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Ohio | Public Utilities Commission

FILE

LARGE FILING SEPARATOR SHEET

CASE NUMBER: 14-0446-EL-AGG

FILE DATE: 03/18/20

SECTION: 1 of 4

FILED BY: David A. Bolte

FILED ON BEHALF OF: INTL FCStone Financial Inc.

NUMBER OF PAGES:

DESCRIPTION OF DOCUMENT: Electric Aggregator/Power Brokers Renewal Application

FILE

INTL · FCStone®

INTL FCStone Financial Inc.
1075 Jordan Creek Parkway - Suite 300
West Des Moines, Iowa 50266

March 17, 2020

Public Utilities Commission of Ohio
Attn: Docketing Division
180 East Broad Street
Columbus, Ohio 43215-3793

Re: Energy Aggregator/Power Brokers
Renewal Application
14-0446-EL-AGG
UPS Tracking No. 1Z 676 668 01 9291 6740

Greetings:

Please accept the enclosed original and three copies of the Electric Aggregator/Power Brokers renewal application on behalf of INTL FCStone Financial Inc.

Thank you for your assistance with this filing. If any additional questions or issues arise regarding this matter, please contact me at 515-223-3797 or by e-mail at david.bolte@intlfcstone.com.

Very truly yours,

David A Bolte

David A. Bolte
Secretary and Counsel

Enclosure

Ohio | Public Utilities Commission

Original AGG Case Number	Version
14-446-EL-AGG	May 2016

RENEWAL APPLICATION FOR ELECTRIC AGGREGATORS/POWER BROKERS

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit C-10 Corporate Structure). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division; 180 East Broad Street, Columbus, Ohio 43215-3793.

This PDF form is designed so that you may input information directly onto the form. You may also download the form, by saving it to your local disk, for later use.

A. RENEWAL INFORMATION

A-1 Applicant intends to be certified as: (check all that apply)

☑ Power Broker ☑ Aggregator

A-2 Applicant's legal name, address, telephone number, PUCO certificate number, and web site address

Legal Name **INTL FCStone Financial Inc.**
Address **230 South LaSalle - Suite 10-500, Chicago, IL 60604**
PUCO Certificate # and Date Certified **14-801E(3) - April 19, 2018**
Telephone # **(312) 373-8250** Web site address (if any) **www.intlfcstone.com**

A-3 List name, address, telephone number and web site address under which Applicant will do business in Ohio

Legal Name **INTL FCStone Financial Inc.**
Address **230 South LaSalle - Suite 10-500, Chicago, IL 60604**
Telephone # **(312) 373-8250** Web site address (if any) **www.intlfcstone.com**

A-4 List all names under which the applicant does business in North America

INTL FCStone Financial Inc.	**RMI Division of INTL FCStone** Financial Inc.
IFFI	**FCM Division of INTL FCStone** Financial Inc.
IFCF	**FKA - FCStone**

A-5 Contact person for regulatory or emergency matters

Name **David A. Bolte**
Title **Counsel and Corporate Secretary**
Business address **1075 Jordan Creek Pkwy-Suite 300, West Des Moines, IA 50266**
Telephone # **(515) 223-3797** Fax # **(515) 864-0294**
E-mail address **david.bolte@intlfcstone.com**

A-6 Contact person for Commission Staff use in investigating customer complaints

Name **David A. Bolte**
Title **Counsel and Corporate Secretary**
Business address **1075 Jordan Creek Pkwy-Suite 300, West Des Moines, IA 50266**
Telephone # **(515) 223-3797** Fax # **(515) 864-0294**
E-mail address **david.bolte@intlfcstone.com**

A-7 Applicant's address and toll-free number for customer service and complaints

Customer Service address **1075 Jordan Cr Pkwy-# 300, West Des Moines, IA 50266**
Toll-free Telephone # **(800) 422-3087** Fax # **(515) 864-0294**
E-mail address **david.bolte@intlfcstone.com**

A-8 Applicant's federal employer identification number # 59-3514167

A-9 Applicant's form of ownership (check one)

☐ Sole Proprietorship ☐ Partnership
☐ Limited Liability Partnership (LLP) ☐ Limited Liability Company (LLC)
☑ Corporation ☐ Other ____________

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

A-10 **Exhibit A -10 "Principal Officers, Directors & Partners"** provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.

B. APPLICANT MANAGERIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

B-1 **Exhibit B-1 "Jurisdictions of Operation,"** provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale electric services including aggregation services.

B-2 **Exhibit B-2 "Experience & Plans,"** provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4928.10 of the Revised Code.

B-3 **Exhibit B-3 "Disclosure of Liabilities and Investigations,"** provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.

B-4 Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable fr fraud or for violation of any consumer protection or antitrust laws within the past five years.
☑No ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-4 "Disclosure of Consumer Protection Violations"** detailing such violation(s) and providing all relevant documents.

B-5 Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail or wholesale electric service including aggregation service denied, curtailed, suspended, revoked, or cancelled within the past two years.
☑No ☐ Yes

If yes, provide a separate attachment labeled as **Exhibit B-5 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation"** detailing such action(s) and providing all relevant documents.

C. FINANCIAL CAPABILITY AND EXPERIENCE

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

C-1 **Exhibit C-1 "Annual Reports,"** provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information in Exhibit C-1 or indicate that Exhibit C-1 is not applicable and why. (This is generally only applicable to publicly traded companies who publish annual reports.)

C-2 **Exhibit C-2 "SEC Filings,"** provide the most recent 10-K/8-K Filings with the SEC. If the applicant does not have such filings, it may submit those of its parent company. An applicant may submit a current link to the filings or provide them in paper form. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.

C-3 **Exhibit C-3 "Financial Statements,"** provide copies of the applicant's two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business. If the applicant does not have a balance sheet, income statement, and cash flow statement, the applicant may provide a copy of its two most recent years of tax returns (with social security numbers and account numbers redacted).

C-4 **Exhibit C-4 "Financial Arrangements,"** provide copies of the applicant's financial arrangements to conduct CRES as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.).

Renewal applicants can fulfill the requirements of Exhibit C-4 by providing a current statement from an Ohio local distribution utility (LDU) that shows that the applicant meets the LDU's collateral requirements.

First time applicants or applicants whose certificate has expired as well as renewal applicants can meet the requirement by one of the following methods:

1. The applicant itself stating that it is investment grade rated by Moody's, Standard & Poor's or Fitch and provide evidence of rating from the rating agencies.

2. Have a parent company or third party that is investment grade rated by Moody's, Standard & Poor's or Fitch guarantee the financial obligations of the applicant to the LDU(s).

3. Have a parent company or third party that is not investment grade rated by Moody's, Standard & Poor's or Fitch but has substantial financial wherewithal in the opinion of the Staff reviewer to guarantee the financial obligations of the applicant to the LDU(s). The guarantor company's financials must be included in the application if the applicant is relying on this option.

4. Posting a Letter of Credit with the LDU(s) as the beneficiary.

If the applicant is not taking title to the electricity or natural gas, enter "N/A" in Exhibit C-4. An N/A response is only applicable for applicants seeking to be certified as an aggregator or broker.

C-5 **Exhibit C-5 "Forecasted Financial Statements,"** provide two years of forecasted income statements for the applicant's ELECTRIC **related business activities in the state of Ohio Only**, along with a list of assumptions, and the name, address, email address, and telephone number of the preparer. The forecasts should be in an annualized format for the two years succeeding the Application year.

C-6 **Exhibit C-6 "Credit Rating,"** provide a statement disclosing the applicant's credit rating as reported by two of the following organizations: Duff & Phelps, Fitch IBCA, Moody's Investors Service, Standard & Poor's, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or an affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant's parent or affiliate organization that guarantees the obligations of the applicant. If an applicant or its parent does not have such a credit rating, enter "N/A" in Exhibit C-6.

C-7 **Exhibit C-7 "Credit Report,"** provide a copy of the applicant's credit report from Experion, Dun and Bradstreet or a similar organization. An applicant that provides an investment grade credit rating for Exhibit C-6 may enter "N/A" for Exhibit C-7.

C-8 **Exhibit C-8 "Bankruptcy Information,"** provide a list and description of any reorganizations, protection from creditors or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.

C-9 **Exhibit C-9 "Merger Information,"** provide a statement describing any dissolution or merger or acquisition of the applicant within the two most recent years preceding the application.

C-10 **Exhibit C - 10 "Corporate Structure,"** provide a description of the applicant's corporate structure, not an internal organizational chart, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale electricity or natural gas to customers in North America. If the applicant is a stand-alone entity, then no graphical depiction is required and applicant may respond by stating that they are a stand-alone entity with no affiliate or subsidiary companies.

David A Bolte, Secretary and Counsel
Signature of Applicant & Title

Sworn and subscribed before me this 17 **day of** March, 2020
Month **Year**

Mindi J. Slaybaugh
Signature of official administering oath

Mindi J. Slaybaugh - Director - Admin. Operations
Print Name and Title

My commission expires on 10/3/2021

NOTARIAL SEAL IOWA
MINDI J SLAYBAUGH
Commission Number 743198
My Commission Expires
October 03, 2021

AFFIDAVIT

State of Iowa :

West Des Moines ss.
(Town)

County of Dallas :

David A. Bolte, Affiant, being duly sworn/affirmed according to law, deposes and says that:

He/She is the Secretary + Counsel (Office of Affiant) of INTL FCStone Financial Inc. (Name of Applicant);

That he/she is authorized to and does make this affidavit for said Applicant,

1. The Applicant herein, attests under penalty of false statement that all statements made in the application for certification renewal are true and complete and that it will amend its application while the application is pending if any substantial changes occur regarding the information provided in the application.

2. The Applicant herein, attests it will timely file an annual report with the Public Utilities Commission of Ohio of its intrastate gross receipts, gross earnings, and sales of kilowatt-hours of electricity pursuant to Division (A) of Section 4905.10, Division (A) of Section 4911.18, and Division (F) of Section 4928.06 of the Revised Code.

3. The Applicant herein, attests that it will timely pay any assessments made pursuant to Sections 4905.10, 4911.18, or Division F of Section 4928.06 of the Revised Code.

4. The Applicant herein, attests that it will comply with all Public Utilities Commission of Ohio rules or orders as adopted pursuant to Chapter 4928 of the Revised Code.

5. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, and its Staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the Applicant.

6. The Applicant herein, attests that it will fully comply with Section 4928.09 of the Revised Code regarding consent to the jurisdiction of Ohio Courts and the service of process.

7. The Applicant herein, attests that it will use its best efforts to verify that any entity with whom it has a contractual relationship to purchase power is in compliance with all applicable licensing requirements of the Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio.

8. The Applicant herein, attests that it will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.

9. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, the electric distribution companies, the regional transmission entities, and other electric suppliers in the event of an emergency condition that may jeopardize the safety and reliability of the electric service in accordance with the emergency plans and other procedures as may be determined appropriate by the Commission.

10. If applicable to the service(s) the Applicant will provide, the Applicant herein, attests that it will adhere to the reliability standards of (1) the North American Electric Reliability Council (NERC), (2) the appropriate regional reliability council(s), and (3) the Public Utilities Commission of Ohio. (Only applicable if pertains to the services the Applicant is offering)

11. The Applicant herein, attests that it will inform the Commission of any material change to the information supplied in the renewal application within 30 days of such material change, including any change in contact person for regulatory purposes or contact person for Staff use in investigating customer complaints.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief and that he/she expects said Applicant to be able to prove the same at any hearing hereof.

David A Balto, Secretary and Counsel
Signature of Affiant & Title

Sworn and subscribed before me this 17 day of March, 2020
Month Year

Mindi J. Slaybaugh
Signature of official administering oath

Mindi J. Slaybaugh - Director - Admin. operations
Print Name and Title

My commission expires on 10/3/2021

NOTARIAL SEAL IOWA
MINDI J SLAYBAUGH
Commission Number 743198
My Commission Expires
October 03, 2021

EXHIBIT A-10

NAMES, TITLES, ADDRESSES AND TELEPHONE NUMBERS OF THE DIRECTORS AND PRINCIPAL OFFICERS OF THE APPLICANT

Sean M. O'Connor
Director, Chairman of the Board, President/CEO
155 East 44th Street – Suite 900
New York, NY 10017
212-485-3510

Xuong Nguyen
Director, Chief Operating Officer
230 South LaSalle – Suite 10-500
Chicago, IL 60604
312-780-6745

Dan Conrath
Senior Vice President
230 South LaSalle – Suite 10-500
Chicago, IL 60604
312-373-8250

Charles M. Lyon
Director, Executive Vice President
329 Park Avenue North – Suite 350
Winter Park, FL 32789
407-741-5347

William J. Dunaway
Director, Chief Financial Officer
1251 NW Briarcliff Parkway – Suite 800
Kansas City, MO 64116
816-410-7129

Tricia Harrod
Director, Chief Risk Officer
1251 NW Briarcliff Parkway – Suite 800
Kansas City, MO 64116
816-410-7145

Philip Smith
Director
Moor House – 1st Floor
120 London Wall
London, U.K. EC2Y 5ET
44-20-3580-6010 (U.K. office)

Mark Maurer
Director
230 South LaSalle – Suite 10-500
Chicago, IL 60604
312-789-2516

Steve Ptasinski
Director of Regulatory Accounting
230 South LaSalle – Suite 10-500
Chicago, IL 60604
312-789-2519

David A. Bolte
Secretary/General Counsel
1075 Jordan Creek Parkway – Suite 300
West Des Moines, IA 50266
515-223-3797

Exhibit B-1 Jurisdictions of Operation

INTL FCStone Financial Inc. or FCStone, LLC (predecessor firm) currently holds the following electric service licenses. INTL FCStone Financial Inc. is in the process of transitioning any FCStone, LLC licenses over to INTL FCStone Financial Inc. as the licenses come up for renewal.

- Delaware: Electric Supplier Certificate, PSC Docket No. 18-1026
- District of Columbia: Electricity Supplier License EA 2019-04
- Illinois: Retail Electric ABC (Agent, Broker, Consultant) License, 16-0307
- Maryland: License to Supply Electricity or Electric Generation Services in Maryland, IR - 4291
- Massachusetts: Electricity Broker License, EB-081
- Pennsylvania: License for Electric Generation Supplier, A-2013-2365597

Exhibit B-2 Experience & Plans

INTL FCStone Financial Inc. typically enters into contracts with customers of one year or less and intends to keep this timeframe. It is contracted to provide procurement plan consulting and electricity brokerage services to commercial and industrial corporations. INTL FCStone Financial Inc. does not engage residential customers nor does INTL FCStone Financial Inc. take title to electricity or perform bill pay services for customers.

INTL FCStone Financial Inc. does not bill our clients for their electricity or natural gas usage as this is the role of the third party supplier or local utility.

Payment to INTL FCStone Financial Inc. is made in one of two ways.

1. INTL FCStone Financial Inc. can be paid directly by the entity supplying the electricity and natural gas to the customer or,
2. INTL FCStone Financial Inc. can bill the customer directly via monthly invoices.

This choice is made by the customer and determined at the time services begin.

INTL FCStone Financial Inc. agrees to maintain compliance with Section 4928.10 of the Revised Code when applicable.

Exhibit B-3 Disclosure of Liabilities and Investigations

There are no existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the financial or operational status of INTL FCStone Financial Inc. nor the ability to provide the services INTL FCStone Financial Inc. is seeking to be certified to provide.

Exhibit C-1 Annual Reports

INTL FCStone Financial Inc. is a wholly-owned subsidiary of INTL FCStone Inc. As a wholly-owned corporate subsidiary, annual reports from INTL FCStone Financial Inc. to the sole shareholder are not prepared. Copies of the 2019 and 2018 INTL FCStone Inc. Annual Reports to the shareholders of INTL FCStone Inc. are attached as Appendix A and may also be found at the following website: http://ir.intlfcstone.com/annuals-proxies.cfm

Exhibit C-2 SEC Filings

INTL FCStone Financial Inc. is a wholly-owned subsidiary of INTL FCStone Inc. The 2019 and 2018 Form 10-K Filings are included within the 2019 and 2018 INTL FCStone Inc. Annual Reports attached as Appendix A. In addition, all Form 10-Q Filings and other filings by the Company with the SEC may be found at the following website: http://ir.intlfcstone.com/sec.cfm

Exhibit C-3 Financial Statements

Due to its regulatory status as a futures commission merchant, a Statement of Financial Condition is prepared for the Applicant by KPMG. The Statement for fiscal years 2019 and 2018 for INTL FCStone Financial Inc. are attached as Appendix B. In addition, regular updates to the Applicant's financial condition may be found at the following website: https://www.intlfcstone.com/FCStone-Public-Disclosure

Exhibit C-4 Financial Arrangements

INTL FCStone Financial Inc. provides procurement plan consulting and electricity brokerage services to commercial and industrial corporations. INTL FCStone Financial Inc. will not take title to any electricity and therefore has not required any additional guarantees, bank commitments, contractual arrangements, credit agreements, etc. in order to conduct CRES as a business activity.

Therefore the appropriate response for this Exhibit is N/A.

Exhibit C-5 Forecasted Financial Statements

2021	
Revenue	$71,000.00
Expenses	$5,000.00
Net income	$66,000.00

2020	
Revenue	$71,000.00
Expenses	$5,000.00
Net income	$66,000.00

Exhibit C-6 Credit Rating

INTL FCStone Financial Inc. is a wholly-owned subsidiary of INTL FCStone Inc. INTL FCStone Inc. and its subsidiaries do not subscribe to any ratings agencies. Please refer to the 2019 and 2018 Statements of Financial Condition for credit-worthiness.

Exhibit C-7 Credit Report

The current Dun & Bradstreet credit report on INTL FCStone Financial Inc. is attached as Appendix D.

Exhibit C-8 Bankruptcy Information

There have been no reorganizations, protection from creditors or any other form of bankruptcy filings made by INTL FCStone Financial Inc., INTL FCStone Inc., a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the renewal application.

Exhibit C-9 Merger Information for INTL FCStone Financial Inc.

The Applicant, INTL FCStone Financial Inc., a Florida corporation, merged with its affiliate INTL FCStone Credit Trading LLC, a New York limited liability company, with an effective date of May 1, 2019. Both entities involved in the merger were wholly owned subsidiaries of INTL FCStone Inc., a Delaware corporation, whose common stock is listed on NASDAQ under the symbol "INTL". In connection with the merger, all assets, liabilities and contractual relationships, including client relationships and agreements, of INTL FCStone Credit Trading LLC were transferred to INTL FCStone Financial Inc.

Attached as Appendix C are copies of the applicable Articles of Merger as filed with the Florida Secretary of State, along with a Certificate of Good Standing for INTL FCStone Financial Inc. as issued on March 17, 2020 by the Ohio Secretary of State.

INTL FCStone Financial Inc. is registered as a foreign corporation with the Ohio Secretary of State.

Exhibit C-10 Corporate Structure of INTL FCStone Financial Inc.

The RMI Division of INTL FCStone Financial Inc. (the "Applicant") is the group that performs the power broker services. INTL FCStone Financial Inc. is a wholly-owned subsidiary of INTL FCStone Inc. (the "Company").

Corporate Governance Statement
The Company is committed to high standards of corporate governance and has put in place a framework that fosters good governance, is practical for a company of our size and satisfies our current listing and regulatory requirements. The Company has instituted a Code of Ethics that demands honest and ethical conduct from all employees. Specific topics covered are conflicts of interest, fair dealing, compliance with regulations and accurate financial reporting.

Company Executives
The roles of Chairman and CEO of the Company are split. The CEO and CFO make all necessary representations to satisfy regulatory and listing requirements. Executive compensation is determined by a Compensation Committee composed exclusively of independent directors.

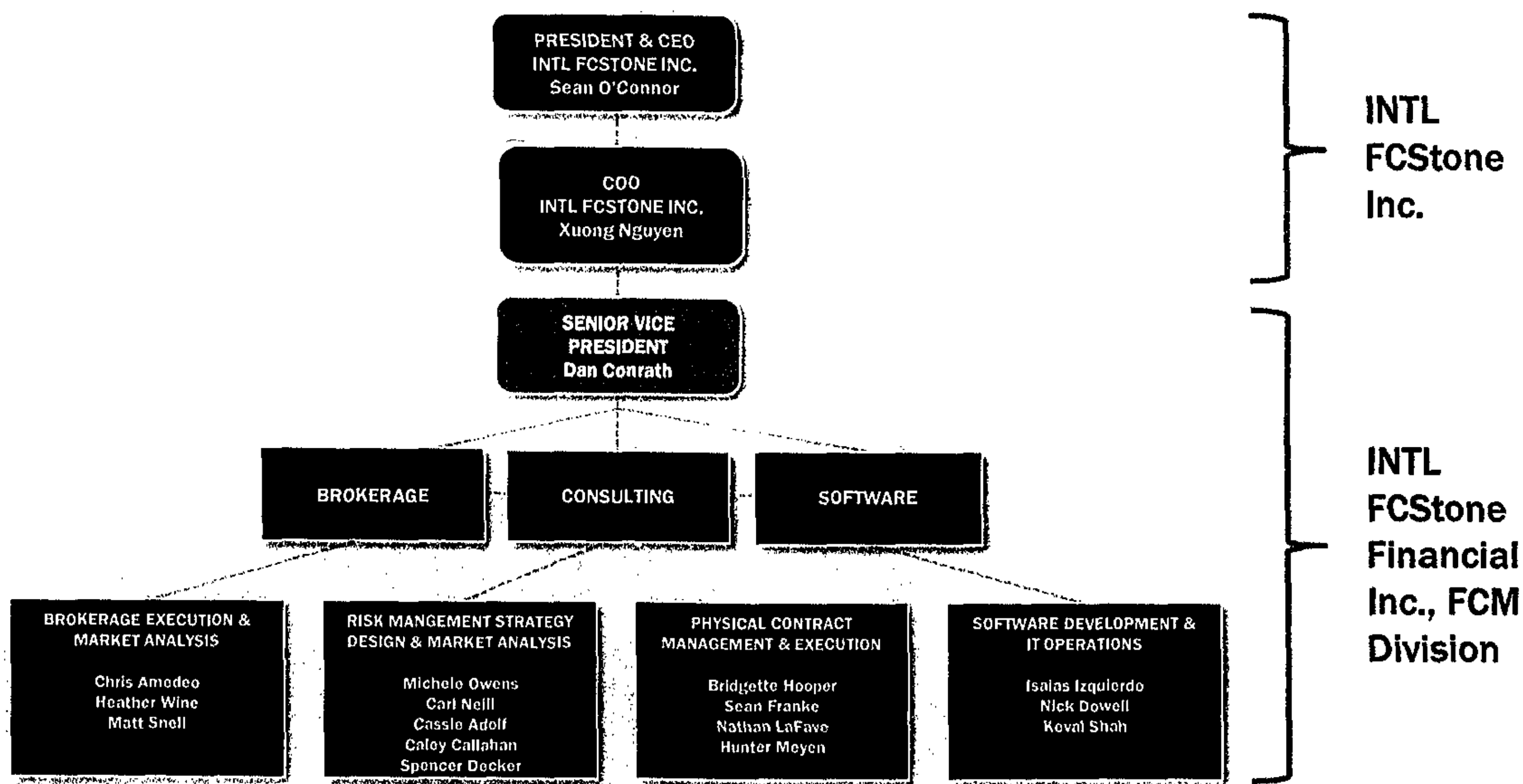
Company Board of Directors
The Company has a Board of Directors consisting of one executive and eight non-executive directors, all eight of whom are independent. The Chairman is a non-executive director. The Board oversees the strategy, finances, operations and regulatory compliance of the Company through regular quarterly meetings and additional special meetings when required. The non-executive directors regularly meet independently of the executive directors. The Nominating & Governance, Audit, Risk and Compensation Committees are each composed of three independent directors. The Audit Committee meets the SEC requirement that at least one of its members should be a financial expert.

No affiliate or subsidiary company of INTL FCStone Financial Inc. supplies retail or wholesale electricity or natural gas to customers and companies that aggregate customers in North America.

The organizational structure of INTL FCStone Financial Inc. appears on the next page.

