to separately present within net income reclassification adjustments of items out of accumulated other comprehensive income. The deferral is intended to be temporary until the FASB has time to reconsider these changes. The other provisions of the guidance will become effective as originally planned by the FASB. The Company is expecting to adopt this guidance in the first quarter of fiscal year 2013. As the Company reports comprehensive income within its condensed consolidated statements of stockholders' equity, the adoption of this guidance will result in a change in the presentation of comprehensive income in the Company's condensed consolidated financial statements.

On December 16, 2011, the 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 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 is expecting 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 the condensed consolidated financial statements.

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## 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.

(in millions, except share amounts)	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Numerator:				
Income from continuing operations attributable to INTL FCStone Inc. stockholders	\$2.4	\$15.4	\$2.0	\$19.2
Less: Allocation to participating securities	(0.1)	(0.4)	(0.1)	(0.5)
Interest on convertible debt, net of tax	—	0.1	—	0.3
Less: Allocation to participating securities	—	—	—	—
Income from continuing operations allocated to common stockholders	\$2.3	\$15.1	\$1.9	\$19.0
Income from discontinued operations	\$—	\$—	\$—	\$0.2
Less: Allocation to participating securities	—	—	—	—
Income from discontinued operations allocated to common stockholders	\$—	\$—	\$—	\$0.2
Diluted net income	\$2.4	\$15.5	\$2.0	\$19.7
Less: Allocation to participating securities	(0.1)	(0.4)	(0.1)	(0.5)
Diluted net income allocated to common stockholders	\$2.3	\$15.1	\$1.9	\$19.2
Denominator:				
Weighted average number of:				
Common shares outstanding	18,303,968	17,830,888	18,233,340	17,622,306
Dilutive potential common shares outstanding:				
Share-based awards	883,392	930,929	934,587	961,692
Convertible debt	—	462,771	—	597,160
Diluted weighted-average shares	19,187,360	19,224,588	19,167,927	19,181,158

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 ASC. The dilutive effect of convertible debt is reflected in diluted net income per share by application of the if-converted method.

Options to purchase 1,190,859 and 394,179 shares of common stock for the three months ended March 31, 2012 and 2011, respectively, and 1,190,859 and 395,485 shares of common stock for the six months ended March 31, 2012 and 2011, 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

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

Notes receivable

Financial instruments owned

Accounts payable and other accrued liabilities

Payables to customers

Financial instruments sold, not yet purchased

The table below sets forth an analysis of the carrying value of financial instruments owned and financial instruments sold, not yet purchased as of March 31, 2012 and September 30, 2011. This is followed by tables that provide the information required by the Fair Value Measurements and Disclosures Topic of the ASC for all financial assets and liabilities that are carried at fair value.

(in millions)	March 31, 2012		September 30, 2011	
	Owned	Sold, not yet purchased	Owned	Sold, not yet purchased
Common stock and American Depositary Receipts ("ADRs")	\$39.0	\$29.4	\$46.9	\$23.4
Exchangeable foreign ordinary equities and ADRs	19.1	24.8	9.8	23.8
Corporate and municipal bonds	16.2	—	8.7	—
U.S. government obligations	19.3	—	0.8	—
Foreign government obligations	9.0	—	6.7	—
Derivatives	46.0	56.3	101.9	122.9
Commodities leases and unpriced positions	16.0	110.0	26.1	220.8
Commodities warehouse receipts	30.4	—	16.2	—
Exchange firm common stock	4.2	—	3.7	—
Mutual funds and other	0.5	—	1.0	—
Investment in managed funds	—	—	1.3	—
	\$199.7	\$220.5	\$223.1	\$390.9

**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 the value of money market funds and certificates of deposit. 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. Notes receivable includes sale/repurchase agreements with customers whereby the customers sell certain commodity inventory and agree to repurchase the commodity inventory at a future date at a floating rate. The notes are carried at a value that is equivalent to the market price of the underlying commodities at the balance sheet date plus accrued interest and other fees. These notes are short-term in nature and this method approximates fair value. 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, mutual funds and investments in managed funds. Notes payable and subordinated debt carry variable rates of interest and thus approximate fair value. The fair value estimates presented in the financial statements are based on pertinent information available to management as of March 31, 2012 and September 30, 2011. 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 financial statements since that date and current estimates of fair value may differ significantly from the amounts presented in the financial statements.