INTL FCStone®

Organizational Structure: INTL FCStone Financial Inc., FCM Division



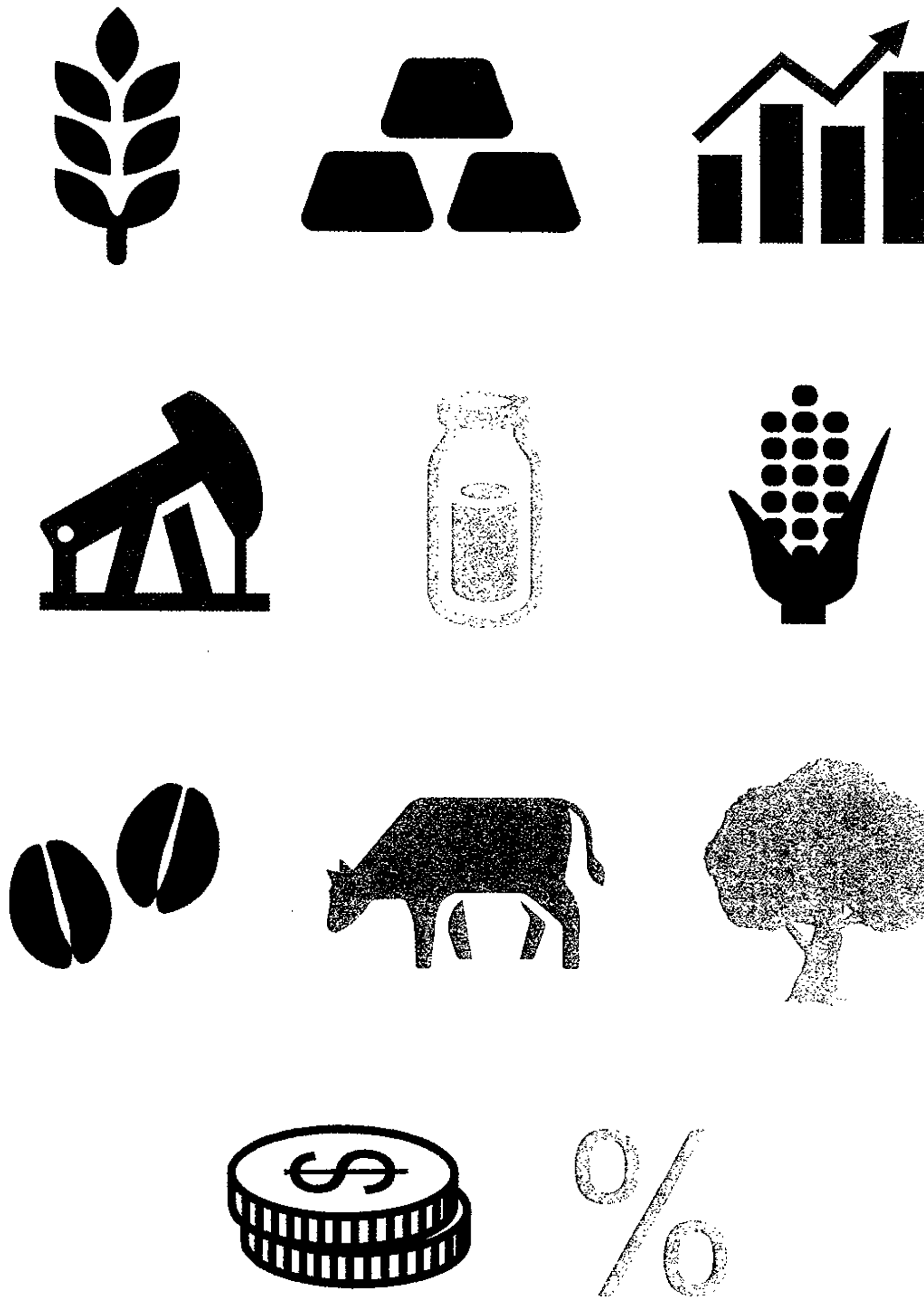
APPENDIX A

ANNUAL REPORTS FOR 2018 AND 2019
INTL FCSTONE INC.

2018

INTL FCStone®

Commodities Global Payments Foreign Exchange Securities

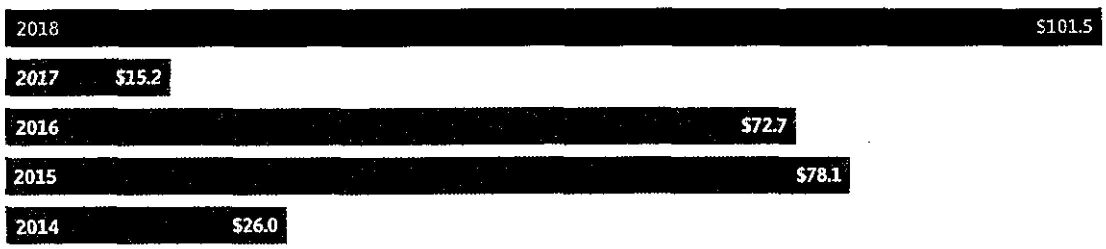


INTL FCStone Inc. provides clients with the global market access, liquidity and expertise they need to serve their customers, outperform their competitors, manage their risk, and grow their businesses. We do so by providing clearing and execution, risk management and advisory services, and market intelligence across asset classes and markets around the world.

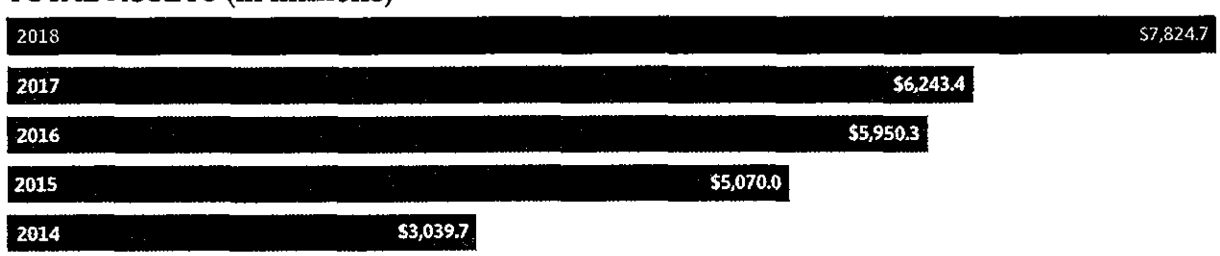
FINANCIAL HIGHLIGHTS

OPERATING REVENUES (in millions)

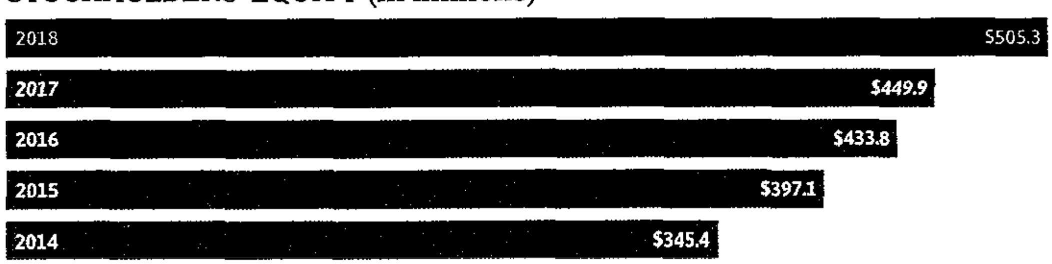
INCOME FROM CONTINUING OPERATIONS, BEFORE TAX (in millions)



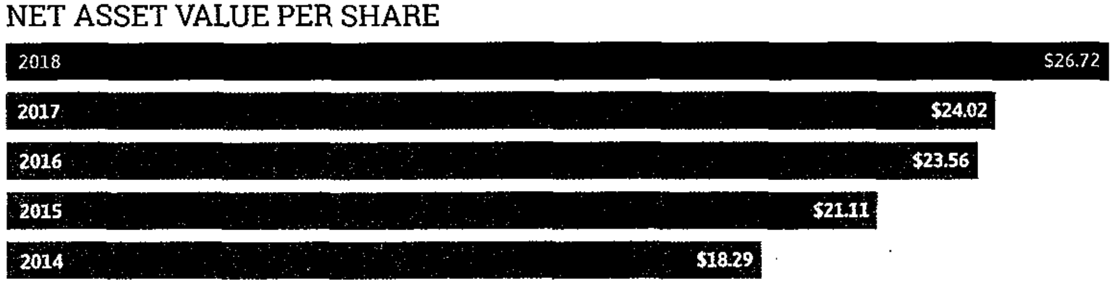
TOTAL ASSETS (in millions)



STOCKHOLDERS' EQUITY (in millions)



NET ASSET VALUE PER SHARE



SELECTED SUMMARY FINANCIAL INFORMATION

(IN MILLIONS, EXCEPT SHARE AND PER SHARE AMOUNTS)	2018	2017	2016	2015	2014
Operating revenues	$ 975.8	$ 784.0	$ 671.0	$ 624.3	$ 490.9
Transaction-based clearing expenses	179.7	136.3	129.9	122.7	108.5
Introducing broker commissions	133.8	113.0	68.9	52.7	49.9
Interest expense	80.7	42.1	28.3	17.1	10.5
Net operating revenues	**581.6**	**492.6**	**443.9**	**431.8**	**322.0**
Compensation and other expenses:					
Compensation and benefits	337.7	295.7	263.9	251.1	201.9
Trading systems and market information	34.7	34.4	28.0	23.5	21.5
Occupancy and equipment rental	16.5	15.2	13.3	13.5	12.3
Professional fees	18.1	15.2	14.0	12.5	14.9
Travel and business development	13.8	13.3	11.5	10.5	9.9
Non-trading technology and support	13.9	11.6	7.1	4.7	3.9
Depreciation and amortization	11.6	9.8	8.2	7.2	7.3
Communications	5.4	5.0	4.7	4.6	4.3
Bad debts and impairments	3.1	4.3	4.4	7.3	5.5
Bad debt on physical coal	1.0	47.0	—	—	—
Other	26.3	25.9	22.3	18.8	14.5
Total compensation and other expenses	**482.1**	**477.4**	**377.4**	**353.7**	**296.0**
Other gains	2.0	—	6.2	—	—
Income from continuing operations, before tax	101.5	15.2	72.7	78.1	26.0
Income tax expense	46.0	8.8	18.0	22.4	6.4
Net income from continuing operations	55.5	6.4	54.7	55.7	19.6
Loss from discontinued operations, net of tax	—	—	—	—	(0.3)
Net income	**$ 55.5**	**$ 6.4**	**$ 54.7**	**$ 55.7**	**$ 19.3**
Earnings per share:					
Basic	$ 2.93	$ 0.32	$ 2.94	$ 2.94	$ 1.01
Diluted	$ 2.87	$ 0.31	$ 2.90	$ 2.87	$ 0.98
Number of shares:					
Basic	18,549,011	18,395,987	18,410,561	18,525,374	18,528,302
Diluted	18,934,830	18,687,354	18,625,372	18,932,235	19,132,302
Selected Balance Sheet Information:					
Total assets	$7,824.7	$6,243.4	$5,950.3	$5,070.0	$3,039.7
Lenders under loans	$ 355.2	$ 230.2	$ 182.8	$ 41.6	$ 22.5
Senior unsecured notes	—	—	$ 45.5	$ 45.5	$ 45.5
Stockholders' equity	$ 505.3	$ 449.9	$ 433.8	$ 397.1	$ 345.4
Other Data:					
Return on average stockholders' equity	11.6%	1.5%	13.2%	15.0%	5.7 %
Employees, end of period	1,701	1,607	1,464	1,231	1,141
Compensation and benefits as a percentage of operating revenues	34.6%	37.7%	39.3%	40.2%	41.1 %

VISION & PHILOSOPHY

In 2003, the current management team reconfigured the company as a provider of financial services focused on under-served clients in niche markets. We started with equity of less than $10 million and 10 people, and with the vision that, with relentless effort and execution, a clear focus on providing great service and value for our clients, and using common sense and doing the right thing rather than the easy thing, we could build a global financial business that might one day become a credible and recognized franchise.

Our financial "north star" has been the remarkable power of compounding on our shareholder capital, which we harness to become a bigger and more valuable business. In addition, this approach enables us to create our own capital runway for growth. As a result, we are less dependent on the capital markets, and thus can be flexible and opportunistic in approaching them.

Ironically, the great financial crisis of 2008 created unexpected opportunities for us to accelerate our growth, expand our capabilities and our footprint, and thus better position ourselves for achieving our long-term goal of becoming a larger financial business. In the face of a more rigorous and complex regulatory framework, we decided to invest in retaining our broad capabilities to better serve our clients, while many of our competitors withdrew from markets and narrowed their offerings. When these regulatory and related capital pressures forced consolidation amongst smaller players, we became an opportunistic consolidator – and at valuations that allowed us to keep compounding our book value without the need to incur undue amounts of goodwill.

Over the last 15 years our steady, determined and disciplined approach has helped us achieve our compounding strategy, with shareholder capital increasing at a compound annual growth rate of 31%, off the back of revenues that grew at 35% C.A.G.R. These growth rates declined into the mid-20% range as we became larger and as the aftermath of the financial crises provided some significant headwinds, but despite these headwinds, we believe that we were still positive outliers in our industry in terms of performance.

OUR BUSINESS

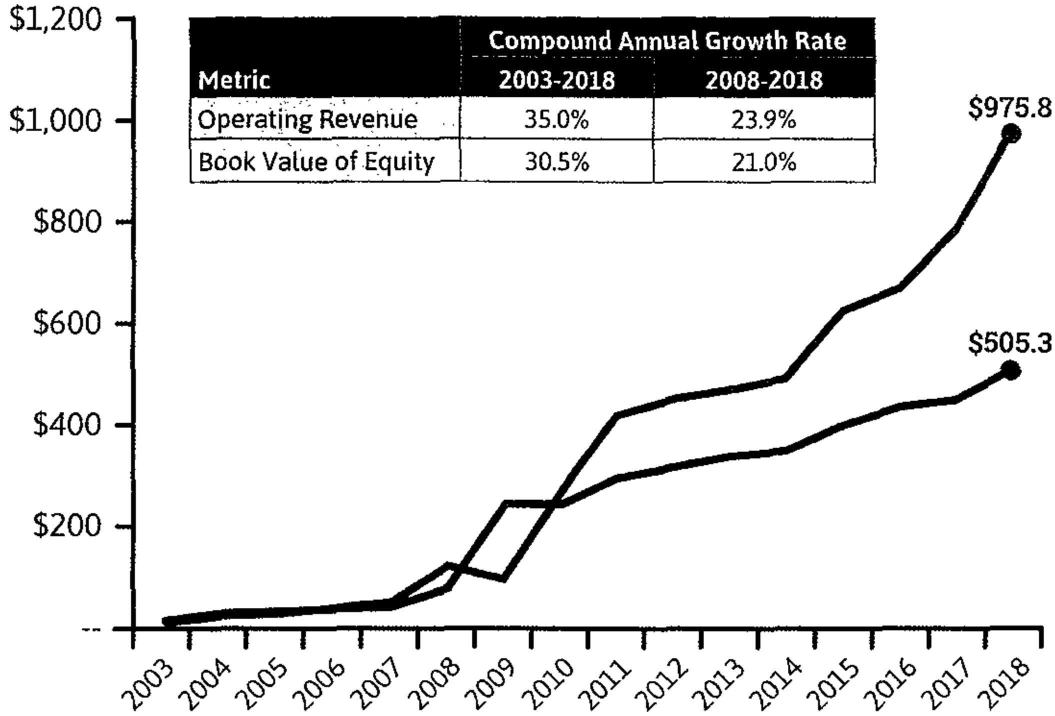
Today, we are a diversified global brokerage and financial services firm offering a vertically integrated product suite, including high-touch execution, electronic access through a wide variety of technology platforms in almost every major global market and financial product, and insightful market intelligence and advice, as well as post-trade settlement, clearing and custody services. This is a unique product suite outside of the bulge bracket banks, and it creates "sticky" relationships with our clients. We help these clients access market liquidity, maximize profits and manage risk.

Our businesses are supported by our global infrastructure of regulated operating subsidiaries, our advanced technology platform and our team of more than 1,700 employees (as of September 30, 2018). We believe our client-first approach differentiates us from large banking institutions, engenders trust and has enabled us to establish leadership positions in a number of complex fields in financial markets around the world.

Our revenue stream is diversified by asset class, client type and geography, with a significant portion of recurring revenue derived from monetizing client balances in the form of consistent and predictable interest and fee earnings on the float.

INTL Growth (US$ millions)

— Operating Revenue — Book Value of Equity



Metric	Compound Annual Growth Rate 2003-2018	Compound Annual Growth Rate 2008-2018
Operating Revenue	35.0%	23.9%
Book Value of Equity	30.5%	21.0%

Our Clients

We currently serve more than 20,000 commercial and institutional clients, and more than 80,000 retail clients located in more than 130 countries. We believe that our clients value us for our attention to their needs, our expertise and flexibility, our global reach, our ability to provide access to liquidity in hard-to-reach markets, and our status as a well-capitalized and regulated organization.

Strategic Position

We believe that we are well-positioned to capitalize on key trends impacting the financial services sector. In particular, embracing regulatory change has created a competitive advantage for us and has positioned us well for continued growth. Today's stringent regulatory requirements for financial services firms act as barriers to entry, making it difficult for existing and new participants to compete with our business model.

We believe we have become a counterparty of choice for a number of mid-sized clients that larger institutions can no longer profitably serve. Similarly, as the number of smaller competitors continues to decline due to regulatory challenges and increased capital requirements, we have gained market share and have taken advantage of attractive acquisition opportunities by leveraging our regulatory expertise.

BY THE NUMBERS

$505 Million Stockholders' Equity

Access to 36 Global Exchanges

$401.1 Billion FX Prime Brokerage

1.6 Million OTC Contracts Traded

$55 Million Net Income

251 Million Gold Equivalent Ounces Traded

$2.1 Billion Average Customer Equity

$118 Billion Equity Market Making

Offer Global Payments into ~170 Countries

Managing Business in 130+ Countries

129 Million Exchange Contracts Traded

More than 1,700 Employees Globally

$976 Million Operating Revenue

1924

Saul Stone, a door-to-door egg wholesaler, formed Saul Stone and Company, predecessor *to FCStone.*

1930

In the 1930's, Saul Stone and Company became one of the first clearing members of the Chicago Mercantile Exchange (CME).

1970

In the early 1970's, Saul Stone and Company became one of the major innovators on the CME's International Monetary Market, *bringing financial futures to the* forefront of the industry.

1978

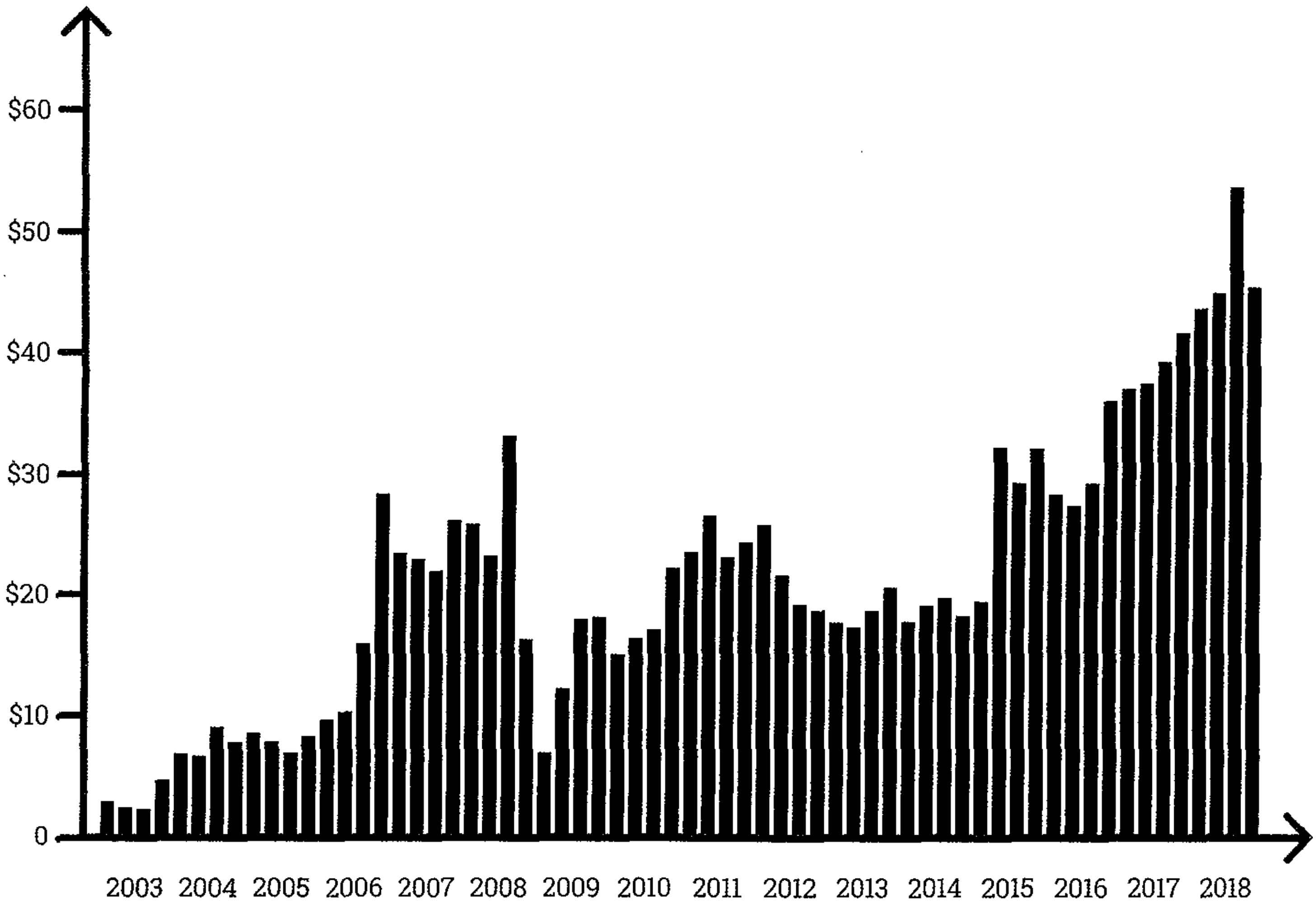
A new entity called Farmers Commodities Corporation was formed to accommodate the grain hedging brokerage *services.*

1981

International Assets was established as a internationally focus boutique brokerage *firm.*

INTL FCStone®

SHARE PRICE OVER 15 YEARS



1983

Farmers Commodities Corporation (FCC) became a clearing member of the Kansas City Board of Trade in 1983 and in 1985 purchased its first seat on the Chicago Board of Trade.

1994

International Assets was listed on NASDAQ.

2000

FCC acquired Saul Stone and Company to become one of the nation's largest commercial grain brokerage firms.

2003

Current management team takes control of International Assets with a strategy to focus on wholesale execution.

2004

International Assets acquired global payments business Global Currencies, thereby establishing a London office.

2007

International Assets acquired Gainvest group in South America, specializing in asset management and asset backed securities.

In 2018, we achieved shareholder return on equity of 11.6% and earnings per share of $2.87 for the year. Stated after adjustment for the impact of recent U.S. tax legislation, we achieved an ROE of 16.0%(1) and EPS of $3.98.(1) We believe that this performance places us in the top tier for companies in our industry.

As Chairman, I am proud of the value that the compound effect of consistently strong return on equity generates for our shareholders, and we continue to favor it over other measures of value such as stock price. As a shareholder myself, I appreciate the multiplier effect it has on our company's book value.

We believe that our continued ability to turn strong performance into value for shareholders, coupled with the continuation of market trends more favorable to our business, puts us in a position of strength and will create new opportunities to deliver more value to our clients and our shareholders going forward.

With an eye toward expanding our flexibility to seize such opportunities, we explored a potential public debt offering in October of 2018. However, hewing to our governing principle and discipline of acting only when "the price is right," we chose to withdraw the offering as terms became unfavorable in the face of sudden market instability. That said, we will continue to monitor the markets and look to re-engage investors when conditions permit.

While industry consolidation continues to generate acquisition opportunities for our company, only two met our criteria this year: We strengthened our Global Payments offering by acquiring the fully accredited SWIFT Service Bureau from PayCommerce, and we secured an EU-based footprint for INTL FCStone post-Brexit with the acquisition in Luxembourg of Carl Kliem S.A.

Maintaining a strong company culture remains a vital component of our strategy to grow our client base and drive shareholder value. Our people continue to be our most important assets, and our continuing and constant objectives are to encourage and reward them for innovative and entrepreneurial thinking. At the same time, we continue to stress the tenets of teamwork and the critical importance of collaborating with colleagues to sell products and services across our platform.

Into this culture, we welcome Diane L. Cooper, who has joined our board. As President and CEO of GE Capital's Commercial Distribution Business, Diane achieved a record of strong performance amid fierce competition and sometimes challenging market environments. She'll fit in perfectly, and I look forward to the depth of knowledge and experience she will bring to the boardroom as we seek to maximize the value of our company.

Moving from a welcome to a farewell, we extend our best wishes to Brian Sephton as he embarks on a well-deserved retirement. Currently our head of Compliance and Legal, Brian has filled several key roles in our company over his 14 years with us. We are grateful for his tireless efforts, his wise counsel, and his unparalleled eye for the critical detail, and we are sad to lose him.

(1) A reconciliation between GAAP and non-GAAP amounts shown is provided in Appendix A.

2007	2008	2009	2010	2010	2010
FCStone acquired Chicago-based Downes-O'Neill, dairy specialists.	FCStone acquired Nashville-based Globecot, cotton specialists.	International Assets Holding Corporation and FCStone Group, Inc. merged.	Risk Management Incorporated, energy risk management specialists, was acquired by the newly merged company.	The Company acquired Hanley Group companies to expand the group's OTC trading business.	The Company acquir the futures division o Hencorp, coffee, coc and sugar specialists.

As in previous years, I will close this letter by taking stock of how far we've come as a company. Since 2002, your company has grown operating revenue from $5.2 million to $975.8 million and net income from a loss of $300,000 to a profit of $55.5 million this year. Over the same period, shareholder equity has grown from $4.3 million to $505.3 million.

As we know, the unprecedented convergence of historically low interest rates and low volatility following the market crash of 2008 severely tested our strategy and our model. Yet, we pressed on, and over the last several years have approached or achieved or our targets for return on equity and earnings per share (with 2017 a notable exception). Now as interest rates and volatility climb back toward their historic norms, we are not only reaping the rewards of our perseverance, but also beginning to harness the latent potential of our strategy and our model.

Against the backdrop of this growth, the past year's performance, and increasingly favorable market conditions, we see our vision for this company truly taking shape. Today, the global markets generate wealth and opportunity on a scale unprecedented in history; through our extensive conduits into and between those markets, we connect our clients directly to those opportunities and help power their growth. *In doing so, we power our own.*

None of this would be possible without you, our shareholders, and all the people who deliver value to this company every day. We are proud that we are a company run by shareholders for shareholders, and as one of you, I remain bullish about our future.

JOHN RADZIWILL
Chairman

A NEW FORMAT

To serve our shareholders better, we've chosen this year to discuss in greater detail our vision, business, strategy and the key performance indicators we use to measure our progress and hold ourselves accountable to our stakeholders. Our goal in doing so is to provide readers with a clearer and more easily comparable picture of where we've been, where we are, and where we're going from year to year.

2011	2011	2011	2012	2012	2012
International Assets Holding Corporation changed name to INTL FCStone Inc.	Ambrian Commodities Limited ("ACL"), was acquired to provide commodities execution capabilities in the key LME market.	The Company acquired the business of the Metals Division of MF Global and upgraded to LME Category One ring dealing membership.	The Company acquired TRX Futures Ltd., a London-based brokerage and clearing firm for commercial coffee and cocoa customers that also offers energy and financial products.	Online news and analysis subscription service Commodity Network is launched.	The institutional accounts of Tradewire Securities, LLC. are acquired.

2018 was a record year in which we achieved some significant milestones. Our net operating revenue approached $1 billion, shareholder funds now exceed $500 million, and we took in more than $100 million in pre-tax earnings.

Growth in Revenue and Market Share

During the year we saw revenue growth in all our segments – all of which achieved individual high water marks – and overall growth in operating revenue of 24%. This was due to organic growth of our client footprint as we continue to become a more recognized franchise, and to generally more favorable market conditions. Our business performs best when we have moderate volatility and can earn a carry on our customer float, and we had both working for us during 2018. Volatility increases risk for hedgers and provides money-making opportunities for speculators, so it drives more activity from both types of clients. While volatility has increased recently, it remains generally low historically. This will likely change as central banks continue to withdraw from stimulus and the markets normalize.

During this record-breaking year, we continued to grow our business and build our franchise across both commercial clients (i.e. non-financial industry companies, primarily) and institutional clients. Our strong rates of growth in both revenue and transactional volumes substantially outpaced the rate of industry growth – providing evidence that we have grown market share. Our hard work over many years is starting to pay off as we have become a more recognized and respected player in our markets by clients, prospective employees and competitors.

Across all our segments we have margins on incremental revenue of approximately 50% (depending on product and business mix), which allows us to achieve significant operating margins if we can contain central overheads. During 2018, we achieved an 18% increase in net operating revenues with fixed compensation only growing by 4% and all other fixed costs growing by 6%, driving operational leverage to the bottom line.

Over the last two years, as more normalized market conditions have returned, we now have a number of highly predictable revenue sources from interest and fees, which cover an increasingly material portion of the central overhead required to operate our franchise. Covering the bulk of our costs with a high degree of certainty provides greater "ballast" and predictability to our earnings.

Adding Companies and Capabilities – Patiently

We continued to see many small-to medium-sized acquisition opportunities – proof that that the industry trend towards consolidation continues. We remain patient and disciplined in evaluating these opportunities and making sure there is a good cultural fit (a client–first mentality), clear strategic value to our franchise in the form of either client relationships or added capabilities, and ability to be financially accretive quickly. Very few opportunities pass muster, but we did conclude two small, bolt-on acquisitions during the year, and one right after year end, none of which were considered material but all of which add value to our franchise.

Carl Kliem S.A. is an independent interdealer broker based in Luxembourg, a leading European financial hub. The company provides foreign exchange, interest rate and fixed-income products to a diverse, institutional client base across the European Union. Carl Kliem S.A. employs approximately 40 people and has more

2013	2013	2013	2014	2015	2015
INTL FCStone Markets LLC registers as a swap dealer.	The Company exits its physical base metals business.	Accounts of First American Capital and Trading Corp. acquired, adding correspondent clearing service capabilities.	The Company completes the consolidation of its two UK subsidiaries, INTL FCStone Ltd and INTL Global Currencies Ltd.	The Company completes the acquisition of G.X. Clarke & Co., an institutional dealer in U.S. government securities, federal agency and mortgage-backed securities.	INTL FCStone Inc. consolidates its securities, rates and FC businesses into INTL FCStone Financial Inc.

than 400 active institutional clients. This acquisition provides us with a diverse offering and complementary relationships for a wide range of our products. As a fully regulated EU entity, it also secures our market presence in the European Union as the Brexit process plays out.

PayCommerce Financial Solutions, LLC is a fully accredited SWIFT Service Bureau provider. The acquisition enables us to act as a SWIFT Service Bureau for our 300-plus correspondent bank network, thus providing another important service for delivering cross-border payments in local currencies to the developing world. In addition, we upgraded our regulatory status in Brazil to allow us to handle larger payments locally. While this process took the better part of three years to complete, we saw an immediate uptick in revenue as we enhanced our capabilities in this key payment corridor.

Just after year end, we reached agreement to acquire the New York-based broker-dealer formerly known as Miller Tabak Roberts, an institutional fixed income business specializing in high yield, convertible, emerging market and distressed debt. This acquisition brings with it more than 40 experienced professionals, expands our current fixed income product offering, and adds more than 2,400 institutional relationships. We expect that our existing clients will benefit from these additions to our offering, while our newly acquired clients will benefit from the consolidation of the former Miller Tabak Roberts offering and our own offering.

Regulation Creates Opportunity

During the year, we saw the MiFID II regulatory regime come into effect (as well as new Basel bank requirements) in the European Union. This is an update of MiFID I, and together, they constitute the European equivalent of Dodd-Frank. Its aim is to bring greater transparency to financial markets and better protection to investors. This is a massive piece of regulation which has had, and will continue to have, wide-ranging and perhaps unforeseen consequences. We have taken the view that we are in the regulation business and that this in turn provides us with a competitive advantage. We do not believe that our current activities will be adversely impacted materially by this new regulation, which has created a more complex environment in Europe and for European-based banks and brokers. We believe that this will be a positive development for us in the medium term and beyond.

The Downside of Volatility

While moderate volatility drives client activity, extreme volatility causes liquidity stress on our clients that must meet margin calls. If they cannot, their accounts are liquidated – resulting in potential losses for these clients and perhaps charge-offs for us if they fail to meet their obligations. After our 2018 fiscal year end, we experienced just such an event when both natural gas and crude oil experienced historic moves. In the case of natural gas, the daily move on successive days reached multiples of the standard exchange requirements. A number of FCM client accounts, managed by a commodity trading advisor, were adversely affected by these price moves. While we had required significantly increased margin from these accounts, the price moves were so extreme that all positions in these accounts had to be liquidated – resulting in a significant aggregate debit balance. While the aggregate debit was within our worst-case stress test scenario, it was nonetheless a painful reminder that markets can swing suddenly and improbably – more often than we think. We continue to pursue collection of these receivables in the ordinary course of business.

2016	2016	2017	2018	2018	2018
The Company completes acquisition of the correspondent securities clearing business and independent wealth management business from Sterne Agee, LLC.	The Company agrees to acquire the London-based EMEA oils business of ICAP plc, expanding the Company's global energy capabilities.	The company re-launches the former independent wealth advisory service of Sterne Agee LLC as SA Stone Wealth Management Inc.	The Company bolsters its Global Payments offering by acquiring the SWIFT Service Bureau of PayCommerce.	The Company secures a post-Brexit footprint in the EU by acquiring Luxembourg-based Carl Kliem SA.	INTL FCStone expands its institutional offering with the acquisition of US-based broker-dealer GMP Securities LLC (formerly Miller Tabak Roberts).

STRATEGY

To achieve our vision of becoming a best-in-class financial franchise and our key financial objective of compounding our capital at 15%, we need to run a resilient and growing business despite the highly cyclical nature of the markets we operate in.

We focus on mitigating exposure to market risk, ensuring adequate liquidity to maintain our daily operations, and making non-interest expenses variable, to the greatest extent possible. Our strategy is to employ a centralized and disciplined process for capital allocation, risk management and cost control, while delegating the execution of strategic objectives and day-to-day management to our experienced people. This requires high-quality managers, a clear communication of performance objectives, and strong financial and compliance controls. We believe this strategy will enable us to build a more scalable and significantly larger organization that still embraces an entrepreneurial approach to business, supported and underpinned by strong centralized financial and compliance controls.

KEY PERFORMANCE INDICATORS

We have, since our inception, set out some simple but effective key performance indicators to monitor our strategic progress and hold ourselves accountable. Because we take a long-term approach, all of these indicators are focused on long-term performance and we recognize that we may underperform at times in adverse markets and, similarly, outperform when we have tailwinds.

Compounding Capital:

Target: Annual shareholder return on equity of 15%

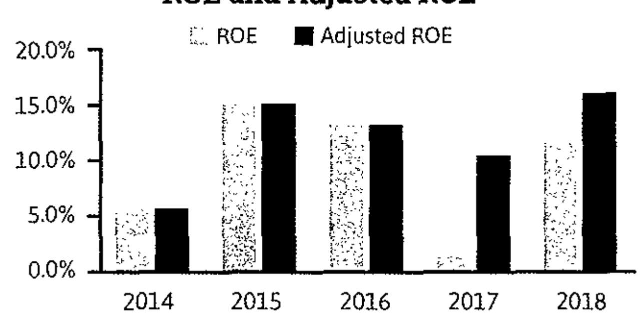
This objective implies growing our net earnings by a similar amount annually as our retained earnings grow. Our executive and senior management compensation plans use this target for annual bonus determination.

We now have the benefit of evaluating our performance through perhaps the worst business cycle for financial companies in a generation – the great financial crisis. For us this was the worst possible environment for our business due to historically low volatility crimping client volumes, zero interest rates on our client float and significantly increased regulatory cost and capital. Despite these conditions, we still recorded positive annual ROE in the high single digits – below our target, but still better than most of our peers. We are pleased that our business model achieved the desired result even in these dire conditions.

As market conditions have normalized, with central banks around the world starting to retreat and allowing some modicum of volatility and interest rates to prevail (although still historically low), we have performed better and in 2018 exceeded our 15% target on an adjusted basis.

The chart below presents ROE and Adjusted ROE for the last five fiscal years. In fiscal 2014, 2015, and 2016, there is no difference between ROE and Adjusted ROE. In fiscal 2017, Adjusted ROE excludes the bad debt on physical coal, net of incentive recapture. In fiscal 2018, Adjusted ROE excludes the impact of H.R. 1, the Tax Cuts and Jobs Act ("Tax Reform") and bad debt on physical coal. A reconciliation between ROE and Adjusted ROE is provided in Appendix A.

ROE and Adjusted ROE



We saw our adjusted return on equity expand due to higher interest rates, which increased earnings on our float substantially, nearly all of which drops to the bottom line. Slightly elevated volatility also drove more volume on our platform. In addition, we also saw strong underlying growth in our client footprint, as we added new accounts at a healthy rate and realized some market-share gains.

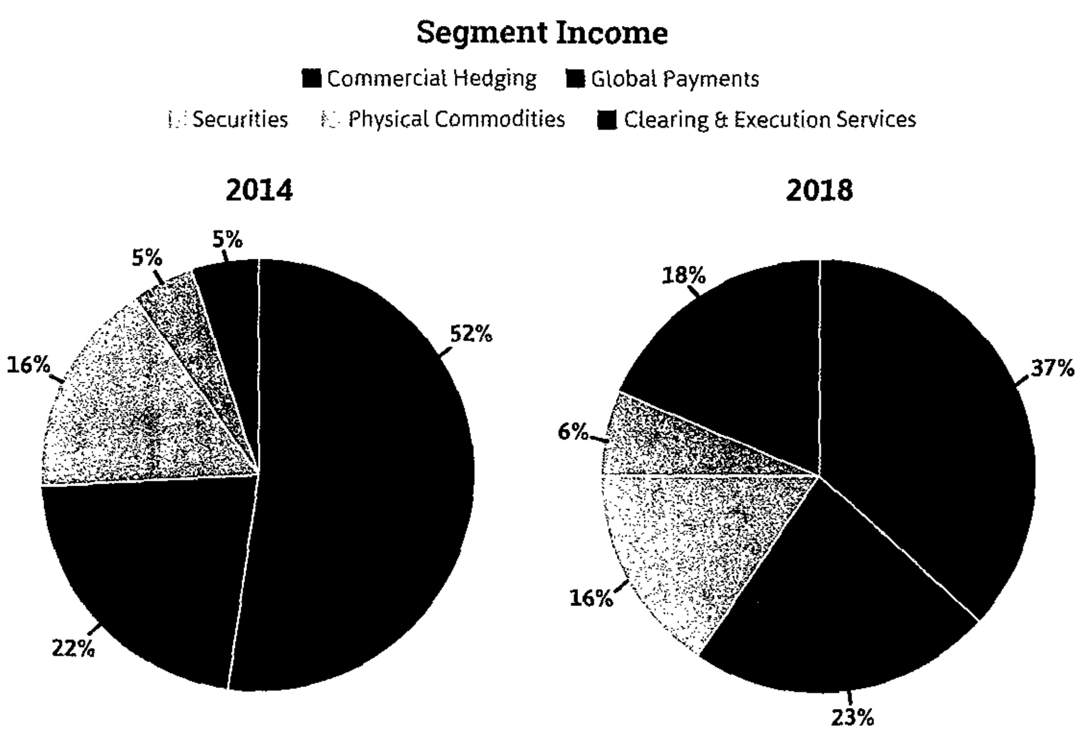
Product Diversification and Client Footprint Expansion

Target: Grow our offering and footprint prudently to guard against individual market cyclicality.

One of the key ways we have both grown our revenue and mitigated the inherent cyclicality in our individual markets is through revenue and client diversification. We have actively expanded our capabilities into different asset classes, markets and client segments, which both diversifies our revenue and creates a more valuable financial network for our clients, as they can avoid the need for multiple brokers. On the client side, we started by focusing on commercial clients looking to hedge their financial risks, as we saw this as providing a durable stream of revenue. We expanded this client base geographically and by industry. More recently we have significantly grown our footprint with institutional clients looking to access the markets through our network to gain exposure and make money trading or investing. We also deal with a large and growing number of financial institutions. Finally, we increasingly serve a retail client base (mainly through intermediaries). All of this creates traffic over our network and grows our client balances and float income.

The chart below shows the increasing diversification of segment income, which protects our bottom line.

During 2018, we saw continued strong growth and expansion of our commodities hedging segment in Europe, which added diversification. In addition, the acquisitions mentioned above provided both client and product diversification.

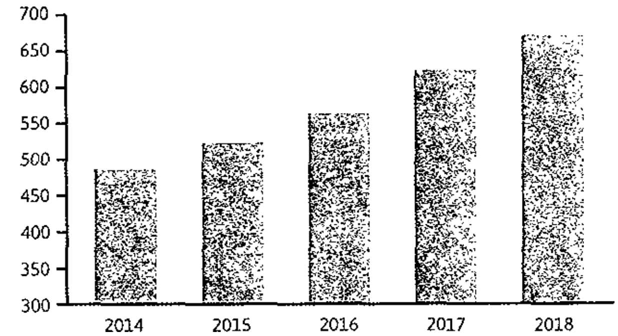


Intellectual Capital:

Target: 5 -10% organic growth in revenue producers.

We recognize that this is often a "quality-not-quantity" metric. Our business is based on sticky, long term and meaningful value-added relationships with our clients. While we are increasingly looking to leverage our professional staff with appropriate technology to drive efficiencies, people and intellectual capital matter. Over the past 10 years, as we have grown our capabilities, it has become easier to attract the caliber of talent we need to drive our business. As always, we take a patient and persistent approach to attract people who think as we do and want to build a long-term client-centric business.

Number of Front Office Staff



We managed to attract good talent during 2018, and the acquisitions mentioned above will bring even more proven and experienced talent to the company.

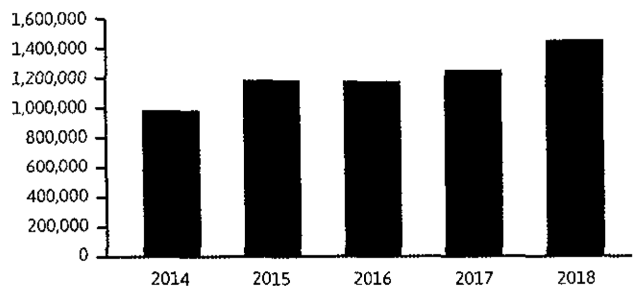
Efficiency in Driving Revenue Growth

Target: Minimum return per front office producer of $1 million per annum.

This is a key measure of our success in productivity and efficiency in driving revenue through use of technology as well as leveraging existing client relationships and expanding our products and capabilities.

We have comfortably exceeded this target in recent years. The 2018 increase of 16% to $1.5 million per annum average is reflective of better market conditions, as well as our progress on better leveraging our revenue producers with technology and better leveraging our growing capabilities into our client relationships.

Revenue Per Front Office Head



Efficient and Scalable Infrastructure

Target: Number of Revenue producing staff is 50% of total staff.

To ensure that we keep an efficient and scalable infrastructure, we target that more than 50% of our employees should be client-facing and generating revenue. This forces us to control support and infrastructure costs and drive efficiencies with technology.

Front Office Percentage of Total Staff

We have not consistently achieved this target for the better part of five years largely due to the high minimum infrastructure and operational costs related to the clearing, settlement and custody side of our business. We are working incrementally to address this in two ways: 1) better use of technology to reduce operational costs, and 2) achieving better scale on our clearing platform (especially securities) driving the operational leverage in this business.

We saw a decrease in this metric from approximately 43% in 2015 to 39% in 2017, when we acquired the Sterne Agee securities clearing operations. This clearing business was below scale and not covering its fixed costs when acquired. Subsequently, it has added more than 30 correspondent clearing relationships and is now both profitable and starting to realize operational leverage.

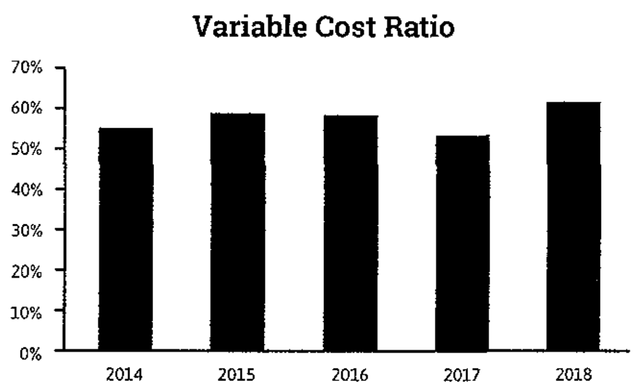
Flexible Cost Structure

Target: >50% of our total costs variable to revenue.

To compound our capital consistently, we need to ensure that we have a resilient business model with a highly flexible cost structure to protect our bottom line through the inherent cyclicality of the markets.

We do this by limiting fixed costs – especially fixed compensation, which represents our largest expense.

This target has been achieved for the last five years.

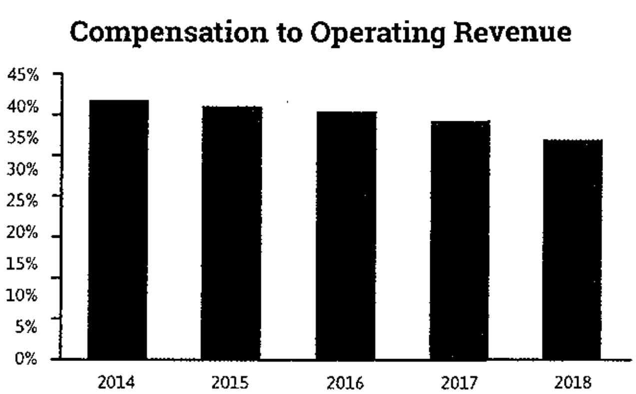


Compensation Ratio

Target: Ratio of total compensation to operating revenue less than 40%.

Compensation is our largest single expense and must be managed effectively.

We adopt a transparent and flexible compensation model that limits fixed costs but rewards performance and puts us in a partnership arrangement with our key people. We believe that successful people in our industry are attracted to such arrangements. However, we also balance this approach with the need to ensure that overall compensation cost is proportional to the return shareholders require for supporting the costs, capital and risks associated with providing our platform.



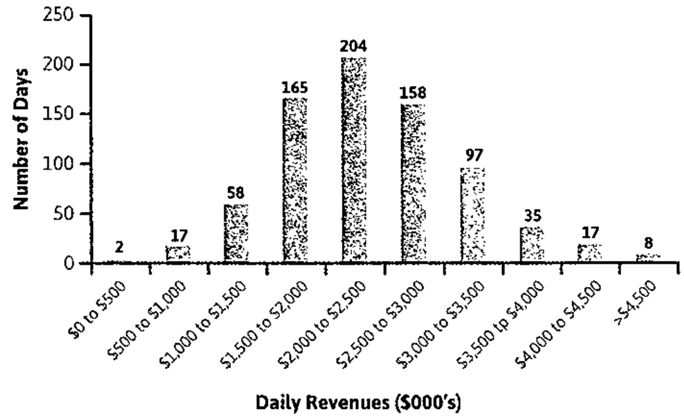
Risk Metrics – De Minimis Directional Risk and Consistent Revenue

Target: consistently profitable daily revenue on a marked to market basis.

Our goal is to minimize the directional risk we take when acting as a principal to ensure that we take on limited risk and ensure stable, consistent revenues.

We seek to act as a facilitator to our clients in accessing the global trading markets and minimize taking direct market risk. In certain of our business activities, we act as a principal to facilitate client trade execution, and for such transactions, we seek to offset market risk through matched transactions and hedging, and limit as much as possible the length of our holding period.

Marked-to-Market Revenue



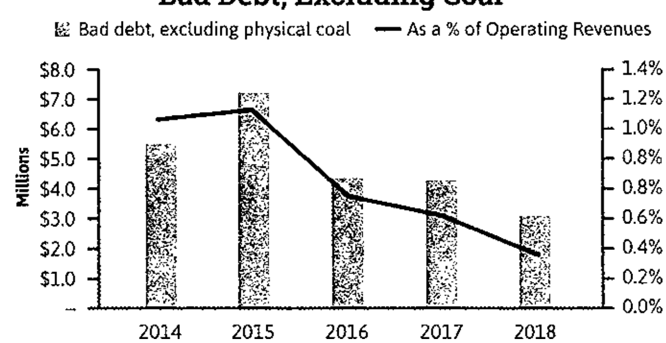
We monitor our success in mitigating market risk through proxies, which include analyzing the variance of daily trading profitability and bad debt exposure. Our daily trading profitability tends to follow a bell-curve distribution, which we believe reflects our limited exposure to direct market risk. In this regard, we did not have a daily marked-to-market loss in 761 trading days during the period from October 1, 2015 through September 30, 2018, even during periods of extreme market volatility.

Risk Metrics – Bad Debt Expense

Target: bad debt less than 1% of annual operating revenue.

As a clearer, we guarantee the performance of our clients to the exchanges and counterparties that they execute trades with, and as such, we assume counterparty risk. Our risk department calibrates our risk to ensure that, in a normal market environment, our client charge-offs are proportional to our capital and operating revenue, and also to ensure that in the times of severe market stress (Black Swans), we avoid catastrophic loss and are able to continue to function normally.

Bad Debt, Excluding Coal(1)



(1) In fiscal 2017 and 2018, bad debt excludes bad debt on physcial coal of $47.0 million and $1.0 million, respectively.

We fulfill an essential function within the market structure and we are becoming increasingly important in filling this role as consolidation in the sector continues. Our risk department reviews the creditworthiness of our clients and their ability to perform on their obligations, including making margin calls to cover negative market moves.

The chart above provides our annual charge offs and is empirical evidence of our risk management approach.

FINANCIAL PERFORMANCE

As outlined in the prior sections, we believe that we offer our clients an experience that is not available through other financial intermediaries. Clients receive superior execution services, including "one call" trader access and market intelligence traditionally provided only by large, diversified global banks. Our unique offering provides many of our clients with products and services that are often inaccessible to them due to their middle-market size, and that our competitors cannot offer due to a lack of size and scale.