Cash equivalents, securities, commodities warehouse receipts, derivative financial instruments 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 six months ended March 31, 2012, except as disclosed in Note 14, if applicable. 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;

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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).

The following tables set forth the Company's financial and nonfinancial assets and liabilities accounted for at fair value, on a recurring basis, as of March 31, 2012 and September 30, 2011 by level within the fair value hierarchy.

March 31, 2012

(in millions)	Level 1	Level 2	Level 3	Netting and Collateral (1)	Total
<b>Assets:</b>					
Money market funds	\$0.1	\$—	\$—	\$—	\$0.1
Certificate of deposits	7.6	—	—	—	7.6
Unrestricted cash equivalents	7.7	—	—	—	7.7
Commodities warehouse receipts	27.9	—	—	—	27.9
U.S. government obligations	—	46.8	—	—	46.8
Securities and other assets segregated under federal and other regulations	27.9	46.8	—	—	74.7
Money market funds	534.3	—	—	—	534.3
U.S. government obligations	—	690.3	—	—	690.3
Mortgage-backed securities	—	7.6	—	—	7.6
Derivatives	3,173.5	13.5	—	(3,256.2)	(69.2)
Deposits and receivables from exchange-clearing organizations	3,707.8	711.4	—	(3,256.2)	1,163.0
U.S. government obligations	—	0.1	—	—	0.1
Derivatives	1.7	—	—	(0.9)	0.8
Deposits and receivables from broker-dealers, clearing organizations and counterparties	1.7	0.1	—	(0.9)	0.9
Common stock and ADRs	54.1	2.9	1.1	—	58.1
Corporate and municipal bonds	—	12.6	3.6	—	16.2
U.S. government obligations	—	19.3	—	—	19.3
Foreign government obligations	9.0	—	—	—	9.0
Derivatives	156.2	586.6	—	(696.8)	46.0
Commodities leases and unpriced positions	—	38.8	—	(22.8)	16.0
Commodities warehouse receipts	30.4	—	—	—	30.4
Exchange firm common stock	3.5	0.7	—	—	4.2
Mutual funds and other	0.1	—	0.4	—	0.5
Financial instruments owned	253.3	660.9	5.1	(719.6)	199.7
Total assets at fair value	\$3,998.4	\$1,419.2	\$5.1	\$(3,976.7)	\$1,446.0
<b>Liabilities:</b>					
Accounts payable and other accrued liabilities - contingent liabilities	\$—	\$—	\$23.3	\$—	\$23.3
Payables to customers - derivatives	3,181.8	1.0	—	(3,182.8)	—
Common stock and ADRs	53.5	0.7	—	—	54.2
Derivatives	171.5	565.1	—	(680.3)	56.3
Commodities leases and unpriced positions	—	132.8	—	(22.8)	110.0
	225.0	698.6	—	(703.1)	220.5

Financial instruments sold, not yet  
purchased

Total liabilities at fair value	\$3,406.8	\$699.6	\$23.3	\$(3,885.9 )	\$243.8
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(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 are included in that level.