We believe that this combination creates strong and lasting client relationships and provides us with opportunities for revenue growth through cross-selling. Our deep relationships are evidenced by strong client growth in all business lines, including a net gain of more than 3,100 clients since 2017, and by our long-standing client relationships. We employ a data-driven approach to consistently tailor our product offerings to the changing needs of our clients and continuously monitor the resources they use and activities they pursue.

Within this context, we achieved strong operating revenue growth of $191.8 million, for a total of $975.8 million in fiscal 2018 – a 24% increase over the prior year. The return of some periods of volatility in our key markets resulted in increased client activity and a widening of spreads in fiscal 2018, which combined with increases in short-term interest rates and average client balances, resulted in record operating revenues in all five of our reporting segments.

Overall segment income increased 55%, with Commercial Hedging and Physical Commodities adding $23.6 million and $48.0 million respectively. Clearing and Execution Services added $17.9 million, while our Global Payments segment added $9.2 million. These gains were modestly offset by a $5.8 million decline in Securities segment income.

Net income increased $49.1 million to $55.5 million in fiscal 2018 compared to fiscal 2017, primarily related to the growth in operating revenues as well as the reduction in bad debt related to the physical coal business. Net income in fiscal 2018 includes an estimated one-time income tax charge of $19.8 million related to the enactment of U.S. Tax Reform. This charge is related to the re-measurement of our deferred tax assets and liabilities arising from a lower U.S. corporate tax rate and shift to a territorial tax regime as well as a charge related to the deemed repatriation of unremitted earnings of foreign subsidiaries. Excluding the impact of Tax Reform, net income in fiscal 2018 would have been $75.3 million.(1)

On the expense side, we continue to focus on maintaining our variable cost model and limiting the growth of our non-variable expenses. To that end, variable expenses were 61% of total expenses in fiscal 2018 compared to 53% in the prior year period. Non-variable expenses declined $30.7 million versus the prior year. However, excluding the bad debt on physical coal, non-variable expenses increased $15.3 million year-over-year or 5%.

PERFORMANCE BY CLIENT TYPE

Increasingly, our business is centered on commercial clients looking to hedge and mitigate financial risks inherent in their operating businesses, and on institutional clients looking to either invest or trade in the financial markets. In addition, we have our Global Payments platform, which is increasingly driven by banks and financial institutions, and in many ways is a technology-driven platform.

Commercial Clients

Through our Commercial Hedging and Physical Commodities segments, we provide our 7,000 to 10,000 commercial clients globally with a high-value-added and high-touch service that we believe differentiates us from our competitors and maximizes the opportunity to retain them as clients. Our services are designed to quantify and monitor commercial entities' exposure to commodity and financial risk, develop plans to control and hedge those risks, and provide post-trade reporting against specific client objectives. Our clients are assisted in the execution of their hedging strategies through a wide range of products, from listed exchange-

(1) A reconciliation between GAAP and non-GAAP amounts shown is provided in Appendix A.

traded futures and options to basic OTC instruments that offer greater flexibility to structured OTC products that are customized to suit the client's individual risk profile and needs. To our mid-sized clients, we offer structured products that are usually reserved for the largest clients of global banks, as well as high-touch risk management consulting traditionally associated with smaller boutiques. These clients include producers/end-users, wholesalers and merchants, corporations, introducing brokers, grain elevators, merchandisers, and importers/exporters across many industries globally.

Our services span a majority of traded commodity markets, with the largest concentrations in agricultural and energy commodities (consisting primarily of grains, energy and renewable fuels, coffee, sugar, cotton and food service), as well as in base and precious metals products. We also provide execution of foreign currency forwards and options and interest rate swaps, as well as a wide range of structured product solutions to our commercial clients that are seeking cost-effective hedging strategies.

To further complement these capabilities, we also have a physical commodities capability in both metals and agricultural markets where we can, on a selective base, assist our clients in procuring or selling commodities or by-products, arrange logistics support and financing for these products, or embed risk management programs in physical contracts to enable our clients to bypass the accounting complexities involved in using derivatives.

This set of exchange-listed, OTC and structured products, combined with our physical capabilities, is unmatched by our competitors, and we are seeing more extensive use of these capabilities by our commercial clients. Again, this creates the kind of "sticky" relationships that are 1) more meaningful for our clients, as we can solve most, if not all, of their hedging requirements, and 2) more valuable to us, as they create annuity-type revenue streams.

While our offering to these commercial clients is "high touch," with a relatively large education and advisory component, we are developing the technology to do this more efficiently and thus better leverage the experience and expertise of our brokers. For example, we are looking to launch a digitized interface for all of our clients, giving them a 360-degree view of all of their touchpoints with our organization. At the same time, this interface will give our brokers the entire integrated view of a client's relationship with us. We have already digitized our market intelligence offering, which allows us to track the usefulness of each individual report, as well as identify potential marketing leads from reader patterns.

During 2018, we launched a platform that enables clients to build structured products online from a set of building blocks, and simulate outcomes to potentially determine the most suitable combination of products relative to their needs, all with live pricing. Our precious metals business offers an industry-leading trading platform that is driving volumes, as well as a first-in-industry online platform for physical trading of gold and other precious metals. This platform prices available metal to desired locations and currency – inclusive of foreign exchange and logistics costs. All of these tools are customized to meet client needs and to provide them with greater convenience and added value.

Aggregate net operating revenue from our commercial clients in fiscal 2018 was $271.2 million (Commercial Hedging - $226.4 and Physical Commodities - $44.8). This aggregate revenue was up 17% for the year and constituted approximately 47% of total net operating revenue.

Aggregate net segment income from our commercial clients in fiscal 2018 was $113 million (Commercial Hedging - $96.4 million and Physical Commodities - $16.6 million) and constituted approximately 43% of total net segment income.

Institutional Clients

Through our Securities and Clearing and Execution Services segments, we service our global institutional clients by providing liquidity and trade execution, as well as electronic access (through a wide variety of technology platforms) to a number of important global markets. These include more than 40 derivatives exchanges and most global securities exchanges, as well as a variety of global execution facilities and liquidity sources. Our clients include professional traders, funds, institutional money managers, commercial bank trust and investment departments, broker-dealers, insurance companies, introducing broker dealers and their clients.

Asset and product types include listed futures and options on futures, equities, mutual funds, equity options, corporate, government and municipal bonds and unit investment trusts. We believe we are one of the leading market makers in foreign securities, as we make markets in more than 5,000 ADRs, GDRs and foreign ordinary shares – of which 3,600-plus trade in the OTC markets. In addition, we will, on request, make prices in more than 10,000 unlisted foreign securities. We provide value-added solutions that facilitate cross-border trading and believe our clients value our ability to manage complex transactions, including foreign exchange, utilizing our understanding of local market convention, liquidity and settlement protocols around the world.

We act as an institutional dealer in fixed income securities, including United States Treasury, United States government agency, agency mortgage-backed and asset-backed securities. We are also a broker-dealer in Argentina, where we are active in providing institutional execution in the local capital markets. Through our London-based Europe, Middle East and Africa oil voice brokerage business, we provide brokerage services across the fuel, crude and middle distillates markets to more than 200 commercial and institutional clients throughout these regions.

We also originate, structure and place debt instruments in the international and domestic capital markets. These instruments include complex asset-backed securities (primarily in Argentina) and domestic municipal securities. We also actively trade in a variety of international debt instruments, as well as operate an asset management business.

As part of our integrated offering, we provide competitive and efficient clearing on major futures and securities exchanges globally, as well as prime brokerage in major foreign currency pairs and swap transactions. Additionally, we provide clearing of foreign exchange transactions, in addition to clearing of a wide range of OTC products.

Over the last three years, we have significantly expanded our institutional capabilities and client footprint via some key strategic acquisitions. Our acquisition of Sterne Agee's Correspondent Clearing and Wealth Management businesses added correspondent securities clearing and wealth management capabilities to our product and service offering. The acquisition of G.X. Clarke & Co., an institutional dealer in United States government securities, federal agency and mortgage-backed securities, helped deepen relationships with approximately 650 institutional accounts. More recently, our 2018 acquisition of Carl Kliem S.A., a Luxembourg-based and EU-regulated inter-dealer broker with more than 400 institutional relationships, expands our institutional market coverage in Europe. We also increased our offering with the purchase of U.S-based broker-dealer GMP Securities LLC (formerly Miller Tabak Roberts), which adds new products and more than 2,400 institutional relationships.

Finally, during late 2018, we started an agency execution business in U.S. equities – a significant market where we have little presence but some name recognition as a result of our leading position as a market-maker in foreign securities. We have been recruiting experienced people with deep institutional relationships who would be able to leverage our expertise and name recognition. We also have started to leverage our clearing and custody capabilities into a prime brokerage capability for hedge funds, which is a new client segment for us.

Aggregate net operating revenue from our institutional clients in fiscal 2018 was $217.2 million (Clearing and Execution - $122.6 million and Securities - $94.6 million). This aggregate revenue was up 10% for the year and constituted approximately 37% of total net operating revenue.

Aggregate net segment income from our institutional clients in fiscal 2018 was $89.1 million (Clearing and Execution - $48.3 million and Securities - $40.8 million). This aggregate segment income was up 16% for the year and constituted around 34% of total segment income.

Global Payments

We provide global payment solutions to banks and commercial businesses, as well as charities and both government and nongovernmental organizations, or NGOs. We offer competitive and transparent pricing in approximately 140 currencies, which we believe is more than any other payments solution provider.

Our proprietary FXecute global payments platform is integrated with a financial information exchange ("FIX") protocol. This FIX protocol is an electronic communication method for the real-time exchange of information, and we believe it represents one of the first FIX offerings for cross-border payments in non-G20 currencies. FIX functionality allows clients to view real-time market rates for various currencies, execute and manage orders in real-time, and view the status of their payments through an easy-to-use portal. Additionally, as a member of the Society for Worldwide Interbank Financial Telecommunication ("SWIFT"), we are able to offer our services to large money centers and global banks seeking more competitive international payments services.

Three factors have opened opportunities for competitors in this market: 1) the general lack of transparency in bank offerings in the global payments market with regard to fees and exchange rates, 2) the banks' often more expensive services, and 3) the lack of systematic regulation in and across destination countries. We believe that we are a disrupter here, offering significant value to our bank, corporate and NGO/charities clients by providing competitive and transparent payments solutions (in particular to non-G20 currencies) through an efficient technology platform.

During 2018, we upgraded our regulatory status in Brazil and now have a fully-fledged domestic payments capability handling both in-bound and out-bound payments. This is one of the major payments corridors globally, and we saw an immediate and noticeable uptick in the volume and size of in-bound payments. Over the medium term, we hope to see the same for out-bound payments.

Increasing globalization and the growth of international trade, as well as the need of corporations, institutions, and individuals to move money across borders efficiently, have driven growing activity in the global payments industry. Volume growth in the global payments market has been steady, driving revenue growth for cross-border payments providers. Increasingly, this volume growth comes from transactions to emerging economies, benefiting those few providers (such as us) that have a strong competitive position in those emerging economies and an extensive correspondent bank network, which would be difficult to replicate.

Net operating revenue from our Global Payments business was $93.5 million, up 16% for the year and constituted approximately 16% of total net operating revenue.

Net segment income was $59.8 million, up 18% for the year and constituted around 23% of total segment income.

LOOKING AHEAD

Our core business performed well during 2018, as better market conditions unleashed the true earnings power of our business model. Our return on equity was 11.6%. When adjusted for the impact of U.S. Tax Reform, it was 16.0%[1], which is above our long-term target and a best-in-class performance, in our estimation.

(1) A reconciliation between GAAP and non-GAAP amounts shown is provided in Appendix A.

We plan to continue to leverage our unique "all-through-one" business model and product offering, as we believe it will continue to draw clients to our platform as industry consolidation continues, as well as enable us to create deep client relationships, grow client balances, and increase clearing and execution revenues.

We continue to see gains in market share and attract new clients that are underserved by the global banks, capitalizing on our position as one of the few publicly listed mid-sized financial services companies that offers clients futures and options products through our well-capitalized independent FCM, structured products through our swaps dealer, and securities through our broker-dealer division.

Management's priority is to remain laser-focused on our goal of becoming a best-in-class financial franchise by relentlessly pursuing the following objectives:

- Adding products and capabilities, either organically or through disciplined acquisition, to make us a counterparty of choice for commercial and institutional clients looking to access markets with efficient execution as well as post trade clearing, settlement and custody services.
- Expanding into client segments and geographies where we are under-represented, by acquiring suitable *talent through recruitment or disciplined acquisition of teams.*
- More tightly integrating our offerings, platforms, marketing strategy and customer experience in order to make the relationship more meaningful for the customer, "stickier" for the company, and more valuable to us both.
- Investing in client-facing technology – through an efficient mix of proprietary and industry-standard platforms to better leverage our intellectual capital in driving revenue growth and providing customers easier and more efficient access to our products and services
- Create a scalable execution and clearing infrastructure where costs per transaction are decreasing in absolute terms.
- Robust environment to dynamically allocate capital and resources to create maximum long-term value for shareholders.
- Multi-layered risk management to ensure that we achieve the best risk-adjusted return for our business.

We believe that we have made significant strides over the last couple years, as evidenced by our financial performance, and have becoming increasingly recognized as a broker and counterparty of choice globally. We are well positioned and excited about the prospects ahead.

On behalf of the executive management team, I want to firstly and most importantly thank all of our clients for without you we have no business; we know we have to earn your trust every day by adding value to your business. Thanks also to everyone on our amazing INTL FCStone team for their exceptional contributions during this productive year, our Board and advisors for their guidance, our bankers for their financial support, and our stockholders for entrusting their capital to us.

SEAN M. O'CONNOR
Chief Executive Officer

Corporate Governance Statement

The Company is committed to high standards of corporate governance and has put in place a framework that fosters good governance, is practical for a company of our size and satisfies our current listing and regulatory requirements. The Company has instituted a Code of Ethics that demands honest and ethical conduct from all employees. Specific topics covered are conflicts of interest, fair dealing, compliance with regulations and accurate financial reporting.

Executives

The roles of Chairman and CEO are split. The CEO and CFO make all necessary representations to satisfy regulatory and listing requirements. Executive compensation is determined by a Compensation Committee composed exclusively of independent directors.

Board Of Directors

The Company has a Board of Directors consisting of one executive, one non-independent, and nine non-executive directors, all nine of whom are independent. The Chairman is a non-executive director. The Board oversees the strategy, finances, operations and regulatory compliance of the Company through regular quarterly meetings and additional special meetings when required. The non-executive directors regularly meet independently of the executive directors. The Nominating & Governance, Audit, Compensation and Risk Committees are each composed of at least three independent directors. The Audit Committee meets the SEC requirement that at least one of its members should be a financial expert.

Financial Reporting And Internal Control

The Company strives to present clear, accurate and timely financial statements. Management has a system of internal controls in place, regularly assesses the effectiveness of these controls and modifies them as necessary. Risk management is an important aspect of this system of internal controls, and the Risk Committee monitors compliance with risk policies.

Investor Relations

The Company seeks to provide accurate and timely information to stockholders and other stakeholders to facilitate a better understanding of the Company and its activities. The Company seeks to distribute such information as widely as possible through filings on Form 8-K, press releases and postings on its website, www.intlfcstone.com.

Forward-Looking Statements

This Annual Report 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 Company's control, including adverse changes in economic, political and market conditions, losses from the Company's activities arising from customer or counterparty failures, 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 laws or regulations and the impact of changes in technology on our businesses. Although the Company believes that its forward-looking statements are based upon reasonable assumptions regarding its businesses 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.

Executive Director

Sean O'Connor
Chief Executive Officer/President

Officers

William Dunaway
Chief Financial Officer

Xuong Nguyen
Chief Operating Officer

Bruce Fields
Group Treasurer

Tricia Harrod
Chief Risk Officer

Aaron Schroeder
Chief Accounting Officer

David Bolte
Corporate Secretary

Non-Executive Directors

John Radziwill
Chairman
Private Investor
Company Director

Paul G. (Pete) Anderson
Retired Company President
Member Risk Committee
Member Compensation Committee

Scott Branch
Retired Company President

John M. Fowler
Chairman Compensation Committee
Member Nominating & Governance Committee
Private Investor
Independent Consultant

Daryl Henze
Chairman Audit Committee
Member Risk Committee
Independent Consultant
Company Director

Diane Cooper
Director

Bruce Krehbiel
Member Audit Committee
Member Nominating & Governance Committee
Chief Executive Officer, Kanza Cooperative Association

Eric Parthemore
Chairman Nominating & Governance
Member Compensation Committee
Independent Consultant

Edward J. Grzybowski
Chairman Risk Committee
Member Audit Committee
Independent Consultant

Steve Kass
Member Audit Committee
Member Risk Committee
Independent Consultant

Corporate Headquarters And Stockholder Relations

708 Third Avenue, Suite 1500
New York, NY 10017, USA
Tel: +1 212 485 3500

Stock Listing

The Company's common stock trades on NASDAQ under the symbol "INTL".

Company Information

To receive Company material, including additional copies of this annual report, Forms 10-K or 10-Q, or to obtain information on other matters of investor interest, please contact Group Treasurer Bruce Fields at the Stockholder Relations address or visit our website at www.intlfcstone.com.

Stock Transfer Agent And Registrar

Computershare is the transfer agent and registrar for INTL FCStone Inc. Inquiries about stockholders' accounts, address changes or certificates should be directed to Computershare.

To contact by mail:
462 South 4th Street, Suite 1600
Louisville, KY 40202

The tables below present net income and diluted earnings per share as reported in accordance with Generally Accepted Accounting Principles ("GAAP"). The tables below also present reconciliations to adjusted net income, adjusted diluted earnings per share and adjusted ROE, which are non-GAAP measures.

The adjusted non-GAAP amounts reflect each item after removing the impacts of Tax Reform for the year ended September 30, 2018 and the bad debt on physical coal, net of incentive recapture for the years ended September 30, 2017 and 2018. Management believes that presenting our results excluding Tax Reform and the bad debt on physical coal, net of incentive recapture is meaningful, as it increases the comparability of period-to-period results.

(in millions)	For the Year Ended
Reconciliation of net income to adjusted non-GAAP amounts:	**September 30, 2018**
Net income as reported (GAAP)	$ 55.5
Bad debt on physical coal, net of incentive recapture, net of tax	1.0
Impact of Tax Reform	19.8
Adjusted net income (non-GAAP)	$ 76.3

(in millions)	For the Year Ended
Calculation of adjusted diluted earnings per share:	**September 30, 2018**
Adjusted net income (non-GAAP)	$ 76.3
Less: Allocation to participating securities (c)	(1.2)
Adjusted net income allocated to common stockholders (non-GAAP)	$75.1
Divided by diluted weighted-average common shares used in the calculation of adjusted diluted earnings per share	18,934,830
Adjusted diluted earnings per share (non-GAAP)	$ 3.98

(in millions)	For the Year Ended				
Reconciliation of net income to adjusted non-GAAP amounts:	**September 30, 2014**	**September 30, 2015**	**September 30, 2016**	**September 30, 2017**	**September 30, 2018**
Net income, as reported (GAAP)	$ 19.3	$ 55.7	$ 54.7	$ 6.4	$ 55.5
Bad debt on physical coal, net of incentive recapture, net of tax	-	-	-	39.4	1.0
Impact of Tax Reform	-	-	-	-	19.8
Adjusted net income (non-GAAP)	$ 19.3	$ 55.7	$ 54.7	$ 45.8	$ 76.3
Stockholders' Equity, beginning of fiscal year	$ 335.3	$ 345.4	$ 397.1	$ 433.8	$ 449.9
Stockholders' Equity, end of fiscal year	$ 345.4	$ 397.1	$ 433.8	$ 449.9	$ 505.3
Average of Stockholders' Equity	$ 340.4	$ 371.3	$ 415.5	$ 441.9	$ 477.6
Adjusted ROE	5.7%	15.0%	13.2%	10.4%	16.0%

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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended September 30, 2018

☐ **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	**59-2921318**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
708 Third Avenue, Suite 1500 **New York, NY**	**10017**
(Address of principal executive offices)	*(Zip Code)*

(212) 485-3500
(Registrant's telephone number, including area code)

SECURITIES REGISTERED UNDER SECTION 12(B) OF THE ACT:	
Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	NASDAQ Global Market

SECURITIES REGISTERED UNDER SECTION 12(G) OF THE ACT:
NONE

Indicate by check mark:	YES	NO
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☐	☑
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	☐	☑
• 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.	☑	☐
• whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	☑	☐
• if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	☑	
• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐		
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

As of March 31, 2018, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $565.4 million.

As of December 10, 2018, there were 18,915,667 shares of the registrant's common stock outstanding.

DOCUMENT INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on February 13, 2019 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Cautionary Statement about Forward-Looking Statements

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

PART I

ITEM 1 Business

Overview of Business and Strategy

We are a diversified global brokerage and financial services firm providing execution, risk management and advisory services, market intelligence and clearing services with significant asset class coverage and significant market coverage globally. We help our clients to access market liquidity, maximize profits and manage risk. Our revenues are derived primarily from financial products and advisory services intended to fulfill our clients' commercial needs and provide bottom-line benefits to their businesses. Our businesses are supported by our global infrastructure of regulated operating subsidiaries, our advanced technology platform and our team of more than 1,700 employees as of September 30, 2018. We believe our client-first approach differentiates us from large banking institutions, engenders trust and has enabled us to establish leadership positions in a number of complex fields in financial markets around the world.

We offer a vertically integrated product suite, including high-touch execution, electronic access through a wide variety of technology platforms in a number of important global markets, and insightful market intelligence and advice, as well as post-trade settlement, clearing and custody services. We believe this is a unique product suite offering outside of bulge bracket banks, which creates sticky relationships with our clients. Our business model has created a revenue stream that is diversified by asset class, client type and geography, with a significant portion of recurring revenue derived from monetizing non-trading client activity including consistent and predictable interest and fee earnings on client balances, while also earning both commissions and spreads as clients execute transactions across our financial network.

We currently serve more than 20,000 commercial and institutional clients, located in more than 130 countries. We believe we are the third largest independent, non-bank futures commission merchant ("FCM") in the United States ("U.S.") based upon our approximately $2.6 billion in client segregated assets as of September 30, 2018, and one of the top ranked market makers in foreign securities by dollar volume as determined through the three-year period ended December 31, 2017, making markets in approximately 5,000 different foreign securities. We are one of only nine Category One ring dealing members of the London Metals Exchange (the "LME"). Our clients include commercial entities, asset managers, regional, national and introducing broker-dealers, insurance companies, brokers, institutional investors and professional traders, commercial and investment banks and government and non-governmental organizations ("NGOs"). We believe our clients value us for our attention to their needs, our expertise and flexibility, our global reach, our ability to provide access to liquidity in hard to reach markets and opportunities, and our status as a well-capitalized and regulatory-compliant organization. Our correspondent clearing and independent wealth management businesses include approximately 60 correspondent clearing relationships representing more than 80,000 underlying individual securities accounts as of September 30, 2018.

We engage in direct sales efforts to seek new clients, with a strategy of extending our services to potential clients that are similar in size and operations to our existing client base. In executing this strategy, we intend to both target new geographic locations and expand the services offered in geographic locations in which we currently operate where there is an unmet need for our services, particularly in those locations where commodity price controls have been recently lifted. In addition, we selectively pursue small- to medium-sized acquisitions, focusing primarily on targets that satisfy specified criteria, including client-centric organizations that may help us expand into new asset classes, client segments and geographies where we currently have small or limited market presence.

We believe we are well positioned to capitalize on key trends impacting the financial services sector. Among others, these trends include the impact of increased regulation on banking institutions and other financial services providers; increased consolidation, especially of smaller sub-scale financial services providers and independent securities clearing firms; the growing importance and complexity of conducting secure cross-border transactions; and the demand among financial institutions to transact with well-capitalized counterparties.

We focus on mitigating exposure to market risk, ensuring adequate liquidity to maintain our daily operations and making non-interest expenses variable, to the greatest extent possible. Our strategy is to utilize a centralized and disciplined process for capital allocation, risk management and cost control, while delegating the execution of strategic objectives and day-to-day management to experienced individuals. This requires high quality managers, a clear communication of performance objectives and strong financial and compliance controls. We believe this strategy will enable us to build a more scalable and significantly larger organization that embraces an entrepreneurial approach to business, supported and underpinned by strong centralized financial and compliance controls.

INTL FCStone Inc. is a Delaware corporation formed in October 1987.

Available Information

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

Capabilities

We provide our clients access to financial markets and liquidity sources globally to enable them to efficiently hedge their risk and/or gain exposure. Our financial network connects over 20,000 commercial and institutional clients and over 80,000 retail clients to 36 derivatives exchanges, most global securities exchanges and a multitude of bilateral liquidity sources.

Execution

We provide high-touch execution as well as electronic access through a wide variety of technology platforms in a number of important global markets. Asset and product types include listed futures and options on futures, equities, mutual funds, equity options, corporate, government and municipal bonds and unit investment trusts.

Clearing

We provide competitive and efficient clearing on major futures and securities exchanges globally, as well as prime brokerage in major foreign currency pairs and swap transactions. Additionally, we provide clearing of foreign exchange transactions, in addition to clearing of a wide range of over-the-counter "(OTC") products.

Global Payments

We have built a scalable platform to provide end-to-end global payment solutions to banks and commercial businesses, as well as charities, NGOs and government organizations. We offer payments services in approximately 140 currencies. In this business, we primarily act as a principal in buying and selling foreign currencies on a spot basis deriving revenue from the difference between the purchase and sale prices. Through our comprehensive platform and our commitment to client service, we provide simple and fast execution, delivering funds in any of these countries quickly through our global network of more than 300 correspondent banking relationships.

Advisory Services

We provide value-added advisory services and high-touch trade execution across a variety of financial markets, including commodities, foreign currencies, interest rates, institutional asset management and independent wealth management. For commercial clients with exposure to commodities, foreign currencies and interest rates, we work through our proprietary Integrated Risk Management Program ("IRMP®") to systematically identify and quantify their risks and then develop strategic plans to effectively manage these risks with a view to protecting their margins and ultimately improving their bottom lines.

We also participate in the underwriting and trading of municipal securities in domestic markets as well as asset-backed securities in our Argentinian operations. Through our asset management activities, we leverage our specialist expertise in niche markets to provide institutional investors with tailored investment products. Through our independent wealth management business, we provide advisory services to the growing retail investor market.

Physical Trading

We act as a principal to support the needs of our clients in a variety of physical commodities, primarily precious metals, as well as across the commodity complex, including energy commodities, grains, oil seeds, cotton, coffee, cocoa, edible oils and feed products. Through these activities, we have the ability to offer a simplified risk management approach to our commercial clients by embedding more complex hedging structures as part of each physical contract to provide clients with enhanced price risk mitigation. We also offer clients efficient off-take or supply services, as well as logistics management.

OTC / Market-Making

We offer clients access to the OTC markets for a broad range of traded commodities, foreign currencies and interest rates, as well as to global securities markets. For clients with commodity price and financial risk, our customized and tailored OTC structures help mitigate those risks by integrating the processes of product design, execution of the underlying components of the structured risk product, transaction reporting and valuation.

We provide market-making and execution in a variety of financial products including commodity derivatives, unlisted American Depository Receipts ("ADRs") and Global Depository Receipts ("GDRs"), foreign ordinary shares, and foreign currencies. In addition, we are an institutional dealer in fixed income securities including U.S. Treasury, U.S. government agency, agency mortgage-backed, asset-backed and corporate securities.

Operating Segments

Our business activities are managed as operating segments and organized into reportable segments as follows:

Commercial Client Focused Segments

Commercial Hedging

We serve our commercial clients through our team of risk management consultants, providing a high-value-added service that we believe differentiates us from our competitors and maximizes the opportunity to retain our clients. Our risk management consulting services are designed to quantify and monitor commercial entities' exposure to commodity and financial risk. Upon assessing this exposure, we develop a plan to control and hedge these risks with post-trade reporting against specific client objectives. Our clients are assisted in the execution of their hedging strategies through a wide range of products from listed exchange-traded futures and options, to basic OTC instruments that offer greater flexibility and structured OTC products designed for customized solutions.

Our services span virtually all traded commodity markets, with the largest concentrations in agricultural and energy commodities (consisting primarily of grains, energy and renewable fuels, coffee, sugar, cotton, and food service) and base metals products listed on the LME. Our base metals business includes a position as a Category One ring dealing member of the LME, providing execution, clearing and advisory services in exchange-traded futures and OTC products. We also provide execution of foreign currency forwards and options and interest rate swaps as well as a wide range of structured product solutions to our commercial clients who are seeking cost-effective hedging strategies. Generally, our clients direct their own trading activity, and our risk management consultants do not have discretionary authority to transact trades on behalf of our clients.

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

- **Financial Agricultural ("Ag") & Energy**
  - **Agricultural —**
    - Grain elevator operators, grain merchandisers, traders, processors, manufacturers and end-users.
    - Livestock production, feeding and processing, dairy and users of agricultural commodities in the food industry.
    - Coffee, sugar and cocoa producers, processors and end-users.
    - Global fiber, textile and apparel industry.
  - **Energy and renewable fuels —**
    - Producers, refiners, wholesalers, transportation companies, convenience store chains, automobile and truck fleet operators, industrial companies, railroads, and municipalities.
    - Consumers of natural gas including some of the largest natural gas consumers in North America, including municipalities and large manufacturing firms, as well as major utilities.
    - Ethanol and biodiesel producers and end-users.
  - **Other —**
    - Lumber mills, wholesalers, distributors and end-users.
    - Commercial entities seeking to hedge their foreign exchange exposures.
- **LME Metals**
  - **Commercial —**
    - Producers, consumers and merchants of copper, aluminum, zinc, lead, nickel, tin and other ferrous products.
  - **Institutional —**
    - Commodity trading advisors and hedge funds seeking clearing and execution of LME and NYMEX/COMEX base metal products.

Physical Commodities

This segment consists of our physical Precious Metals trading and Physical Agricultural ("Ag") and Energy commodity businesses. In Precious Metals, we provide a full range of trading and hedging capabilities, including OTC products, to select producers, consumers, and investors. In our trading activities, we act as a principal, committing our own capital to buy and sell precious metals on a spot and forward basis.

In our Physical Ag & Energy commodity business, we act as a principal to facilitate financing, structured pricing and logistics services to clients across the commodity complex, including energy commodities, grains, oil seeds, cotton, coffee, cocoa, edible oils and feed products. We provide financing to commercial commodity-related companies against physical inventories. We use sale and repurchase agreements to purchase commodities evidenced by warehouse receipts, subject to a simultaneous agreement to sell such commodities back to the original seller at a later date.

We generally mitigate the price risk associated with commodities held in inventory through the use of derivatives. We do not elect hedge accounting under accounting principles generally accepted in the United States of America ("U.S. GAAP") in accounting for this price risk mitigation.

Institutional Client Focused Segments

Clearing and Execution Services ("CES")

We provide competitive and efficient clearing and execution in all major futures and securities exchanges globally as well as prime brokerage in major foreign currency pairs and swap transactions. Through our platform, client orders are accepted and directed to the appropriate exchange for execution. We then facilitate the clearing of clients' transactions. Clearing involves the matching of client' trades with the exchange, the collection and management of client margin deposits to support the transactions, and the accounting and reporting of the transactions to clients.

As of September 30, 2018, we held $2.6 billion in required client segregated assets, which we believe makes us the third largest non-bank FCM in the U.S., as measured by required client segregated assets. We seek to leverage our capabilities and capacity by offering facilities management or outsourcing solutions to other FCM's.

We are an independent full-service provider to introducing broker-dealers ("IBD's") of clearing, custody, research, syndicated and security-based lending products and services, including a proprietary technology platform which offers seamless connectivity to ensure a positive client experience through the clearing and settlement process. Our independent wealth management business, which offers a comprehensive product suite to retail clients nationwide, clears through this platform. We believe we are one of the leading mid-market clearers in the securities industry, with approximately 60 correspondent clearing relationships with over $15 billion in assets under management or administration as of September 30, 2018.

Within this segment, we also maintain what we believe is one of the largest non-bank prime brokers and swap dealers in the world. Through this offering, we provide prime brokerage foreign exchange ("FX") services to financial institutions and professional traders. We provide our clients with the full range of OTC products, including 24-hour a day execution of spot, forwards and options as well as non-deliverable forwards in both liquid and exotic currencies. We also operate a proprietary FX desk that arbitrages the exchange-traded foreign exchange markets with the cash markets.

Through our London-based Europe, Middle East and Africa ("EMEA") oil voice brokerage business, we employ over 30 employees providing brokerage services across the fuel, crude and middle distillates markets with over 200 commercial and institutional clients throughout Europe, the Middle East and Africa.

Securities

We provide value-added solutions that facilitate cross-border trading and believe our clients value our ability to manage complex transactions, including foreign exchange, utilizing our local understanding of market convention, liquidity and settlement protocols around the world. Our clients include U.S.-based regional and national broker-dealers and institutions investing or executing client transactions in international markets and foreign institutions seeking access to the U.S. securities markets. We are one of the leading market makers in foreign securities, including unlisted ADRs, GDRs and foreign ordinary shares. We make markets in over 5,000 ADRs, GDRs and foreign ordinary shares, of which over 3,600 trade in the OTC market. In addition, we will, on request, make prices in more than 10,000 unlisted foreign securities. We are also a broker-dealer in Argentina where we are active in providing institutional executions in the local capital markets.

We act as an institutional dealer in fixed income securities, including U.S. Treasury, U.S. government agency, agency mortgage-backed and asset-backed securities to a client base including asset managers, commercial bank trust and investment departments, broker-dealers and insurance companies.

We originate, structure and place debt instruments in the international and domestic capital markets. These instruments include complex asset-backed securities (primarily in Argentina) and domestic municipal securities. On occasion, we may invest our own capital in debt instruments before selling them. We also actively trade in a variety of international debt instruments as well as operate an asset management business in which we earn fees, commissions and other revenues for management of third party assets and investment gains or losses on our investments in funds and proprietary accounts managed either by our investment managers or by independent investment managers.

Payments Segment

Global Payments

We provide global payment solutions to banks and commercial businesses as well as charities and non-governmental and government organizations. We offer payments services in approximately 170 countries and 140 currencies, which we believe is more than any other payments solution provider, and provide transparent pricing.

Our proprietary FXecute global payments platform is integrated with a financial information exchange ("FIX") protocol. This FIX protocol is an electronic communication method for the real-time exchange of information, and we believe it represents one of the first FIX offerings for cross-border payments in exotic currencies. FIX functionality allows clients to view real time market rates for various currencies, execute and manage orders in real-time, and view the status of their payments through the easy-to-use portal.

Additionally, as a member of the Society for Worldwide Interbank Financial Telecommunication ("SWIFT"), we are able to offer our services to large money center and global banks seeking more competitive international payments services.

Through this single comprehensive platform and our commitment to client service, we believe we are able to provide simple and fast execution, ensuring delivery of funds in any of these countries quickly through our global network of approximately 300 correspondent banks. In this business, we primarily act as a principal in buying and selling foreign currencies on a spot basis. We derive revenue from the difference between the purchase and sale prices.

We believe our clients value our ability to provide exchange rates that are significantly more competitive than those offered by large international banks, a competitive advantage that stems from our years of foreign exchange expertise focused on smaller, less liquid currencies.

Acquisitions during Fiscal Year 2018

PayCommerce Financial Solutions, LLC

On September 5, 2018, we acquired all of the outstanding membership interests of PayCommerce Financial Solutions, LLC. PayCommerce Financial Solutions, LLC is a fully accredited SWIFT Service Bureau provider. The acquisition enables us to act as a SWIFT Service Bureau for our 300-plus correspondent banking network, thus providing another important service for delivering local currency, cross-border payments to the developing world. The purchase price was approximately $3.8 million and was not material to us. Subsequent to the acquisition, we have renamed PayCommerce Financial Solutions, LLC to INTL Technology Services LLC.

Carl Kliem S.A.

On June 12, 2018, we executed a sale and purchase agreement to acquire Carl Kliem S.A. Carl Kliem S.A. is an independent interdealer broker based in Luxembourg, a leading European financial hub, providing foreign exchange, interest rate and fixed income products to a diverse, institutional client base across the European Union. Carl Kliem S.A. employs approximately 40 people and has over 400 active institutional clients. The closing of the agreement was conditional upon approval of the Luxembourg financial sector supervisory authority, the Commission de Surveillance du Secteur Financier ("CSSF"). In November 2018, the Company received regulatory approval from the CSSF to complete the acquisition. The purchase price is equal to the net tangible book value on the completion date minus restructuring costs and is not expected to be material to us.

Acquisition and Internal Subsidiary Consolidation during Fiscal Year 2017

ICAP's EMEA Oils Broking Business

Effective October 1, 2016, our wholly owned subsidiary, INTL FCStone Ltd ("IFL"), acquired the London-based EMEA oils business of ICAP plc. The business included more than 30 front office employees across the fuel, crude, middle distillates, futures and options desks that have relationships with over 200 commercial and institutional clients throughout Europe, the Middle East and Africa. The purchase price included cash consideration of $6.0 million paid directly to ICAP as well as incentive amounts payable to employees acquired based upon their continued employment.

Internal Subsidiary Consolidation

Effective July 1, 2017, we merged our wholly-owned regulated U.S. subsidiary, Sterne Agee & Leach, Inc., into our wholly owned regulated U.S. subsidiary, INTL FCStone Financial Inc. ("INTL FCStone Financial"), which is registered as both a broker-dealer and a FCM. As such, the assets, liabilities and equity of Sterne Agee & Leach, Inc. were transferred into INTL FCStone Financial.

Acquisition during Fiscal Year 2016

Sterne Agee

Effective July 1, 2016, we acquired the legacy independent brokerage and clearing businesses of Sterne Agee, LLC, a wholly-owned subsidiary of Stifel Financial Corp. Effective August 1, 2016, we acquired the legacy Registered Investment Advisor ("RIA") business of Sterne Agee, LLC. Pursuant to the two stock purchase agreements, we acquired Sterne Agee & Leach, Inc.; Sterne Agee Clearing, Inc.; Sterne Agee Financial Services, Inc.; Sterne Agee Asset Management, Inc. and Sterne Agee Investment Advisor Services, Inc. for cash consideration. The purchase price of $45.0 million represents a discount to the allocation of fair value to the net assets of the Sterne entities acquired. The $6.2 million discount in the purchase price compared to the allocation of fair value to the net assets at closing was reflected as a bargain purchase gain on the transaction within "other gains" in the Consolidated Income Statement for the year ended September 30, 2016.

Competition

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

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

Investor interest in the markets we serve impact and will continue to impact our activities. The instruments traded in these markets compete with a wide range of alternative investment instruments. We seek to counterbalance changes in demand in specified markets by undertaking activities in multiple uncorrelated markets.

Technology has increased competitive pressures on commodities and financial intermediaries by improving dissemination of information, making markets more transparent and facilitating the development of alternative execution mechanisms. In certain instances, we compete by providing technology-based solutions to facilitate client transactions and solidify client relationships.

Administration and Operations

We employ operations personnel to supervise and, for certain products, complete the clearing and settlement of transactions.

INTL FCStone Financial is a self-clearing broker-dealer which holds client funds and maintains deposits with the National Securities Clearing Corporation, Inc. ("NSCC"), MBS Clearing Corporation, Inc., Depository Trust & Clearing Corporation, Inc. ("DTCC") and the Options Clearing Corporation ("OCC"). In addition, it clears a portion of its securities transactions through Broadcort, a division of Merrill Lynch, Pierce, Fenner & Smith, Inc and Pershing LLC, a subsidiary of The Bank of New York Mellon.

INTL FCStone DTVM Ltda., our broker-dealer subsidiary based in Brazil, clears its securities transactions through BM&F Bovespa.

We utilize front-end electronic trading, back office and accounting systems to process transactions on a daily basis. In some cases these systems are integrated. The systems provide record keeping, trade reporting to exchange clearing organizations, internal risk controls, and reporting to government and regulatory entities, corporate managers, risk managers and clients. A third-party service bureau located in Hopkins, MN maintains our futures and options back office system. It has a disaster recovery site in Salem, NH.

We hold client funds in relation to certain of our activities. In regulated entities, these client funds are segregated, but in unregulated entities they are not. For a further discussion of client segregated funds in our regulated entities, please see the "Client Segregated Assets" discussion below.

Our administrative staff manages our internal financial controls, accounting functions, office services and compliance with regulatory requirements.

Governmental Regulation and Exchange Membership

Our activities are subject to significant governmental regulation, both in the U.S. and overseas. Failure to comply with regulatory requirements could result in administrative or court proceedings, censure, fines, issuance of cease-and-desist orders, or suspension or disqualification of the regulated entity, its officers, supervisors or representatives. The regulatory environment in which we operate is subject to frequent change and these changes directly impact our business and operating results.

The commodities industry in the U.S. is subject to extensive regulation under federal law. We are required to comply with a wide range of requirements imposed by the Commodity Futures Trading Commission (the "CFTC"), the National Futures Association (the "NFA") and the Chicago Mercantile Exchange, which is our designated self-regulatory organization. We are also a member of the Chicago Mercantile Exchange's divisions: the Chicago Board of Trade, the New York Mercantile Exchange and COMEX, InterContinental Exchange, Inc. ("ICE") Futures US, ICE Europe Ltd, the New Zealand Exchange and the Minneapolis Grain Exchange. These regulatory bodies protect clients by imposing requirements relating to capital adequacy, licensing of personnel, conduct of business, protection of client assets, record-keeping, trade-reporting and other matters.

The securities industry in the U.S. is subject to extensive regulation under federal and state securities laws. We must comply with a wide range of requirements imposed by the Securities and Exchange Commission (the "SEC"), state securities commissions, the Municipal Securities Rulemaking Board ("MSRB") and FINRA. These regulatory bodies safeguard the integrity of the financial markets and protect the interests of investors in these markets. They also impose minimum capital requirements on regulated entities. In connection with our wealth management business, one of our subsidiaries, SA Stone Investment Advisors Inc., is registered with, and subject to oversight by, the SEC as an investment adviser. As such, in its relations with its advisory clients, SA Stone Investment Advisers Inc. is subject to the fiduciary and other obligations imposed on investment advisers under the Investment Advisers Act of 1940 and the rules and regulations promulgated thereunder, as well as various state securities laws. These laws and regulations include obligations relating to, among other things, custody and management of client assets, marketing activities, self-dealing and full disclosure of material conflicts of interest, and generally grant the SEC and other supervisory bodies administrative powers to address non-compliance. Failure to comply with these requirements could result in a variety of sanctions, including, but not limited to, revocation of an advisory firm's registration, restrictions or limitations on its ability to carry on its investment advisory business or the types of clients with which it can deal, suspensions of individual employees and significant fines.

The Financial Conduct Authority ("FCA"), the regulator of the financial services industry in the United Kingdom, regulates our subsidiary, INTL FCStone Ltd, as a Markets in Financial Instruments Directive ("MIFID") investment firm under part IV of the Financial Services and Markets Act 2000. The regulations impose regulatory capital, as well as conduct of business, governance, and other requirements. The conduct of business rules include those that govern the treatment of client money and other assets which, under certain circumstances for certain classes of clients must be segregated from the firm's own assets. INTL FCStone Ltd is a member of the LME, ICE Europe Ltd, Euronext Amsterdam, Euronext Paris, the European Energy Exchange, Eurex and Norexco ASA.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") created a comprehensive new regulatory regime governing swaps and further regulations on listed derivatives. The Dodd-Frank Act also created a registration regime for new categories of market participants, such as "swap dealers", among others. Our wholly owned subsidiary, INTL FCStone Markets, LLC is a CFTC provisionally registered swap dealer, whose business is overseen by the National Futures Association ("NFA"), the self-regulatory organization for the U.S. derivatives industry.

The Dodd-Frank Act generally introduced a framework for (i) swap data reporting and record keeping on counterparties and data repositories; (ii) centralized clearing for swaps, with limited exceptions for end-users; (iii) the requirement to execute swaps on regulated swap execution facilities; (iv) imposition on swap dealers to exchange margin on uncleared swaps with counterparties; and (v) the requirement to comply with new capital rules.

Effective September 2016, CFTC margin rules came into effect, imposing new requirements on registered swap dealers (such as our subsidiary, INTL FCStone Markets, LLC) and certain counterparties to exchange initial and variation margin, with an implementation period ending in 2020. We will continue to monitor all applicable developments in the ongoing implementation of the Dodd-Frank Act. The legislation and implementing regulations affect not only us, but also our clients and counterparties.

The European Markets Infrastructure Regulation ("EMIR") is the European regulations on OTC derivatives, central counterparties and trade repositories. The EMIR has been implemented across the European Economic Area member states. EMIR has imposed new requirements on our European entities, including (a) reporting derivatives trades to trade repositories; (b) setting up enhanced risk management procedures for OTC derivative transactions; and (c) changes to our clearing account models and increased central counterparty margin requirements. Reporting requirements and most risk mitigation procedures were set at the end of 2013. Implementation of collateral obligations applicable to non-cleared OTC transactions came into force during 2017. ESMA is continuing to evaluate and set clearing obligations for certain OTC derivatives. We comply with the enacted provisions and will continue to do so when pending EMIR provisions are finalized as relevant to our activities.

In addition to the EMIR, European Union financial market legislation Markets in Financial Instruments Directive II ("MIFID II") and the Markets in Financial Instruments Regulation ("MIFIR") took effect on January 3, 2018. Principal areas of impact related to these regulatory texts involve the emergence and oversight of organized trade facilities ("OTF's") for trading OTC non-equity products, client categorization, enhanced investor protection, conflicts of interest and execution policies, transparency obligations and extended transaction reporting requirements. We will continue to monitor all applicable regulatory developments.

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

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

Net Capital Requirements

INTL FCStone Financial is a dually registered broker-dealer/FCM and is subject to minimum capital requirements under Section 4(f)(b) of the Commodity Exchange Act, Part 1.17 of the rules and regulations of the CFTC and the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934. These rules specify the minimum amount of capital that must be available to support our clients' open trading positions, including the amount of assets that INTL FCStone Financial must maintain in relatively liquid form, and are designed to measure general financial integrity and liquidity. Net capital and the related net capital requirement may fluctuate on a daily basis.

Compliance with minimum capital requirements may limit our operations if we cannot maintain the required levels of capital and restrict the ability of INTL FCStone Financial to make distributions to us. Moreover, any change in these rules or the imposition of new rules affecting the scope, coverage, calculation or amount of capital we are required to maintain could restrict our ability to operate our business and adversely affect our operations.

SA Stone Wealth Management Inc. (formerly Sterne Agee Financial Services, Inc.) is subject to the SEC Uniform Net Capital Rule 15c3-1 under the Exchange Act.

INTL FCStone Ltd, a financial services firm regulated by the FCA is subject to a net capital requirement.

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

The Australian Securities and Investment Commission regulates INTL FCStone Pty Ltd. It is subject to a net tangible asset capital requirement.

The Brazilian Central Bank and Securities and Exchange Commission of Brazil regulate INTL FCStone DTVM Ltda. ("INTL FCStone DTVM") and INTL FCStone Banco de Cambio S.A. They are a registered broker-dealer and registered foreign exchange bank, respectively, and are subject to capital adequacy requirements.

The Comision Nacional de Valores regulates INTL Gainvest S.A. and INTL CIBSA S.A. and they are subject to net capital and capital adequacy requirements. The Rosario Futures Exchange and the General Inspector of Justice regulate INTL Capital, S.A. It is subject to a capital adequacy requirement.

Certain of our other non-U.S. subsidiaries are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate.

All of our subsidiaries are in compliance with all of their capital regulatory requirements as of September 30, 2018. Additional information on these net capital and minimum net capital requirements can be found in Note 12 to the Consolidated Financial Statements.

Segregated Client Assets

INTL FCStone Financial maintains client segregated deposits from its clients relating to their trading of futures and options on futures on U.S. commodities exchanges held with INTL FCStone Financial, making it subject to CFTC regulation 1.20, which specifies that such funds must be held in segregation and not commingled with the firm's own assets. INTL FCStone Financial maintains acknowledgment letters from each depository at which it maintains client segregated deposits in which the depository acknowledges the nature of funds on deposit in the account. In addition, CFTC regulations require filing of a daily segregation calculation which compares the assets held in clients segregated depositories ("segregated assets") to the firm's total segregated assets held on deposit from clients ("segregated liabilities"). The amount of client segregated assets must be in excess of the segregated liabilities owed to clients and any shortfall in such assets must be immediately communicated to the CFTC. As of September 30, 2018, INTL FCStone Financial maintained \$57.3 million in segregated assets in excess of its segregated liabilities.

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

In addition, INTL FCStone Financial in its capacity as a securities clearing broker-dealer, clears transactions for clients and certain proprietary accounts of broker-dealers ("PABs"). In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934 ("Rule 15c3-3"), the Company maintains special reserve bank accounts ("SRBAs") for the exclusive benefit of securities clients and PABs. As of September 30, 2018, we prepared reserve computations for the clients accounts and PAB accounts, in accordance with the client reserve computation guidelines set forth in Rule 15c3-3. Based upon these computations, there was no PAB reserve requirement as of September 30, 2018. The customer reserve requirement was \$6.4 million as of September 30, 2018. As of September 30, 2018, amounts held on deposit in SRBAs for the benefit of clients and PABs were \$0 and \$0.3 million, respectively. An additional deposit of \$11.4 million was made to the client SRBA on October 2, 2018 to meet the client segregation requirements.