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(in millions)	September 30, 2011			Netting and Collateral (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Money market funds	\$0.1	\$—	\$—	\$—	\$0.1
Certificate of deposits	12.6	—	—	—	12.6
Unrestricted cash equivalents	12.7	—	—	—	12.7
Commodities warehouse receipts	19.0	—	—	—	19.0
U.S. government obligations	—	3.7	—	—	3.7
Securities and other assets segregated under federal and other regulations	19.0	3.7	—	—	22.7
Money market funds	1,193.5	—	—	—	1,193.5
U.S. government obligations	—	470.5	—	—	470.5
Mortgage-backed securities	—	8.5	—	—	8.5
Derivatives	7,227.4	—	—	(7,491.7)	(264.3)
Deposits and receivables from exchange-clearing organizations	8,420.9	479.0	—	(7,491.7)	1,408.2
U.S. government obligations	—	0.1	—	—	0.1
Derivatives	47.3	1,073.5	—	(1,104.7)	16.1
Deposits and receivables from broker-dealers, clearing organizations and counterparties	47.3	1,073.6	—	(1,104.7)	16.2
Common stock and ADRs	53.4	2.2	1.1	—	56.7
Corporate and municipal bonds	—	5.1	3.6	—	8.7
U.S. government obligations	—	0.8	—	—	0.8
Foreign government obligations	5.8	0.9	—	—	6.7
Derivatives	210.5	557.6	—	(666.2)	101.9
Commodities leases and unpriced positions	—	66.3	—	(40.2)	26.1
Commodities warehouse receipts	16.2	—	—	—	16.2
Exchange firm common stock	3.0	0.7	—	—	3.7
Mutual funds and other	0.6	—	0.4	—	1.0
Investment in managed funds	—	1.3	—	—	1.3
Financial instruments owned	289.5	634.9	5.1	(706.4)	223.1
Total assets at fair value	\$8,789.4	\$2,191.2	\$5.1	\$(9,302.8)	\$1,682.9
Liabilities:					
Accounts payable and other accrued liabilities - contingent liabilities	\$—	\$—	\$22.3	\$—	\$22.3
Payables to customers - derivatives	6,234.7	—	—	(6,234.7)	—
Common stock and ADRs	44.9	2.3	—	—	47.2
Derivatives	219.9	1,679.1	—	(1,776.1)	122.9
Commodities leases and unpriced positions	—	431.9	—	(211.1)	220.8
Financial instruments sold, not yet purchased	264.8	2,113.3	—	(1,987.2)	390.9
Total liabilities at fair value	\$6,499.5	\$2,113.3	\$22.3	\$(8,221.9)	\$413.2

(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 are included in that level.

Realized and unrealized gains and losses are included within 'trading gains' in the condensed consolidated income statements.

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## Information on Level 3 Financial Assets and Liabilities

The Company's financial assets at fair value classified within level 3 of the fair value hierarchy as of March 31, 2012 and September 30, 2011 are summarized below:

(in millions)	March 31, 2012	September 30, 2011		
Total level 3 assets	\$5.1	\$5.1		
Level 3 assets for which the Company bears economic exposure	\$5.1	\$5.1		
Total assets	\$2,531.4	\$2,635.7		
Total financial assets at fair value	\$1,446.0	\$1,682.9		
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	0.4	% 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 six months ended March 31, 2012 and 2011, including a summary of unrealized gains (losses) during the respective periods on the Company's level 3 financial assets and liabilities still held as of March 31, 2012.

Level 3 Financial Assets and Financial Liabilities						
For the Three Months Ended March 31, 2012						
(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	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	3.5	—	0.1	—	—	3.6
Mutual funds and other	0.4	—	—	—	—	0.4
	\$ 5.0	\$ —	\$ 0.1	\$ —	\$ —	\$ 5.1
Liabilities:						
Contingent liabilities	\$ 22.9	\$ —	\$ 0.4	\$ —	\$ —	\$ 23.3
Level 3 Financial Assets and Financial Liabilities						
For the Six Months Ended March 31, 2012						
(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	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	—	—	—	—	3.6
Mutual funds and other	0.4	—	—	—	—	0.4
	\$ 5.1	\$ —	\$ —	\$ —	\$ —	\$ 5.1
Liabilities:						
Contingent liabilities	\$ 22.3	\$ —	\$ 1.3	\$ (0.3)	\$ —	\$ 23.3
Level 3 Financial Assets and Financial Liabilities						
For the Three Months Ended March 31, 2011						
(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Settlements	Transfers in or (out) of Level 3	Balances at end of period
Assets:						
Common stock and ADRs	\$ 1.2	\$ —	\$ —	\$ —	\$ —	\$ 1.2

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Corporate and municipal bonds	8.1	—	(2.8	) —	—	5.3
Mutual funds and other	0.4	—	—	—	—	0.4
Investment in managed funds	0.6	—	0.2	—	—	0.8
	\$10.3	\$ —	\$(2.6	) \$—	\$—	\$7.7
Liabilities:						
Contingent liabilities	\$30.0	\$ —	\$0.5	\$—	\$—	\$30.5

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Level 3 Financial Assets and Financial Liabilities						
For the Six Months Ended March 31, 2011						
(in millions)	Balances at beginning of period	Realized gains (losses) during period	Unrealized gains (losses) during period	Settlements	Transfers in or (out) of Level 3	Balances at end of period
<b>Assets:</b>						
Common stock and ADRs	\$1.2	\$ —	\$ —	\$—	\$—	\$ 1.2
Corporate and municipal bonds	8.0	—	(2.7 )	—	—	5.3
Mutual funds and other	0.4	—	—	—	—	0.4
Investment in managed funds	0.6	—	0.2	—	—	0.8
	\$10.2	\$ —	\$ (2.5 )	\$—	\$—	\$7.7