INTL FCStone Ltd is subject to certain business rules, including those that govern the treatment of client money and other assets which under certain circumstances for certain classes of client must be segregated from the firm's own assets. As of September 30, 2018, INTL FCStone Ltd was in compliance with the applicable segregated funds requirements.

Secured Client Assets

INTL FCStone Financial maintains client secured deposits from its clients funds relating to their trading of futures and options on futures traded on, or subject to the rules of, a foreign board of trade held with INTL FCStone Financial, making it subject to CFTC Regulation 30.7, which requires that such funds must be carried in separate accounts in an amount sufficient to satisfy all of INTL FCStone Financial's current obligations to clients trading foreign futures and foreign options on foreign commodity exchanges or boards of trade, which are designated as secured clients' accounts. As of September 30, 2018, INTL FCStone Financial maintained \$16.1 million in secured assets in excess of its secured liabilities.

Foreign Operations

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

INTL FCStone Ltd is domiciled in the United Kingdom, and subject to regulation by the FCA.

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

In Argentina, the activities of INTL Gainvest S.A. and INTL CIBSA S.A. are subject to regulation by the Comision Nacional de Valores and the activities of INTL Capital, S.A. are subject to regulation by the Rosario Futures Exchange and the General Inspector of Justice.

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

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

INTL FCStone Pte. Ltd. is subject to regulation by the Monetary Authority of Singapore.

INTL FCStone Pty Ltd. is subject to regulation by the Australian Securities and Investments Commission.

INTL FCStone (Hong Kong) Limited holds a type 2 derivatives license and is subject to regulation by the Securities & Futures Commission of Hong Kong.

Business Risks

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

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

Employees

As of September 30, 2018, we employed 1,701 people globally: 1,092 in the U.S., 270 in the United Kingdom, 143 in Brazil, 76 in Argentina, 53 in Singapore, 12 in Dubai, 10 in the Republic of Ireland, 10 in Australia, 9 in Paraguay, 9 in China, 4 in Hong Kong, 9 in Mexico and 4 in Canada. None of our employees operate under a collective bargaining agreement, and we have not suffered any work stoppages or labor disputes. Many of our employees are subject to employment agreements, certain of which contain non-competition provisions.

ITEM 1A Risk Factors

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

Our ability to achieve consistent profitability is subject to uncertainty due to the nature of our businesses and the markets in which we operate.

During the fiscal year ended September 30, 2018 we recorded net income of $55.5 million, compared to net income of $6.4 million in fiscal 2017 and $54.7 million in fiscal 2016.

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

- market conditions, such as price levels and volatility in the commodities, securities and foreign exchange markets in which we operate;
- changes in the volume of our market-making and trading activities;
- changes in the value of our financial instruments, currency and commodities positions and our ability to manage related risks;
- the level and volatility of interest rates;

- the availability and cost of funding and capital;
- our ability to manage personnel, overhead and other expenses;
- changes in execution and clearing fees;
- the addition or loss of sales or trading professionals;
- reduction in fee revenues from client trading and wealth management services;
- changes in legal and regulatory requirements; and
- general economic and political conditions.

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

The manner in which we account for certain of our precious metals and energy commodities inventory may increase the volatility of our reported earnings.

Our net income is subject to volatility due to the manner in which we report our precious metals and energy commodities inventory held by subsidiaries that are not broker-dealers. Our precious metals and energy inventory held in subsidiaries which are not broker-dealers is stated at the lower of cost or net realizable value. We generally mitigate the price risk associated with our commodities inventory through the use of derivatives. We do not elect hedge accounting under U.S. GAAP for this price risk mitigation. In such situations, any unrealized gains in our precious metals and energy inventory in our non-broker-dealer subsidiaries are not recognized under U.S. GAAP, but unrealized gains and losses in related derivative positions are recognized under U.S. GAAP. As a result, our reported earnings from these business segments are subject to greater volatility than the earnings from our other business segments.

Our level of indebtedness could adversely affect our financial condition.

As of September 30, 2018, our total consolidated indebtedness was $355.2 million, and we may increase our indebtedness in the future as we continue to expand our business. Our indebtedness could have important consequences and significant effects on our business, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- requiring that a portion of our cash flow from operations be used for the payment of interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions, investments and general corporate requirements;
- making it difficult for us to optimally manage the cash flow for our businesses;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions, investments and general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate; and
- subjecting us to a number of restrictive covenants that, among other things, limit our ability to pay dividends and make distributions, make acquisitions and dispositions, borrow additional funds and make capital expenditures and other investments.

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

Committed credit facilities currently available to us might not be renewed.

We currently have four committed credit facilities under which we may borrow up to $594.5 million, consisting of:

- a $262.0 million facility available to the Company, for general working capital requirements, committed until March 18, 2019.
- a $75.0 million facility available to INTL FCStone Financial, for short-term funding of margin to commodity exchanges, committed until April 4, 2019.
- a $232.5 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 November 1, 2019.
- a $25.0 million facility available to our wholly owned subsidiary, INTL FCStone Ltd, for short-term funding of margin to commodity exchanges, committed until January 31, 2019.

Of our committed credit facilities, $362 million are scheduled to expire during the 12-month period beginning with the filing date of this Annual Report on Form 10-K. There is no guarantee that we will be successful in renewing, extending or rearranging these facilities.

The Company's business requires substantial cash to support its operating activities. Our business involves the establishment and carrying of substantial open positions for clients on futures exchanges and in the OTC derivatives markets. We are required to post and maintain margin or credit support for these positions. Although we collect margin or other deposits from our clients for these positions, significant adverse price movements can occur which will require us to post margin or other deposits on short notice, whether or not we are able to collect additional margin or credit support from our clients. We have systems in place to collect margin and other deposits from clients on a same-day basis; however, there can be no assurance that these facilities and systems will be adequate to eliminate the risk of margin calls in the event of severe adverse price movements affecting open positions of our clients. As such, the Company may be dependent on its lines of credit and other financing facilities in order to fund margin calls and other operating activities.

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

Our failure to successfully integrate the operations of businesses acquired could have a material adverse effect on our business, financial condition and operating results.

From time to time, we may seek to expand our product offerings and /or geographic presence through acquisitions of complementary businesses, technologies or services. Our ability to engage in suitable acquisitions will depend on our ability to identify opportunities for potential acquisitions that fit within our business model, enter into the agreements necessary to take advantage of these potential opportunities and obtain any necessary financing. We may not be able to do so successfully. We are regularly evaluating potential acquisition opportunities.

We will need to meet challenges to realize the expected benefits and synergies of these acquisitions, including:

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

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

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

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

We face risks associated with our market-making and trading activities.

We conduct our market-making and trading activities predominantly as a principal, which subjects our capital to significant risks. These activities involve the purchase, sale or short sale for clients and for our own account of financial instruments, including equity and debt securities, commodities and foreign exchange. These activities are subject to a number of risks, including risks of price fluctuations, rapid changes in the liquidity of markets and counterparty creditworthiness. These risks may limit our ability to either resell financial instruments we purchased or to repurchase securities we sold in these transactions. In addition, we may experience difficulty borrowing financial instruments to make delivery to purchasers to whom we sold short, or lenders from whom we have borrowed. From time to time, we have large position concentrations in securities of a single issuer or issuers in specific countries and markets. This concentration could result in higher trading losses than would occur if our positions and activities were less concentrated.

The success of our market-making activities depends on:

- the price volatility of specific financial instruments, currencies and commodities,
- our ability to attract order flow;
- the skill of our personnel;
- the availability of capital; and
- general market conditions.

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

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

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

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

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

Fluctuations in currency exchange rates could negatively impact our earnings.

A significant portion of our international business is conducted in currencies other than the U.S. dollar, and changes in foreign exchange rates relative to the U.S. dollar can therefore affect the value of our non-U.S. dollar net assets, revenues and expenses. Although we closely monitor potential exposures as a result of these fluctuations in currencies and adopt strategies designed to reduce the impact of these fluctuations on our financial performance, there can be no assurance that we will be successful in managing our foreign exchange risk. Our exposure to currency exchange rate fluctuations will grow if the relative contribution of our operations outside the U.S. increases. Any material fluctuations in currencies could have a material effect on our financial condition, results of operations and cash flows.

We are exposed to certain risks as a result of operating in countries with high levels of inflation.

We are exposed to risks as a result of operating in countries with high levels of inflation. These risks include the risk that the rate of price increases will not keep pace with the cost of inflation, adverse economic conditions may discourage business growth which could affect demand for our services, the devaluation of the currency may exceed the rate of inflation and reported U.S. dollar revenues and profits may decline, and these countries may be deemed "highly inflationary" for U.S. GAAP purposes.

For example, we have wholly owned subsidiaries in Argentina which employed 76 people as of September 30, 2018, and primarily conduct debt trading and asset management business activities for clients. The Argentinian economy was recently determined to be highly inflationary. For U.S. GAAP purposes, a highly inflationary economy is one where the cumulative inflation rate for the three years preceding the beginning of the reporting period, including interim reporting periods, is in excess of 100 percent. Argentina's inflation rate reached this threshold during the quarterly period ended June 30, 2018. For periods through June 30, 2018, the functional currency for certain of our subsidiaries was the Argentinian peso, the local currency of these subsidiaries. In accordance with this designation, effective July 1, 2018 we report the financial results of the subsidiaries in Argentina at the functional currency of their parent, which is the U.S. dollar. Going forward, fluctuations in the Argentinian peso to U.S. dollar exchange rate could negatively impact our earnings.

We operate as a principal in the OTC derivatives markets which involves the risks associated with commodity derivative instruments.

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

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

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

OTC derivative transactions are subject to unique risks.

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

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

OTC derivative transactions may generally only be modified or terminated only by mutual consent of the parties to any such transaction (other than in certain limited default and other specified situations (e.g., market disruption events)) and subject to agreement on individually negotiated terms. Accordingly, it may not be possible to modify, terminate or offset obligations or exposure to the risk associated with a transaction prior to its scheduled termination date.

In addition, we note that as a result of rules recently adopted by U.S. regulators concerning certain financial contracts (including OTC derivatives) entered into with our counterparties that have been designated as global systemically important banking organizations, we may be restricted in our ability to terminate such contracts following the occurrence of certain insolvency-related default events. The rules are being progressively implemented between January 1, 2019 and January 1, 2020.

Changes to the U.S. corporate tax system have had and may in the future continue to have a significant effect on the carrying value of our net deferred tax assets and will result in additional U.S. corporate tax liabilities on unremitted earnings from deemed repatriation of earnings of our foreign subsidiaries.

The recent reform of the U.S. tax system includes changes to corporate tax rates, a one-time mandatory repatriation transition tax on previously untaxed accumulated and current earnings and profits of certain of our foreign subsidiaries and also establishes new tax laws that will affect the fiscal year ending September 30, 2019 and subsequent fiscal years, including, but not limited to, (1) elimination of the corporate alternative minimum tax, (2) a new provision designed to tax global intangible low-taxed income, (3) limitations on the utilization of net operating losses incurred in tax years beginning after September 30, 2018 to 80% of taxable income per tax year, (4) the creation of the base erosion anti-abuse tax, (5) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries, and (6) limitations on the deductibility of interest expense and certain executive compensation.

As of September 30, 2018, the remeasurement of the deferred tax assets and liabilities resulted in $8.6 million of tax expense. The accounting for this amount is considered complete.

The transition tax requires us to determine, in addition to other factors, the amount of post 1986 earnings and profits of the relevant subsidiaries, as well as the amount of non-US income taxes paid on such earnings. We made a reasonable estimate of the transition tax and recorded a provisional transition tax obligation as of September 30, 2018 of $11.2 million. While we can make reasonable estimates for the deemed repatriation transition tax, the final tax impact may differ from these estimates, due to, among other things, changes in our interpretations and assumptions, additional guidance that may be issued by taxing authorities, and actions we may take.

Most state and local income tax jurisdictions have updated their conformity or issued guidance on their level of conformity with the U.S. federal income tax changes as of September 30, 2018. We are able to calculate the impact of the reduction in corporate rate and the deemed repatriation transition tax for state and local income tax purposes and the impact on tax expense is immaterial.

We may have difficulty managing our growth.

We have experienced significant growth in our business. Our operating revenues grew from $490.9 million in fiscal 2014 to $975.8 million in fiscal 2018. This growth may continue, including as a result of any acquisitions we have recently undertaken or may undertake in the future.

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

The scope of procedures for assuring compliance with applicable rules and regulations changes as the size and complexity of our business increases. In response, we have implemented and continue to revise formal compliance procedures; however, there can be no assurances that such procedures will be effective.

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

Lapses in disclosure controls and procedures or internal control over financial reporting could materially and adversely affect our operations, profitability or reputation.

As an SEC reporting company, we are required to maintain a system of effective internal control over financial reporting and disclosure controls and procedures. Nevertheless, lapses or deficiencies in disclosure controls and procedures or in our internal control over financial reporting may occur from time to time.

There can be no assurance that our disclosure controls and procedures will be effective in the future or that a material weakness in internal control over financial reporting will not exist. Any such lapses or deficiencies may materially and adversely affect our business and results of operations or financial condition, require us to expend significant resources to correct the lapses or deficiencies, expose us to regulatory or legal proceedings, subject us to fines, penalties, judgments or losses not covered by insurance, harm our reputation, or otherwise cause a decline in investor confidence.

Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk, which could harm our business.

We have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future. However, our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Our risk management policies and procedures require, among other things, that we properly record and verify many thousands of transactions and events each day, and that we continuously monitor and evaluate the size and nature of our or our clients' and counterparties' positions and the associated risks. In light of the high volume of transactions, it is impossible for us to review and assess every single transaction or to monitor at every moment in time our or our clients' and counterparties' positions and the associated risks.

Our policies and procedures used to identify, monitor and mitigate a variety of risks, including risks related to human error, client defaults, market movements, fraud and money-laundering, are established and reviewed by the Risk Committee of our Board of Directors. Some of our methods for managing risk are discretionary by nature and are based on internally developed controls and observed historical market behavior, and also involve reliance on standard industry practices. These methods may not adequately prevent losses, particularly as they relate to extreme market movements, which may be significantly greater than historical fluctuations in the market. Our risk management policies and procedures also may not adequately prevent losses due to technical errors if our testing and quality control practices are not effective in preventing software or hardware failures. In addition, we may elect to adjust our risk management policies and procedures to allow for an increase in risk tolerance, which could expose us to the risk of greater losses. Our risk management policies and procedures rely on a combination of technical and human controls and supervision that are subject to error and failure. These policies and procedures may not protect us against all risks or may protect us less than anticipated, in which case our business, financial condition and results of operations and cash flows may be materially adversely affected.

We are exposed to the credit risk of our clients and counterparties and their failure to meet their financial obligations could adversely affect our business.

We have substantial credit risk in both our securities and commodities businesses. As a market maker of OTC and listed securities and a dealer in fixed income securities, we conduct the majority of our securities transactions as principal with institutional counterparties. We clear the majority of our principal securities transactions through unaffiliated clearing brokers or banks, who also are the custodian of the majority of our principal equity and debt securities. In these transactions, we may suffer losses as a result of a counterparty's failure to fulfill its contractual obligations. We borrow securities from, and lend securities to, other broker-dealers, and may also enter into agreements to repurchase and agreements to resell securities. Adverse changes in market conditions related to securities utilized in these transactions may result in losses if counterparties to these transactions fail to honor their commitments.

In our correspondent securities clearing and independent wealth management businesses, we permit clients to purchase securities on margin, subject to various regulatory and internal margin requirements. During periods of significant price declines, the value of collateral securing the client's margin loan may decline below the client's obligation to us. In the event, the client is unable to deposit additional collateral for these margin loans, we may incur credit losses on these transactions or additional costs in attempting to secure additional collateral. While introducing broker-dealers and independent representatives are generally responsible for the credit losses of their clients, we may incur losses if they do not fulfill their obligations.

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

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

We act as a principal in our physical commodities trading activities which exposes us to the credit risk of our counterparties and clients in these activities.

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

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

As a clearing member firm of clearing houses in the U.S. and abroad, we are also exposed to clearing member credit risk. Clearing houses require member firms to deposit cash and/or government securities to a clearing fund. If a clearing member defaults in its obligations to the clearing house in an amount larger than its own margin and clearing fund deposits, the shortfall is absorbed pro rata from the deposits of the other clearing members of the applicable clearing house. Several clearing houses of which we are members also have the authority to assess their members for additional funds if the clearing fund is depleted. A large clearing member default could result in a substantial cost to us if we are required to pay such assessments.

Our net operating revenues may decrease due to changes in market volume, prices or liquidity.

Declines in the volume of securities, commodities and derivative transactions and in market liquidity generally may result in lower revenues from market-making and trading activities. Changes in price levels of securities and commodities and other assets, and interest and foreign exchange rates also may result in reduced trading activity and reduce our revenues from market-making transactions. Changed price levels also can result in losses from changes in the fair value of securities, commodities and other assets held in inventory. Sudden sharp changes in fair values of securities, commodities and other assets can result in:

- illiquid markets;
- fair value losses arising from positions held by us;
- the failure of buyers and sellers of securities, commodities and other assets to fulfill their settlement obligations;

- redemptions from funds managed in our asset management business segment and consequent reductions in management fees;
- reductions in accrued performance fees in our asset management business segment; and
- increases in claims and litigation.

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

Our net operating revenues may decrease due to changes in client trading volumes which are dependent in large part on commodity prices and commodity price volatility.

Client trading volumes are largely driven by the degree of volatility—the magnitude and frequency of fluctuations—in prices of commodities. Higher volatility increases the need to hedge contractual price risk and creates opportunities for arbitrage trading. Energy and agricultural commodities markets periodically experience significant price volatility. In addition to price volatility, increases in commodity prices generally lead to increased trading volume. As prices of commodities rise, especially energy prices, new participants enter the markets to address their growing risk-management needs or to take advantage of greater trading opportunities. Sustained periods of stability in the prices of commodities or generally lower prices could result in lower trading volumes and, potentially, lower revenues. Lower volatility and lower volumes could lead to lower client balances held on deposit, which in turn may reduce the amount of interest revenue and account fees based on these deposits.

Factors that are particularly likely to affect price volatility and price levels of commodities include:

- supply and demand of commodities;
- weather conditions affecting certain commodities;
- national and international economic and political conditions;
- perceived stability of commodities and financial markets;
- the level and volatility of interest rates and inflation; and
- financial strength of market participants.

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

Our net operating revenues may be impacted by diminished market activity due to adverse economic, political and market conditions.

The amount of our revenues depends in part on the level of activity in the securities, foreign exchange and commodities markets in which we conduct business. The level of activity in these markets is directly affected by numerous national and international factors that are beyond our control, including:

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

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

We depend on our management team.

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

We depend on our ability to attract and retain key personnel.

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

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

In the event of employee misconduct or error, our business may be harmed.

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Employee misconduct or error could subject us to legal liability, financial losses and regulatory sanctions and could seriously harm our reputation and negatively affect our business. Misconduct by employees could include engaging in improper or unauthorized transactions or activities, failing to properly supervise other employees or improperly using confidential information. Employee errors, including mistakes in executing, recording or processing transactions for clients, could cause us to enter into transactions that clients may disavow and refuse to settle, which could expose us to the risk of material losses even if the errors are detected and the transactions are unwound or reversed. If our clients are not able to settle their transactions on a timely basis due to employee error, our risk of material loss could be increased. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms. It is not always possible to deter employee misconduct or error, and the precautions we take to detect and prevent this activity may not be effective in all cases.

Internal or third party computer and communications systems failures, capacity constraints and breaches of security could increase our operating costs and/or credit losses, decrease net operating revenues and cause us to lose clients.

We are heavily dependent on the capacity and reliability of the computer and communications systems supporting our operations, whether owned and operated internally or by third parties, including those used for execution and clearance of our client's trades and our market-making activities. We receive and process a large portion of our trade orders through electronic means, such as through public and private communications networks. These computer and communications systems and networks are subject to performance degradation or failure from any number of reasons, including loss of power, acts of war or terrorism, human error, natural disasters, fire, sabotage, hardware or software malfunctions or defects, computer viruses, intentional acts of vandalism, client error or misuse, lack of proper maintenance or monitoring and similar events. Our systems, or those of our third party providers, may fail or operate slowly, causing one or more of the following:

- unanticipated disruptions in service to our clients;
- slower response times;
- delays in our clients' trade execution;
- failed settlement of trades;
- decreased client satisfaction with our services;
- incomplete, untimely or inaccurate accounting, recording, reporting or processing of trades;
- financial losses;
- litigation or other client claims; and
- regulatory sanctions.

In addition, in connection with our business, we collect and retain personally identifiable information of our clients. The continued occurrence of high-profile data breaches provides evidence of the serious threats to information security. Our clients expect that we will adequately protect their personal information, and the regulatory environment surrounding information security and privacy is increasingly demanding. Protecting against security breaches, including cyber-security attacks, is an increasing challenge, and penetrated or compromised data systems or the intentional, inadvertent or negligent release or disclosure of data could result in theft, loss or fraudulent or unlawful use of client or company data. It is possible that our security controls over personally identifiable information, our training of employees on data security and other practices we follow may not prevent the improper disclosure of personally identifiable information that we store and manage.

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

We are subject to extensive government regulation.

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

As participants in various financial markets and exchanges, we may be subject to regulation concerning certain aspects of our business, including without limitation:

- risk management;
- trade practices;
- the way we communicate with, market our products and services to, and disclose risks to, clients;
- financial, transaction and other reporting requirements and practices;
- client identification and anti-money laundering requirements;
- capital structure;
- record creation and retention;
- safeguarding and management of client assets and personal information;
- conflicts of interest; and
- the conduct of our directors, officers and employees.

Failure to comply with any of these laws, rules or regulations could result in adverse consequences. We and certain of our officers and employees have been subject to claims arising from acts that regulators asserted were in contravention of these laws, rules and regulations.

These claims resulted in the payment of fines and/or other settlement terms (including requiring us to rectify any deficiencies identified by the applicable regulator - for example, amending our policies and procedures). It is possible that we, our officers and other employees will be subject to similar claims in the future. An adverse ruling against us or our officers and other employees could result in our or our officers and other employees being required to pay a substantial fine and/or other settlement terms and could result in a suspension or revocation of required registrations or memberships. Such sanctions could have a material adverse effect on our business, financial condition and operating results.

The regulatory environment in which we operate is subject to change. Any rule changes, additional legislation or regulations (including changes required under the Dodd-Frank Act) and any new or revised regulation by the SEC, the CFTC, other U.S. or foreign governmental regulatory authorities, SROs, MSRB, NFA or FINRA could have a material adverse effect on our business, financial condition and operating results. Changes in the interpretation or enforcement of existing laws and rules by these governmental authorities, SROs, MSRB, NFA and FINRA could also have a material adverse effect on our business, financial condition and operating results. Failure to comply with current or future legislation or regulations that apply to our operations could subject us to fines, penalties or material restrictions on our business in the future.

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

We have incurred significant additional operational and compliance costs to meet regulatory requirements. These requirements have significantly affect our business and will continue to do so in the future.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010. The Dodd-Frank Act represents a comprehensive change to financial regulation in the U.S., and affects virtually every area of the capital markets, including, 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 market participants such as "swap dealers". Implementation of the Dodd-Frank Act has required, and will continue to require, many lengthy rulemaking processes resulting in the adoption of a multitude of new regulations applicable to entities which transact business in the U.S. or with U.S. persons outside the U.S. The Dodd-Frank Act affects many aspects, in the U.S. and internationally, of our business, including OTC derivatives and other financial activities, and will have an effect on our revenue and profitability, limit our ability to pursue certain business opportunities, impact the value of assets that we hold, require us to change certain business practices, impose additional costs on us and otherwise adversely affect our business.

The Dodd-Frank Act granted regulatory authorities, such as the CFTC and the SEC, broad rule-making authority to implement various provisions of the Dodd-Frank Act, including comprehensive regulation of the OTC derivatives market. A substantial majority of the OTC derivatives transactions in which our subsidiaries and affiliates engage are subject to regulation by the CFTC, which has finalized and implemented most of the rules required under the Dodd-Frank Act. However, because the regulatory program for OTC derivatives is comparatively new, it is difficult to predict the extent to which we and our subsidiaries and affiliates will be affected by these implementing regulations as they come into effect. Accordingly, we cannot provide assurance that new legislation and regulation will not eventually have an adverse effect on our business, results of operations, cash flows and financial condition.

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

Changes that have been, and that will continue to be made to, our OTC and clearing businesses in order to comply with our regulatory obligations have impacted the way be conduct these businesses and may adversely impact our current and future results of operations. As a result of the increased financial regulation (including as a result of the Dodd-Frank Act), the markets for cleared and non-cleared swaps may become less robust, there may be less volume and liquidity in these markets and there may be less demand for our services. This may occur as a result of, for example, certain banks and other large institutions being limited in their conduct of proprietary trading and being limited or prohibited from trading in certain derivatives. These rules, including the restrictions and limitations on the trading activities of certain banks and large institutions, may impact transaction volumes and liquidity in the markets in which we operate and our revenues would be adversely impacted as a result.