**Liabilities:**

Contingent liabilities	\$32.3	\$ —	\$ 1.9	\$(3.7 )	\$—	\$30.5
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In August 2008, INTL Asia Pte, Ltd., a subsidiary of the Company, arranged a 550 million Thai Baht ("THB"), an \$18 million U.S. dollar ("USD") equivalent, issue of debentures for the single asset owning company of Suriwongse Hotel located in Chiang Mai, Thailand. The debentures have a 9.5% coupon and were scheduled to mature in August 2011. The Company arranged for the sale of 375.5 million THB (\$12.6 USD) of the debentures to two investors and the Company retained debentures in the amount of 174.5 million THB (\$5.4 USD). The debentures are secured by a mortgage on the land and hotel buildings, the personal guarantee of the owner, and conditional assignments of accounts and agreements.

The proceeds of this issue were to be used to refinance the previous loan to the hotel owner, finance the hotel's renovation and fund interest up to 50.0 million THB. Renovations were initially planned to be completed by April 2011 and the outstanding debentures were to be refinanced following the completion of renovations.

In addition, the political and economic conditions in Thailand over the past two years have impacted the performance of the hotel. Following the interest capitalization period, the hotel owner was able to meet four quarterly interest payments on the debentures, however the hotel owner defaulted on the interest payment that was due in March 2011.

The Company and other debenture holders have exercised their rights under the share pledge provisions of the debentures, and held a share auction of 100% of the shares of the single asset owning company. The debenture holders won the share auction and the previous owner, who is also a personal guarantor of the debentures, has filed a complaint to revoke the completed auction. The Company intends to vigorously defend actions taken in its capacity as a debenture holder. Judgment in the lawsuit filed by the previous owner is expected during the third quarter of fiscal 2012.

In accordance with the Fair Value Measurements and Disclosures Topic of the ASC, the Company has estimated the fair value of the debentures on a recurring basis each period. 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. At March 31, 2011, due to the issues discussed previously, the Company estimated the fair value of its investment in these debentures by using a management-developed forecast, which is based on the income approach. The Company recorded a loss of \$1.7 million, representing an other than temporary impairment, for the three and six months ended March 31, 2011. The Company continues to monitor the hotel renovation process and evaluate the fair value of the debentures. There has been no significant change in the fair value of the debentures, and no additional loss has been recognized during the three and six months ended March 31, 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, a level 2 input in the fair value hierarchy, and there have been no significant changes in the discount rate environment. From the dates of acquisition to March 31, 2012, certain acquisitions have had changes in the estimates of undiscounted cash flows, based on actual performances fluctuating from estimates. During the three and six months ended March 31, 2012, the fair value of the contingent consideration changed \$0.4 million and \$1.3 million, respectively, with the corresponding amount classified as 'other' 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

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beginning of the reporting period in which the transfer occurred.

The Company did not have any transfers between level 1 and level 2 fair value measurements for the three and six months ended March 31, 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 OCI as of March 31, 2012. The following tables summarize the amortized cost basis, the aggregate fair value and gross unrealized holding gains and losses of the Company's investment securities classified as available-for-sale as of March 31, 2012 and September 30, 2011:

March 31, 2012

Amounts included in financial instruments owned:

(in millions)	Amortized Cost	Unrealized Holding Gains	(1) (Losses)	Estimated Fair Value
U.S. government obligations	\$19.0	\$—	\$—	\$19.0
	\$19.0	\$—	\$—	\$19.0

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

(in millions)	Amortized Cost	Unrealized Holding Gains	(1) (Losses)	Estimated Fair Value
U.S. government obligations	\$672.1	\$—	\$—	\$672.1
Mortgage-backed securities	7.6	—	—	7.6
	\$679.7	\$—	\$—	\$679.7

(1)Unrealized gain/loss on financial instruments owned as of March 31, 2012 is less than \$0.1 million.

September 30, 2011

Amounts included in financial instruments owned:

(in millions)	Amortized Cost	Unrealized Holding Gains	(1) (Losses)	Estimated Fair Value
U.S. government obligations	\$0.5	\$—	\$—	\$0.5
Corporate bonds	5.0	—	—	5.0
	\$5.5	\$—	\$—	\$5.5

(1)Unrealized gain/loss on financial instruments owned as of September 30, 2011 is less than \$0.1 million.

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

(in millions)	Amortized Cost	Unrealized Holding Gains	(Losses)	Estimated Fair Value
U.S. government obligations	\$440.6	\$0.1	\$—	\$440.7
Mortgage-backed securities	8.3	0.2	—	8.5
	\$448.9	\$0.3	\$—	\$449.2

As of March 31, 2012 and September 30, 2011, investments in debt securities classified as available-for-sale ("AFS") mature as follows:

March 31, 2012

(in millions)	Due in Less than 1 year	1 year or more	Estimated Fair Value
U.S. government obligations	\$691.1	\$—	\$691.1
Mortgage-backed securities	—	7.6	7.6
	\$691.1	\$7.6	\$698.7

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September 30, 2011

(in millions)	Due in		Estimated
	Less than 1 year	1 year or more	Fair Value
U.S. government obligations	\$441.2	\$—	\$441.2
Corporate bonds	5.0	—	5.0
Mortgage-backed securities	—	8.5	8.5
	\$446.2	\$8.5	\$454.7

There were no sales of AFS securities during the three and six months ended March 31, 2012 and 2011, and as a result, no realized gains or losses were recorded for the three and six months ended March 31, 2012 and 2011.

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 March 31, 2012, the cost and fair value of the equity investments in exchange firms was \$4.4 million and \$4.2 million, respectively. The Company recorded unrealized losses of \$0.1 million, net of income tax benefit of \$0.1 million in OCI related to equity investments in exchange firms as of March 31, 2012. 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.

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

The Company is party to certain financial instruments with off-balance sheet risk in the normal course of its business. The Company has sold financial instruments that it does not currently own and will therefore be obliged to purchase such financial instruments at a future date. The Company has recorded these obligations in the condensed consolidated financial statements as of March 31, 2012 at the fair values of the related financial instruments. The Company will incur losses if the fair value of the underlying financial instruments increases subsequent to March 31, 2012. The total of \$220.5 million as of March 31, 2012 includes \$56.3 million for derivative contracts, which represent a liability to the Company based on their fair values as of March 31, 2012.

#### 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 consolidating 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, by using a strip of interest rate swaps that mature every quarter, in order to achieve the two year moving average of the two year swap rate. The risk mitigation of these interest rate swaps is not within the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC, and as a result they are recorded at fair value, with changes in the fair value of the financial instruments recorded within 'trading gains' in the condensed consolidated income statements. As of March 31, 2012, approximately \$865 million in notional principal of interest rate swaps were outstanding with a weighted-average life of 11 months.

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Listed below are the fair values of the Company's derivative assets and liabilities as of March 31, 2012 and September 30, 2011. Assets represent net unrealized gains and liabilities represent net unrealized losses.

(in millions)	March 31, 2012		September 30, 2011	
	Assets <sup>(1)</sup>	Liabilities <sup>(1)</sup>	Assets <sup>(1)</sup>	Liabilities <sup>(1)</sup>
Derivative contracts not accounted for as hedges:				
Exchange-traded commodity derivatives	\$3,071.3	\$3,062.3	\$7,074.2	\$6,062.4
OTC commodity derivatives	535.9	555.1	763.7	780.1
Exchange-traded foreign exchange derivatives	100.0	99.0	126.9	89.8
OTC foreign exchange derivatives <sup>(2)(3)</sup>	205.1	181.5	1,074.3	1,118.9
Interest rate derivatives	6.0	1.4	5.5	2.8
Equity index derivatives	13.2	20.1	71.7	79.7
Gross fair value of derivative contracts	3,931.5	3,919.4	9,116.3	8,133.7
Impact of netting and collateral	(3,953.9 )	(3,863.1 )	(9,262.6 )	(8,010.8 )
Total fair value included in 'Deposits and receivables from exchange-clearing organizations'	\$(69.2 )		\$(264.3 )	
Total fair value included in 'Deposits and receivables from broker-dealers, clearing organizations and counterparties'	\$0.8			