These changes to our OTC derivatives and clearing businesses may also adversely impact our cash flows and financial condition. Registration requirements have and will continue to impose substantial regulatory requirements upon certain of our entities including, among other things, capital and margin requirements, business conduct standards, initial and variation margin requirements, and record keeping and data reporting obligations. Increased regulatory oversight has also imposed administrative burdens on us related to, among other things, responding to regulatory examinations or investigations. Effective September 2016, CFTC margin rules came into effect, imposing new requirements on registered swap dealers (such as our subsidiary, INTL FCStone Markets, LLC) and certain of their counterparties to exchange initial and variation margin, with an implementation period ending in September 2020.

The European Markets Infrastructure Regulation ("EMIR") is the European regulation on OTC derivatives, central counterparties and trade repositories. EMIR has been implemented across the European Economic Area member states. EMIR has imposed new requirements on our European entities, including (a) reporting derivatives trades to trade repositories; (b) setting up enhanced risk management procedures for OTC derivative transactions; and (c) changes to our clearing account models and increased central counterparty margin requirements. Reporting requirements and most risk mitigation procedures were set at the end of 2013. Implementation of collateral obligations applicable to non-cleared OTC transactions came into force during 2017. ESMA is continuing to evaluate and set clearing obligations for certain OTC derivatives. INTL FCStone Ltd. complies with the enacted provisions and will do so when pending EMIR provisions are finalized as relevant to its activities.

In addition to EMIR, European Union financial market legislation MiFID II and MiFIR took effect on January 3, 2018. Principal areas of impact related to these regulatory texts involve the emergence and oversight of organized trading facilities ("OTFs") for trading OTC non-equity products, client categorization, enhanced investor protection, conflicts of interest and execution policies, transparency obligations and extended transaction reporting requirements. We will continue to monitor all applicable regulatory developments.

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

We are subject to net capital requirements.

The SEC, FINRA and the CFTC require our dually registered broker-dealer/FCM subsidiary, INTL FCStone Financial to maintain specific levels of net capital. Failure to maintain the required net capital may subject this subsidiary to suspension or revocation of registration by the SEC, and suspension or expulsion by FINRA and other regulatory bodies and may subject this subsidiary to limitations on its activities, including suspension or revocation of its registration by the CFTC and suspension or expulsion by the NFA and various exchanges of which it is a member.

SA Stone Wealth Management Inc. (formerly Sterne Agee Financial Services, Inc.) is subject to the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934.

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

The Australian Securities and Investment Commission regulates INTL FCStone Pty. Ltd. It is subject to a net tangible asset capital requirement.

The Brazilian Central Bank and Securities and Exchange Commission of Brazil regulate INTL FCStone DTVM Ltda. and INTL FCStone Banco de Cambio S.A. They are a registered broker-dealer and registered foreign exchange bank, respectively, and are subject to capital adequacy requirements.

The Comision Nacional de Valores regulates INTL Gainvest S.A. and INTL CIBSA S.A., and they are subject to net capital and capital adequacy requirements. The Rosario Futures Exchange and the General Inspector of Justice regulate INTL Capital, S.A. It is subject to a capital adequacy requirement.

Certain of our other non-U.S. subsidiaries are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate.

The CFTC has also proposed capital requirements requiring registered swap dealers (such as our subsidiary, INTL FCStone Markets, LLC) to maintain specific levels of net capital. If implemented as proposed, failure to maintain the required net capital may result in suspension or revocation of registration by the CFTC and suspension or expulsion by the NFA and various exchanges of which it is a member.

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

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

In addition to the net capital requirements, INTL FCStone Financial Inc. is subject to the deposit and/or collateral requirements of the clearing houses in which it participates (such as The Depository Trust & Clearing Corporation and The Options Clearing Corporation). These requirements may fluctuate significantly from time to time based upon the nature and size of client trading activity. Failure to meet such requirements could result in our inability to continue to participate in the clearing house, which would have a material adverse effect on the Company's results of operation and financial condition.

We are subject to margin funding requirements on short notice.

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

Low short-term interest rates negatively impact our profitability.

The level of prevailing short-term interest rates affects our profitability because we derive a portion of our revenue from interest earned from the investment of funds deposited with us by our clients. As of September 30, 2018, we had $2.6 billion in client segregated assets, the majority of which are generally invested in U.S. Treasury securities. In addition, in our correspondent securities clearing business, we earn fee income in lieu of interest income on client cash held in money market mutual funds and FDIC sweep accounts. Our financial performance generally benefits from rising interest rates. Higher interest rates increase the amount of interest income earned from these client deposits. If short-term interest rates remain low or start to decline further, our revenues derived from interest will correspondingly decline which would negatively impact our profitability.

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

We may issue additional equity securities.

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

We are subject to risks relating to litigation and potential securities, commodities and derivatives law liability.

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

For a further discussion of litigation risks, see Item 3—Legal Proceedings below and Note 11 - Commitments and Contingencies in the Consolidated Financial Statements.

We are subject to intense competition.

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

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

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

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

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

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

Our business could be adversely affected if we are unable to retain our existing clients or attract new clients.

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

We rely on relationships with introducing brokers for obtaining some of our clients.

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

Certain provisions of Delaware law and our charter may adversely affect the rights of holders of our common stock and make a takeover of us more difficult.

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

Our stock price is subject to volatility.

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

- actual or anticipated variations in our results of operations;
- announcements of new products by us or our competitors;
- technological innovations by us or our competitors;
- changes in earnings estimates or buy/sell recommendations by financial analysts;
- the operating and stock price performance of other companies;
- general market conditions or conditions specific in specific markets;
- conditions or trends affecting our industry or the economy generally;
- announcements relating to strategic relationships or acquisitions; and
- risk factors and uncertainties set forth elsewhere in this Form 10-K.

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

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

Our international operations involve special challenges that we may not be able to meet, which could adversely affect our financial results.

We engage in a significant amount of business with clients in the international markets. Certain additional risks are inherent in doing business in international markets, particularly in a regulated industry. These risks include:

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

Our operations are subject to the political, legal and economic risks associated with politically unstable and less developed regions of the world, including the risk of war and other international conflicts and actions by governmental authorities, insurgent groups, terrorists and others.

We are exposed to risks and uncertainties inherent in doing business in international markets. We may conduct business in countries that are the subject of actual or threatened war, terrorist activity, political instability, civil strife and other geopolitical uncertainty, economic and financial instability, unexpected changes in regulatory requirements, tariffs and other trade barriers, exchange rate fluctuations, applicable currency controls, the imposition of restrictions on currency conversion or the transfer of funds and difficulties in staffing and managing foreign operations, including reliance on local experts. As a result of these and other factors, the currencies of these countries may be unstable. Future instability in such currencies or the imposition of governmental or regulatory restrictions on such currencies or on business in such countries could impede our foreign business.

Our operations are required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we conduct business, and if we violate these regulations, we may be subject to significant penalties.

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

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

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

Our operations are required to comply with U.S. laws and regulations applicable to companies conducting business internationally, and if we violate these laws and regulations, it could adversely affect our business and subject us to broader liability.

Our international business operations are subject to various anti-corruption laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act (the "FCPA") and trade sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). The FCPA is intended to prohibit bribery of foreign officials and requires companies whose securities are listed in the U.S. to keep books and records that accurately and fairly reflect those companies' transactions and to devise and maintain an adequate system of internal accounting controls. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against designated foreign states, organizations and individuals. Though we have policies in place designed to comply with applicable OFAC sanctions, rules and regulations as well as the FCPA and equivalent laws and rules of other jurisdictions, there can be no assurance that, in the future, the operations of our businesses will not violate these laws and regulations, and we could be exposed to claims for damages, financial penalties, reputational harm, incarceration of employees and restrictions on our operations and cash flows.

The U.K.'s proposed withdrawal from the European Union could have an adverse effect on our business and financial results.

On March 29, 2017, the U.K. government triggered the article 50 of the Treaty on European Union ("Brexit"). This officially confirmed the U.K.'s intention withdraw its membership to the E.U. and the start for a two year negotiation process where the U.K. and the E.U. need to agree the terms of the withdrawal and potentially give consideration to the future of the relationship between the parties. Current uncertainty over whether the U.K. will ultimately leave the E.U., as well as the final outcome of the negotiations between the U.K. and E.U., could have an adverse effect on our business and financial results. The long-term effects of Brexit will depend on the terms negotiated between the U.K. and the E.U., which may take years to complete. Our operations in the U.K. as well as our global operations could be impacted by the global economic uncertainty caused by Brexit or the actual withdrawal by the U.K. from the E.U. If we are unable to manage any of these risks effectively, our business could be adversely affected.

ITEM 1B Unresolved Staff Comments

We have received no written comments regarding our periodic or current reports from the staff of the SEC that were issued 180 days or more preceding the end of our fiscal year 2018 that remain unresolved.

ITEM 2 Properties

The Company maintains offices in New York, New York; Winter Park, Florida; West Des Moines, Iowa; Chicago, Illinois; Kansas City, Missouri; Bloomfield, Nebraska; Omaha, Nebraska; Minneapolis, Minnesota; Champaign, Illinois; Miami, Florida; Indianapolis, Indiana; Bowling Green, Ohio; Nashville, Tennessee; Lawrence, Kansas; Mobile, Alabama; Boca Raton, Florida; Twin Falls, Idaho; Birmingham, Alabama; Charlotte, North Carolina; Youngstown, Ohio; Atlanta, Georgia; Houston, Texas; Mexico City, Mexico; Buenos Aires, Argentina; Campinas, Brazil; Sao Paulo, Brazil; Maringa, Brazil; Passo Fundo, Brazil; Goiania, Brazil; Recife, Brazil; Sorriso, Brazil; Patrocinio, Brazil; Campo Grande, Brazil; Asuncion and Ciudad del Este, Paraguay; Bogota, Colombia; London, United Kingdom; Dublin, Ireland; Dubai, United Arab Emirates; Singapore, Singapore; Beijing and Shanghai, China; Hong Kong; Toronto, Canada; Sydney, Australia; Luxembourg, Luxembourg; and Frankfurt, Germany. All of our offices and other principal business properties are leased, except for the space in Buenos Aires, which we own. We believe that our leased and owned facilities are adequate to meet anticipated requirements for our current lines of business.

ITEM 3 Legal Proceedings

In addition to the matters discussed below, from time to time and in the ordinary course of business, we are involved in various legal actions and proceedings, including tort claims, contractual disputes, employment matters, workers' compensation claims and collections. We carry insurance that provides protection against certain types of claims, up to the policy limits of our insurance. In the opinion of management, possible exposure from loss contingencies in excess of the amounts accrued, and in addition to the possible losses discussed below, is not material to our earnings, financial position or liquidity.

The following is a summary of a significant legal matter.

Sentinel Litigation

Prior to the July 1, 2015 merger into INTL FCStone Financial, our subsidiary, FCStone, LLC, had a portion of its excess segregated funds invested with Sentinel Management Group Inc. ("Sentinel"), a registered futures commission merchant ("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. In aggregate, $15.5 million of FCStone, LLC's $21.9 million in invested funds were returned to it before and after Sentinel's bankruptcy petition. A further amount of $2.0 million was held by the bankruptcy trustee in reserve in the name of FCStone, LLC.

In August 2008, the bankruptcy trustee of Sentinel filed adversary legal proceedings against FCStone, LLC and a number of other FCMs, seeking recovery of pre- and post-petition transfers totaling $15.5 million.

On April 23, 2018, following ten years of legal proceedings and a final ruling by the United States Court of Appeals for the Seventh Circuit against the trustee and in favor of INTL FCStone Financial, the United States Supreme Court denied the trustee's petition for writ of certiorari. Following this, on May 1, 2018, INTL FCStone Financial received funds from the reserve account in the amount of $2.0 million. This amount is presented in 'other gains' in the consolidated income statement.

Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but that may later prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

ITEM 4 Mine Safety Disclosures

Not applicable.

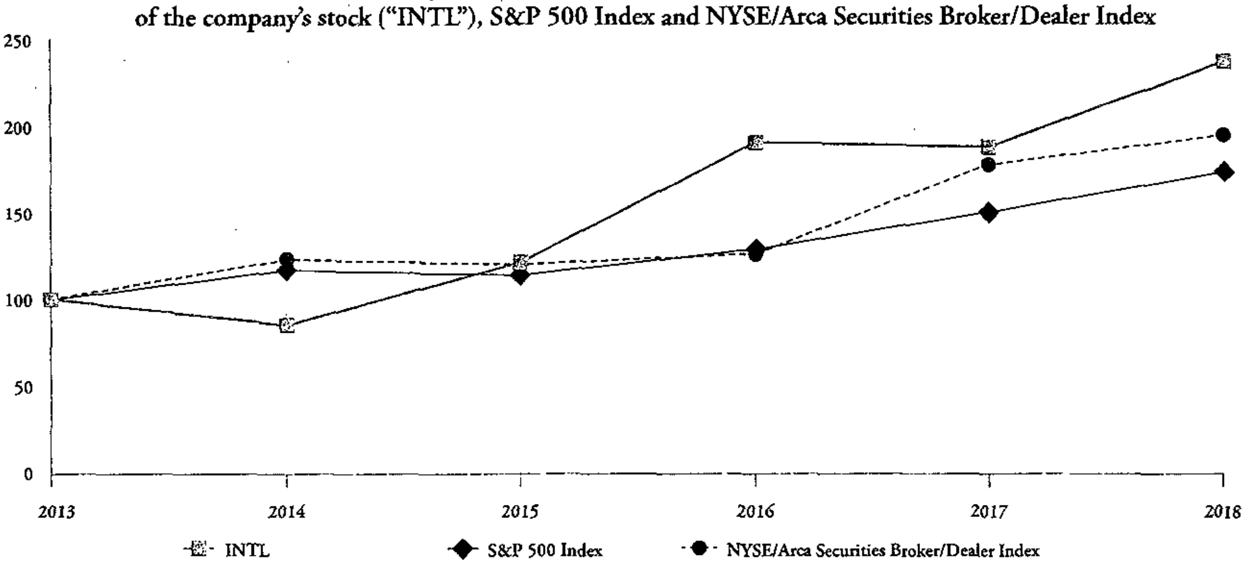
PART II

ITEM 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on The NASDAQ Stock Market LLC ("NASDAQ") under the symbol 'INTL'. Our common stock trades on the NASDAQ Global Select Market. As of September 30, 2018, there were approximately 317 registered holders of record of our common stock. The high and low sales prices per share of our common stock for each full quarterly period during fiscal 2018 and 2017 were as follows:

	Price Range	
	High	Low
2018:		
Fourth Quarter	$ 57.00	$ 48.06
Third Quarter	$ 53.57	$ 41.14
Second Quarter	$ 46.96	$ 38.58
First Quarter	$ 44.91	$ 38.14
2017:		
Fourth Quarter	$ 39.71	$ 33.11
Third Quarter	$ 39.37	$ 33.45
Second Quarter	$ 41.10	$ 35.75
First Quarter	$ 44.71	$ 34.61

Value over 5 years of $100 invested on September 30, 2013 in each of the company's stock ("INTL"), S&P 500 Index and NYSE/Arca Securities Broker/Dealer Index



We have never declared any cash dividends on our common stock, and do not currently have any plans to pay dividends on our common stock. The payment of cash dividends in the future is subject to the discretion of the Board of Directors and will depend on our earnings, financial condition, capital requirements, contractual restrictions and other relevant factors. Our credit agreements currently prohibit the payment of cash dividends by us.

On September 30, 2018, the previously authorized repurchase of up to 1.0 million shares of our outstanding common stock from time to time in open market purchases and private transactions expired. As of the date of this filing, no additional authorization by our Board of Directors has occurred. Previously approved plans were subject to the discretion of the senior management team to implement our stock repurchase plan, and subject to market conditions and as permitted by securities laws and other legal, regulatory and contractual requirements and covenants.

Our common stock repurchase program activity for the three months ended September 30, 2018 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares Remaining to be Purchased Under the Program
July 1, 2018 to July 31, 2018	—	$ —	—	1,000,000
August 1, 2018 to August 31, 2018	—	—	—	1,000,000
September 1, 2018 to September 30, 2018	—	—	—	1,000,000
Total	—	$ —	—	

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

ITEM 6 Selected Financial Data

The following selected financial and operating data are derived from our consolidated financial statements and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7 and our Consolidated Financial Statements included in Item 8.

SELECTED SUMMARY FINANCIAL INFORMATION

(in millions, except share and per share amounts)	Year Ended September 30, 2018	2017	2016	2015	2014
Revenues:					
Sales of physical commodities	$ 26,682.4	$ 28,673.3	$ 14,112.0	$ 34,089.9	$ 33,546.4
Trading gains, net	389.1	332.2	321.2	328.6	244.5
Commission and clearing fees	356.8	283.4	224.3	192.5	180.7
Consulting, management and account fees	71.1	65.0	42.2	42.8	42.8
Interest income	123.3	69.7	55.2	39.4	8.0
Total revenues	27,622.7	29,423.6	14,754.9	34,693.2	34,022.4
Cost of sales of physical commodities	26,646.9	28,639.6	14,083.9	34,068.9	33,531.5
Operating revenues	975.8	784.0	671.0	624.3	490.9
Transaction-based clearing expenses	179.7	136.3	129.9	122.7	108.5
Introducing broker commissions	133.8	113.0	68.9	52.7	49.9
Interest expense	80.7	42.1	28.3	17.1	10.5
Net operating revenues	581.6	492.6	443.9	431.8	322.0
Compensation and other expenses:					
Compensation and benefits	337.7	295.7	263.9	251.1	201.9
Trading systems and market information	34.7	34.4	28.0	23.5	21.5
Occupancy and equipment rental	16.5	15.2	13.3	13.5	12.3
Professional fees	18.1	15.2	14.0	12.5	14.9
Travel and business development	13.8	13.3	11.5	10.5	9.9
Non-trading technology and support	13.9	11.6	7.1	4.7	3.9
Depreciation and amortization	11.6	9.8	8.2	7.2	7.3
Communications	5.4	5.0	4.7	4.6	4.3
Bad debts and impairments	3.1	4.3	4.4	7.3	5.5
Bad debt on physical coal	1.0	47.0	—	—	—
Other	26.3	25.9	22.3	18.8	14.5
Total compensation and other expenses	482.1	477.4	377.4	353.7	296.0
Other gains	2.0	—	6.2	—	—
Income from continuing operations, before tax	101.5	15.2	72.7	78.1	26.0
Income tax expense	46.0	8.8	18.0	22.4	6.4
Net income from continuing operations	55.5	6.4	54.7	55.7	19.6
Loss from discontinued operations, net of tax	—	—	—	—	(0.3)
Net income	$ 55.5	$ 6.4	$ 54.7	$ 55.7	$ 19.3

(in millions, except share and per share amounts)	Year Ended September 30, 2018	2017	2016	2015	2014
Earnings per share:					
Basic	$ 2.93	$ 0.32	$ 2.94	$ 2.94	$ 1.01
Diluted	$ 2.87	$ 0.31	$ 2.90	$ 2.87	$ 0.98
Number of shares:					
Basic	18,549,011	18,395,987	18,410,561	18,525,374	18,528,302
Diluted	18,934,830	18,687,354	18,625,372	18,932,235	19,132,302
Other Data:					
Return on average stockholders' equity	11.6%	1.5%	13.2%	15.0%	5.7%
Employees, end of period	1,701	1,607	1,464	1,231	1,141
Compensation and benefits as a percentage of operating revenues	34.6%	37.7%	39.3%	40.2%	41.1%

SELECTED BALANCE SHEET INFORMATION

(in millions, except share and per share amounts)	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Total assets	$ 7,824.7	$ 6,243.4	$ 5,950.3	$ 5,070.0	$ 3,039.7
Lenders under loans	$ 355.2	$ 230.2	$ 182.8	$ 41.6	$ 22.5
Senior unsecured notes	$ —	$ —	$ 45.5	$ 45.5	$ 45.5
Stockholders' equity	$ 505.3	$ 449.9	$ 433.8	$ 397.1	$ 345.4

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

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

Overview

We are a diversified global brokerage and financial services firm providing execution, risk management and advisory services, market intelligence and clearing services with significant asset class coverage and significant market coverage globally. We help our clients to access market liquidity, maximize profits and manage risk. Our revenues are derived primarily from financial products and advisory services intended to fulfill our clients' commercial needs and provide bottom-line benefits to their businesses. Our businesses are supported by our global infrastructure of regulated operating subsidiaries, our advanced technology platform and our team of more than 1,700 employees as of September 30, 2018. We believe our client-first approach differentiates us from large banking institutions, engenders trust and has enabled us to establish leadership positions in a number of complex fields in financial markets around the world.

We report our operating segments based on services provided to clients. Our business activities are managed as operating segments and organized into five reportable segments, including Commercial Hedging and Physical Commodities, which are commercial client focused; Clearing & Execution Services ("CES") and Securities, which are institutional client focused; and Global Payments. See Segment Information for a listing of our operating segment components.

Recent Events Affecting the Financial Services Industry

The Dodd-Frank Act created a comprehensive new regulatory regime governing the over-the-counter ("OTC") and listed derivatives markets. Most of the rules related to this regime have come into effect, however some important rules, such as those setting capital and margin requirements, have not been finalized or fully implemented. Effective September 2016, CFTC margin rules came into effect, imposing new requirements on registered swap dealers (such as our subsidiary, INTL FCStone Markets, LLC) and certain of their counterparties to exchange initial and variation margin, with an implementation period ending in September 2020. We will continue to monitor all applicable developments in the ongoing implementation of the Dodd-Frank Act. The legislation and implementing regulations affect not only us, but also our clients and counterparties.

The European Markets Infrastructure Regulation ("EMIR") is the European regulations on OTC derivatives, central counterparties and trade repositories. EMIR has been implemented across the European Economic Area member states. EMIR has imposed new requirements on our European entities, including (a) reporting derivatives to trade repositories, (b) setting up enhanced risk management procedures for OTC derivative transactions, (c) changes to our clearing account models and increased central counterparty margin requirements. Reporting requirements and most risk mitigation procedures were set at the end of 2013. Implementation of collateral obligations applicable to non-cleared OTC transactions came into force during 2017. European Securities and Markets Authority ("ESMA") is continuing to evaluate and set clearing obligations for certain OTC derivatives. INTL FCStone Ltd complies with the enacted provisions and will do so when pending EMIR provisions are finalized as relevant to its activities.

In addition to the EMIR, European Union financial market legislation Markets in Financial Instruments Directive ("MIFID") II and Markets in Financial Instruments Regulation ("MIFIR") took effect on January 3, 2018. Principal areas of impact related to these regulatory texts involve the emergence and oversight of organized trade facilities ("OTF's") for trading OTC non-equity products, client categorization, enhanced investor protection, conflicts of interest and execution policies, transparency obligations and extended transaction reporting requirements. We will continue to monitor all applicable regulatory developments.

Recent Events Affecting the Company

During the week ended November 16, 2018, balances in approximately 300 accounts of the FCM division of our wholly owned subsidiary, INTL FCStone Financial, declined below required maintenance margin levels, primarily as a result of significant price fluctuations in the natural gas markets. All positions in these accounts, which were managed by OptionSellers.com Inc. ("OptionSellers"), an independent Commodity Trading Advisor ("CTA"), were liquidated in accordance with the INTL FCStone Financial's customer agreements and obligations under market regulation standards.

A CTA is by definition registered with the CFTC and a member of, and subject to audit by, the NFA. OptionSellers is registered under a CFTC Rule 4.7 exemption for "qualified eligible persons", which requires the account holders authorizing OptionSellers to act as their CTA to meet or exceed certain minimum financial requirements. OptionSellers, in its role as a CTA, had been granted by each of its customers full discretionary authority to manage the trading in the customer accounts, while INTL FCStone Financial acted solely as the clearing firm in its role as the FCM, at all times meeting its obligations as the FCM to these accounts.

INTL FCStone Financial's customer agreements conform to NFA guidance, disclose the risks to which account-holders are exposed, hold account-holders liable for all losses in their accounts, and obligate the account holders to reimburse INTL FCStone Financial for any account deficits in their accounts. INTL FCStone Financial continues to pursue collection of these receivables in the ordinary course of business. INTL FCStone Financial intends both to enforce and to defend its rights aggressively, and to claim interest and costs of collection where applicable. INTL FCStone Financial's standard customer agreements provide for arbitration of disputes between parties.

As of December 10, 2018, the aggregate receivable from these customer accounts, net of collections and other allowable deductions thus far, is $31.3 million, with no individual account receivable exceeding $1.4 million. The exposure to losses from these customer accounts is not yet determinable, as collection efforts are in early stages, given the timing of events that lead to the receivable balances disclosed above. Depending on future collections and an assessment to be made under U.S. GAAP, any provisions for bad debts and actual losses ultimately may or may not be material to our financial results. We believe that these accounts receivable balances, along with possible exposure to losses from these customer accounts, will not impact our ability to comply with our ongoing liquidity, capital, and regulatory requirements.

Effects of the Tax Cuts and Jobs Act

On December 22, 2017, the President of the United States ("U.S.") signed and enacted into law H.R. 1, the Tax Cuts and Jobs Act (the "Tax Reform"). Among the significant changes to the U.S. Internal Revenue Code, the Tax Reform lowers the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. We will compute our income tax expense (benefit) for the September 30, 2018 tax year using a U.S. statutory tax rate of 24.5%. The 21% U.S. statutory tax rate will apply to fiscal years ending September 30, 2019 and thereafter. The Tax Reform also imposes a one-time mandatory repatriation transition tax on previously untaxed accumulated and current earnings and profits ("E&P") of certain of our foreign subsidiaries.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Reform. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Reform enactment date for companies to complete the accounting under Accounting Standards Codification ("ASC") 740 - Income Taxes ("ASC 740"). In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Reform for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Reform is incomplete but it can determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 based on the tax laws that were in effect immediately before the enactment of the Tax Reform.

Our accounting for certain elements of the Tax Reform is incomplete. However, as of September 30, 2018, our accounting for the remeasurement of the deferred tax assets and liabilities is complete. The remeasurement of the deferred tax assets and liabilities resulted in $8.6 million of tax expense, which increased the effective tax rate by 8.5% during the year ended September 30, 2018.

To determine the amount of the transition tax, we must determine, in addition to other factors, the amount of post 1986 E&P of the relevant subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. We can make a reasonable estimate of the transition tax and recorded a provisional transition tax obligation of $11.2 million, which increased the effective tax rate by 11% during the year ended September 30, 2018. While we can make reasonable estimates for the deemed repatriation transition tax, the final tax impact may differ from these estimates, due to, among other things, changes in our interpretations and assumptions, additional guidance that may be issued by taxing authorities, and actions we may take.

The Tax Reform also establishes new tax laws that will affect the fiscal year ending September 30, 2019, including, but not limited to, (1) elimination of the corporate alternative minimum tax, (2) a new provision designed to tax global intangible low-taxed income (GILTI), (3) limitations on the utilization of net operating losses incurred in tax years beginning after September 30, 2018 to 80% of taxable income per tax year, (4) the creation of the base erosion anti-abuse tax (BEAT), (5) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries, and (6) limitations on the deductibility of interest expense and certain executive compensation. The Company has not yet determined the potential tax impact of provisions that are not yet effective, such as GILTI, BEAT, and the elimination of U.S. tax on dividends of future foreign earnings. The Company expects to make the policy election to treat GILTI as a period expense in the fiscal year ending September 30, 2019.

Fiscal 2018 Highlights

- Realized records in both operating revenues of $975.8 million and pre-tax income of $101.5 million.
- Our subsidiary INTL FCStone DTVM Ltda. was granted a full-service broker-dealer license in Brazil allowing expansion of its offering to its substantial existing institutional client base, as well as provide clients outside of Brazil greater access to that local market.
- Our Global Payments business significantly enhanced its regulatory capability in Brazil with an FX Bank license, making the Company one of the few foreign companies with that status, which has led to an immediate three-fold increase in payments in that key market.
- Agreed to purchase Carl Kliem S.A., an independent inter-dealer broker based in Luxembourg, which upon closing will provide a strong European client base and a European Union based footprint for us, post Brexit.
- Acquired the fully accredited SWIFT Service Bureau from PayCommerce in the fourth quarter, which will enable the Company to act as a SWIFT Service Bureau for its more than 300 correspondent clearing banks.

Executive Summary

We achieved strong operating revenue growth of 24%, or $191.8 million, to $975.8 million in fiscal 2018 compared to the prior year. The return of periods of market volatility in our key markets resulted in increased client activity and a widening of spreads in fiscal 2018, which combined with increases in short term interest rates and average client balances resulted in record operating revenues in all five of our reporting segments.

Overall segment income increased 55%, with Commercial Hedging and Clearing & Execution Services ("CES") adding $23.6 million and $17.9 million, respectively. In addition, our Global Payments segment added $9.2 million, while the Physical Commodities segment increased segment income by $48.0 million versus the prior year. These increases were modestly offset by a $5.8 million decline in Securities segment income.

Commercial Hedging segment income increased 32%, to $96.4 million, primarily as a result of strong growth in both exchange-traded and OTC revenues as well as a $9.5 million increase in interest income. A $1.3 million increase in interest expense was partially offset by a $0.7 million decline in non-variable direct expenses compared to the prior year.

CES segment income increased 59%, to $48.3 million, primarily as a result of the increase in operating revenues, most notably a 60% increase in our Exchange-Traded Futures & Options business, driven by a 35% increase in exchange-traded volumes as well as an $11.5 million increase in interest income. In addition, cost savings initiatives in our FX Prime Brokerage and Correspondent Clearing businesses resulted in a $4.1 million decline in non-variable direct expenses in this segment.

Global Payments segment income increased 18%, to $59.8 million, primarily as a result of the increase in operating revenues, driven by a 13% increase in the average revenue per trade versus the prior year period. In addition, introducing broker commissions declined $2.6 million versus the prior year, which was partially offset by a $1.4 million increase in non-variable direct expenses.

Segment income in Physical Commodities was $16.6 million in fiscal 2018 compared to a segment loss of $31.4 million in the prior year. Segment income in the prior year includes a $47.0 million charge to earnings for an allowance for doubtful accounts recorded in the fourth quarter of 2017 related to our physical coal business, discussed further below. Fiscal 2018 segment income includes a related $1.0 million charge to earnings, recorded in the first quarter of fiscal 2018 upon our exit of the physical coal business.

While operating revenues in our Securities segment increased 29%, segment income declined $5.8 million, impacted by weaker performance in our domestic institutional fixed income business including a $17.8 million increase in interest expense which more than offset the growth in operating revenues in that business. In addition, difficult market conditions led to a decline in performance in our Argentinian operations versus the prior year. Also, the prior year period included a $2.5 million realized gain on the sale of exchange shares in Argentina.

On the expense side, we continue to focus on maintaining our variable cost model and limiting the growth of our non-variable expenses. To that end, variable expenses were 61% of total expenses in fiscal 2018 compared to 53% in the prior year period. Non-variable expenses declined $30.7 million versus the prior year, however excluding the bad debt on physical coal, non-variable expenses increased $15.3 million year-over-year.

The fiscal 2018 results include $5.5 million in operating revenues, presented in 'trading gains, net', related to economic hedges in place against the effect of the devaluation of the Argentine peso on our Argentine operations. The Argentine peso has historically served as our functional currency in the Argentine operations, and as such the revaluation of the net assets of our Argentine subsidiaries was recorded as a component of accumulated other comprehensive loss, net in the consolidated balance sheets. Recently, the Argentinian economy was determined to be highly inflationary and as such, beginning July 1, 2018, the functional currency for our Argentine subsidiaries is the U.S. dollar and prospectively the corresponding revaluations of the net assets of these subsidiaries are recorded in earnings each quarter in the consolidated income statements while the highly inflationary designation continues.

Finally, during fiscal 2018 we recorded a $2.0 million gain related to a judgment received in final settlement of our claim in the Sentinel Management Group Inc. bankruptcy proceeding. Please see *Note 11 - Commitments and Contingencies* for additional information on the Sentinel litigation.

Net income increased $49.1 million to $55.5 million in fiscal 2018 compared to fiscal 2017, primarily related to the growth in operating revenues as well as the reduction in bad debt related to physical coal discussed below. Net income in fiscal 2018 includes an estimated one-time income tax charge of $19.8 million related to the enactment of the Tax Reform. This charge is related to the re-measurement of our deferred tax assets and liabilities arising from a lower U.S. corporate tax rate and shift to a territorial tax regime as well as a charge related to the deemed repatriation of unremitted earnings of foreign subsidiaries. Excluding the impact of Tax Reform, net income in fiscal 2018, would have been $75.3 million.

Bad Debt on Physical Coal

During the first quarter of fiscal 2018 and the fourth quarter of fiscal 2017, we recorded charges to earnings of $1.0 million and $47.0 million, respectively, to record an allowance for doubtful accounts related to a bad debt incurred in our physical coal business, conducted solely in our Singapore subsidiary, INTL Asia Pte. Ltd., with a coal supplier. Components of the bad debt on physical coal include allowances on amounts due to us from our supplier related to: coal paid for but not delivered to clients; reimbursement of demurrage claims, dead freight and other charges paid and payable by INTL Asia Pte. Ltd. to its clients; reimbursement due for deficiencies in the quality of coal delivered to clients; and losses incurred related to the cancellation of open sales contracts.

We received an acknowledgment of debt and a note from the supplier, however, there is substantial uncertainty as to whether the supplier will be able to meet its financial obligations to us and as to the timing of any recovery. We continue to pursue all legal avenues available to us regarding this matter. We have presented the bad debt on physical coal separately as a component of income from operations in our consolidated income statements. We have completed our exit of the physical coal business. INTL Asia Pte. Ltd. was recapitalized following the bad debt in order for its other businesses to operate in normal course.

On November 22, 2018, we reached a settlement with a client, paying $5.1 million related to demurrage, dead freight, and other penalty charges regarding coal supplied during fiscal 2017. The settlement amount paid was less than the accrued liability for the transactions recorded during fiscal 2017, and accordingly we will record a recovery on the bad debt on physical coal of $1.7 million in the three months ending December 31, 2018.

Selected Summary Financial Information

Results of Operations

Set forth below is our discussion of the results of our operations, as viewed by management, for the fiscal years ended September 30, 2018, 2017, and 2016.

Financial Overview

The following table shows an overview of our financial results:

(UNAUDITED)

(in millions)	Year Ended September 30, 2018	% Change	2017	% Change	2016
Revenues:					
Sales of physical commodities	$ 26,682.4	(7)%	$ 28,673.3	103%	$ 14,112.0
Trading gains, net	389.1	17%	332.2	3%	321.2
Commission and clearing fees	356.8	26%	283.4	26%	224.3
Consulting, management and account fees	71.1	9%	65.0	54%	42.2
Interest income	123.3	77%	69.7	26%	55.2
Total revenues	27,622.7	(6)%	29,423.6	99%	14,754.9
Cost of sales of physical commodities	26,646.9	(7)%	28,639.6	103%	14,083.9
Operating revenues	975.8	24%	784.0	17%	671.0
Transaction-based clearing expenses	179.7	32%	136.3	5%	129.9
Introducing broker commissions	133.8	18%	113.0	64%	68.9
Interest expense	80.7	92%	42.1	49%	28.3
Net operating revenues	581.6	18%	492.6	11%	443.9
Compensation and other expenses	337.7	14%	295.7	12%	263.9
Bad debts	3.1	(28)%	4.3	(2)%	4.4
Bad debt on physical coal	1.0	n/m	47.0	n/m	—
Other expenses	140.3	8%	130.4	20%	109.1
Total compensation and other expenses	482.1	1%	477.4	26%	377.4
Other gains	2.0	n/m	—	n/m	6.2
Income before tax	$ 101.5	568%	$ 15.2	(79)%	$ 72.7

The selected data table below reflects key operating metrics used by management in evaluating our product lines, for the periods indicated:

	Year Ended September 30, 2018	% Change	2017	% Change	2016
Volumes and Other Data:					
Exchange-traded - futures and options (contracts, 000's)	129,486.5	31%	99,148.4	(1)%	99,667.4
OTC (contracts, 000's)	1,582.9	12%	1,410.0	2%	1,380.8
Global Payments (# of payments, 000's)	639.5	(1)%	648.9	46%	444.9
Gold equivalent ounces traded (000's)	251,530.2	83%	137,235.3	49%	92,073.7
Equity Capital Markets (gross dollar volume, millions)	$ 117,771.7	34%	$ 87,789.8	(1)%	$ 88,518.8
Debt Capital Markets (gross dollar volume, millions)	$ 134,032.0	1%	$ 133,352.3	24%	$ 107,747.4
FX Prime Brokerage volume (U.S. notional, millions)	$ 401,116.9	(35)%	$ 620,917.8	7%	$ 580,426.9
Average assets under management in Argentina (U.S. dollar, millions)	$ 424.9	(25)%	$ 564.9	—%	$ 562.4
Average client equity - futures and options (millions)	$ 2,180.4	8%	$ 2,015.9	7%	$ 1,878.7

Operating Revenues

Year Ended September 30, 2018 Compared to Year Ended September 30, 2017

Operating revenues increased 24% to a record $975.8 million in fiscal 2018 compared to $784.0 million in the prior year. All segments of our business achieved growth in operating revenues versus the prior year, with the largest growth coming in our CES segment which added $72.6 million in operating revenues. In addition, Commercial Hedging segment operating revenues increased $42.1 million, while operating revenues in our Securities segment added $44.5 million versus the prior year. Our Physical Commodities and Global Payment segments grew $12.1 million and $10.0 million, respectively.

Operating revenues for the prior year included a $5.9 million pre-tax unrealized loss on interest rate swaps and U.S. Treasury notes held as part of our interest rate management strategy, while fiscal 2018 includes no unrealized gain/losses on this program as all interest rate swaps and U.S. Treasury notes were liquidated during fiscal 2017. On a segment basis, these unrealized losses were reported in the Corporate unallocated segment, while the amortized earnings on these investments were included in the Commercial Hedging and CES segments.

Operating revenues in our CES segment increased 28% to $332.4 million in fiscal 2018, primarily as a result of 60% growth in Exchange-Traded Futures & Options revenues, to $183.4 million, driven by increases in contract volumes, the average rate per contract earned and a $11.6 million, or 138%, increase in interest income. Our Correspondent Clearing business added $2.1 million versus the prior year, while the Derivative Voice Brokerage and Independent Wealth Management businesses added $1.5 million and $1.0 million in operating revenues, respectively compared to the prior year. These increases were modestly offset by a $0.5 million decline in our FX Prime Brokerage business.

Operating revenues in Commercial Hedging increased 17% in fiscal 2018 to $286.7 million, as exchange-traded revenues increased $14.4 million and OTC revenues increased $17.6 million. Client exchange-traded volumes increased 16%, driven by increased activity from clients in the domestic grain and energy and renewable fuels markets, as well as an increase in exchange-traded revenues from omnibus relationships introduced by our commercial hedging employees. OTC revenues increased as a result of both a 12% increase in OTC volumes and a 10% increase in the average rate per contract compared to the prior year. These increases were driven by increased activity from Brazilian agricultural clients as well as increased activity in food service, dairy and soft commodity markets. In addition, interest income in this segment increased $9.5 million, or 71%, as a result of an increase in short term interest rates on relatively flat average client equity balances.

Operating revenues in our Global Payments segment increased 11% in fiscal 2018 to a record $99.2 million, as a result of a 13% increase in the average revenue per trade. The number of global payments made declined 1% as certain commercial clients switched from doing individual high volume but low value payments through our platform, to doing aggregated higher value funding payments on our platform. Irrespective of this, we experienced increased volumes of payments made by financial institutions, governmental and non-governmental organizations and other commercial clients versus the prior year.

Our Physical Commodity segment operating revenues increased 27% to $56.9 million in fiscal 2018, primarily as a result of an $8.3 million increase in Physical Ag & Energy operating revenues as well as a $3.8 million increase in Precious Metals operating revenues.

Operating revenues in our Securities segment increased 29% to $196.2 million in fiscal 2018 compared to the prior year. Our Equity Capital Markets business, which we formerly referred to as Equity Market-Making, increased 64%, to $93.2 million, as the gross dollar volume traded increased 35% as a result of increased market volatility, the on-boarding of new clients and increased market share. Operating revenues in our Debt Capital Markets business, which now includes both our Debt Trading and Investment Banking businesses discussed in prior filings, increased 15%, to $95.3 million versus the prior year, with increases in activity in our municipal securities business as well as an increase in interest income in our domestic institutional fixed income business, partially offset by lower operating revenues in Argentina. The prior year period included a $2.5 million realized gain on the sale of exchange shares in Argentina. Asset Management operating revenues declined 35% to $7.7 million in fiscal 2018, as the average assets under management declined 25%. Our Securities segment operating revenues benefited from a $26.7 million increase in interest income, primarily in our domestic institutional fixed income and securities lending activities.

Overall interest income increased $53.6 million to $123.3 million in fiscal 2018 compared to prior year, primarily driven by the $26.7 million increase in our Securities segment interest income. In addition, average client equity in the Financial Ag & Energy and Exchange-Traded Futures & Options components of our Commercial Hedging and CES segments increased 8% to $2.2 billion in fiscal 2018 compared to the prior year, which combined with an increase in short term interest rates resulted in an aggregate $21.1 million increase in interest income in these businesses. Included in interest income in the prior year period was a $4.8 million unrealized loss on U.S. Treasury notes held as part of our interest rate management strategy.

Finally, operating revenues for fiscal 2018 include gains of $5.5 million related to economic hedges in place against the effect of the devaluation of the Argentina Peso on our Argentine operations, reported in the Corporate unallocated segment.

See Segment Information below for additional information on activity in each of the segments.

Year Ended September 30, 2017 Compared to Year Ended September 30, 2016

Operating revenues increased 17% to $784.0 million in fiscal 2017 compared to $671.0 million in the prior year. Operating revenue growth was driven by a $108.7 million increase in our CES segment, primarily as a result of incremental operating revenues from our recent acquisitions. In addition, Global Payments and Commercial Hedging operating revenues increased $16.0 million and $8.5 million, respectively. Physical Commodities segment operating revenues increased $8.2 million versus the prior year. Offsetting this revenue growth was a $23.5 million decline in operating revenues within our Securities segment.

Operating revenues for fiscal 2017 included a $5.9 million pre-tax unrealized loss on interest rate swaps and U.S. Treasury notes held as part of our interest rate management strategy. The prior year period included a $0.7 million pre-tax unrealized loss on interest rate swaps and U.S. Treasury notes held as part of our interest rate management strategy. On a segment basis, these unrealized losses were reported in the Corporate unallocated segment, while the amortized earnings on these investments were included in the Commercial Hedging and CES segments. During fiscal 2017, we liquidated our interest rate swap and U.S. Treasury note positions, held as part of the strategy, due to scheduled maturities as well as the close-outs of profitable positions as we determined there was no longer a sufficient interest rate spread between short-term and medium term rates.

Operating revenues in our CES segment increased 72% to $259.8 million in fiscal 2017, primarily as a result of the acquisition of the Sterne Agee Correspondent Clearing and Independent Wealth Management businesses at the beginning of the fourth quarter of fiscal 2016, which added an incremental $75.3 million in operating revenues in fiscal 2018. Also contributing to the revenue growth was the acquisition of ICAP plc's London-based EMEA oil voice brokerage business, at the beginning of the first quarter of fiscal 2017, which contributed $26.7 million to fiscal 2018 operating revenues. The Exchange-Traded Futures & Options business added $8.8 million in operating revenues primarily as a result of an increase in the average rate per contract, while the FX Prime Brokerage business declined $2.3 million, despite a 7% increase in client volumes as spreads narrowed in this business.

Operating revenues in our Global Payments segment increased 22% in fiscal 2017 to $89.2 million, as a result of a 46% increase in the number of global payments made which was partially offset by a narrowing of spreads in this business due to an increase in volume of smaller transactions from financial institutions.

Operating revenues in Commercial Hedging increased 4% in fiscal 2017 to $244.6 million, primarily driven by a $4.8 million increase in interest income. In addition, exchange-traded revenues increased $4.3 million, while OTC revenues declined $1.5 million. An increase in agricultural and energy and renewable fuels revenues drove the increase in exchange-traded revenues.

Our Physical Commodity segment operating revenues increased 22% to $44.8 million, as a result of a $6.0 million increase in Physical Ag & Energy operating revenues, while Precious Metals added $2.2 million in operating revenues.

Operating revenues in our Securities segment declined 13% to $151.7 million in fiscal 2017 compared to the prior year. The Debt Capital Markets and Asset Management businesses declined $11.5 and $6.3 million, respectively, as the prior year period reflected strong performance in our Argentine operations in these businesses following the devaluation of the Argentine Peso in December 2015. Investment Banking, now included within Debt Capital Markets, had a decline in operating revenues of $1.0 million due both to weaker results in Argentina and management's decision to exit our domestic investment banking business. In addition, Equity Capital Markets operating revenues declined $5.7 million as a result of a narrowing of spreads due to lower market volatility.

Overall interest income increased $14.5 million to $69.7 million in fiscal 2017 compared to prior year, primarily driven a $6.4 million increase in Debt Capital Markets interest income. In addition, average client equity in the Financial Ag & Energy and Exchange-Traded Futures & Options components of our Commercial Hedging and CES segments increased 7% to $2.0 billion in fiscal 2018 compared to the prior year, which combined with an increase in short term interest rates resulted in an aggregate $8.1 million increase in interest income in these businesses. In addition, the acquisition of the Sterne Agee Correspondent Clearing business added an incremental $3.9 million in interest income. These increases in interest income were partially offset by a $5.5 million decline in the mark-to-market valuation on U.S. Treasury notes.

Interest and Transactional Expenses

Year Ended September 30, 2018 Compared to Year Ended September 30, 2017

Transaction-based clearing expenses: Transaction-based clearing expenses increased 32% to $179.7 million in fiscal 2018 compared to $136.3 million in fiscal 2017, and were 18% of operating revenues in fiscal 2018 compared to 17% in fiscal 2017. The increase in expense is primarily related to higher volumes in our Financial Ag & Energy, Exchange-Traded Futures & Options and Equity Capital Markets components, partially offset by lower costs in our LME Metals, FX Prime Brokerage and Correspondent Clearing components.

Introducing broker commissions: Introducing broker commissions increased 18% to $133.8 million in fiscal 2018 compared to $113.0 million in fiscal 2017, and were 14% of operating revenues in fiscal 2018 and fiscal 2017. The increase in expense is primarily due to increased business activity and improved performance in our Exchange-Traded Futures & Options and Financial Ag & Energy components, partially offset by lower costs in Global Payments and Equity Capital Markets.

Interest expense: Interest expense increased 92% to $80.7 million in fiscal 2018 compared to $42.1 million in fiscal 2017. During fiscal 2018 and fiscal 2017, interest expense directly attributable to trading activities, including interest on short-term financing facilities of subsidiaries, was $70.5 million and $32.7 million, respectively, and interest expense related to corporate funding purposes was $10.2 million and $9.4 million, respectively.

The increase in interest expense is primarily related to the trading activities of our institutional dealer in fixed income securities, which resulted in higher interest expense of $17.8 million, and the increased activity of our securities lending business, started up during fiscal 2017 in our Equity Capital Markets component, which resulted in higher interest expense of $11.9 million. Also, an increase in short-term rates resulted in higher costs in our Exchange-Traded Futures & Options and Financial Ag & Energy components. Additionally, higher short-term rates along with higher average borrowings outstanding on our physical commodities financing facilities resulted in increased expense.

Year Ended September 30, 2017 Compared to Year Ended September 30, 2016

Transaction-based clearing expenses: Transaction-based clearing expenses increased 5% to $136.3 million in fiscal 2017 compared to $129.9 million in fiscal 2016, and were 17% of operating revenues in fiscal 2017 compared to 19% in fiscal 2016. The increase in expense is primarily related to the activity of the Sterne Agee correspondent clearing and independent wealth management businesses, acquired during the fourth quarter of fiscal 2016 and thus only three months of expenses were included in fiscal 2016, resulting in higher expense of $4.7 million. Additionally, increased activity across our Exchange-Traded Futures & Options and Financial Ag & Energy components contributed to the higher costs, partially offset by lower ADR conversion fees in our Equity Capital Markets component and lower Debt Capital Markets transactional fees. The decrease in transaction-based clearing expenses as a percentage of operating revenue is primarily related to the impact of the incremental revenues from these acquired businesses, as well as the acquired oil voice brokerage business.

Introducing broker commissions: Introducing broker commissions increased 64% to $113.0 million in fiscal 2017 compared to $68.9 million in fiscal 2016, and were 14% of operating revenues in fiscal 2017 compared to 10% in fiscal 2016. The increase in expense is primarily related to the activity of the Sterne Agee independent wealth management business, acquired during the fourth quarter of fiscal 2016 and thus only three months of expenses were included in fiscal 2016, resulting in higher expense of $42.1 million. Also, we experienced an increase in introducing broker commissions in our Exchange-Traded Futures & Options and Financial Ag & Energy components, partially offset by decreased in our Debt Capital Markets business in Argentina, and lower broker commissions in our Investment Banking component as we exited the domestic investment banking business during fiscal 2016.

Interest expense: Interest expense increased 49% to $42.1 million in fiscal 2017 compared to $28.3 million in fiscal 2016. During fiscal 2017 and fiscal 2016, interest expense directly attributable to trading activities, including interest on short-term financing facilities of subsidiaries, was $32.7 million and $19.5 million, respectively, and interest expense related to corporate funding purposes was $9.4 million and $8.8 million, respectively.