

INTL FCSTONE INC.
Form 10-Q
May 07, 2015
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2015

OR

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark 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
(Do not check if a smaller reporting company) Smaller reporting company

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

As of May 4, 2015, there were 18,981,079 shares of the registrant's common stock outstanding.

Table of Contents

INTL FCStone Inc.

Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2015

Table Of Contents

	Page
Part I. FINANCIAL INFORMATION	
Item 1.	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Balance Sheets</u> 1
	<u>Condensed Consolidated Income Statements</u> 2
	<u>Condensed Consolidated Statements of Comprehensive Income</u> 3
	<u>Condensed Consolidated Cash Flows Statements</u> 4
	<u>Condensed Consolidated Statement of Stockholders' Equity</u> 5
	<u>Notes to Condensed Consolidated Financial Statements</u> 6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 32
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 56
Item 4.	<u>Controls and Procedures</u> 58
Part II. OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u> 58
Item 1A.	<u>Risk Factors</u> 59
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 59
Item 6.	<u>Exhibits</u> 60
	<u>Signatures</u> 60

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTL FCStone Inc.

Condensed Consolidated Balance Sheets

(in millions, except par value and share amounts)	March 31, 2015 (Unaudited)	September 30, 2014
ASSETS		
Cash and cash equivalents	\$243.5	\$ 231.3
Cash, securities and other assets segregated under federal and other regulations (including \$509.0 and \$15.3 at fair value at March 31, 2015 and September 30, 2014, respectively)	687.3	448.0
Securities purchased under agreements to resell	336.9	—
Deposits and receivables from:		
Exchange-clearing organizations (including \$1,008.7 and \$1,255.4 at fair value at March 31, 2015 and September 30, 2014, respectively)	1,420.5	1,731.4
Broker-dealers, clearing organizations and counterparties (including \$(28.6) and \$(1.1) at fair value at March 31, 2015 and September 30, 2014, respectively)	193.1	123.0
Receivables from customers, net	72.2	55.6
Notes receivable, net	76.0	65.2
Income taxes receivable	11.0	10.8
Financial instruments owned, at fair value (includes securities pledged as collateral that can be sold or repledged of \$183.4 at March 31, 2015)	1,217.1	197.9
Physical commodities inventory	59.6	40.0
Deferred income taxes, net	27.5	32.0
Property and equipment, net	15.4	15.9
Goodwill and intangible assets, net	60.2	58.0
Other assets	42.3	30.6
Total assets	\$4,462.6	\$ 3,039.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other accrued liabilities (including \$3.1 and \$5.5 at fair value at March 31, 2015 and September 30, 2014, respectively)	\$112.4	\$ 114.1
Payables to:		
Customers	2,225.0	2,228.7
Broker-dealers, clearing organizations and counterparties (including \$1.5 at fair value at March 31, 2015)	135.7	11.9
Lenders under loans	45.8	22.5
Senior unsecured notes	45.5	45.5
Income taxes payable	6.5	7.6
Payables under repurchase agreements	908.9	—
Financial instruments sold, not yet purchased, at fair value	613.3	264.0
Total liabilities	4,093.1	2,694.3
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$0.01 par value. Authorized 30,000,000 shares; 20,132,970 issued and 18,965,488 outstanding at March 31, 2015 and 19,826,635 issued and 18,883,662	0.2	0.2

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outstanding at September 30, 2014

Common stock in treasury, at cost - 1,167,482 shares at March 31, 2015 and 942,973 shares at September 30, 2014, respectively	(22.0)	(17.5)
Additional paid-in capital	233.5		229.6	
Retained earnings	167.1		144.7	
Accumulated other comprehensive loss, net	(9.3)	(11.6)
Total stockholders' equity	369.5		345.4	
Total liabilities and stockholders' equity	\$4,462.6		\$ 3,039.7	

See accompanying notes to condensed consolidated financial statements.

1

Table of Contents

INTL FCStone Inc.
Condensed Consolidated Income Statements
(Unaudited)

(in millions, except share and per share amounts)	Three Months Ended		Six Months Ended March	
	March 31, 2015	2014	31, 2015	2014
Revenues:				
Sales of physical commodities	\$14,291.6	\$8,329.4	\$27,785.9	\$16,130.6
Trading gains, net	84.8	64.7	155.1	116.4
Commission and clearing fees	47.2	47.3	96.7	89.5
Consulting and management fees	9.3	9.5	19.7	21.5
Interest income	9.0	1.9	12.1	3.3
Other income	0.1	0.1	0.2	0.3
Total revenues	14,442.0	8,452.9	28,069.7	16,361.6
Cost of sales of physical commodities	14,285.5	8,323.7	27,775.7	16,119.5
Operating revenues	156.5	129.2	294.0	242.1
Transaction-based clearing expenses	31.8	27.7	61.2	52.9
Introducing broker commissions	12.3	12.8	24.5	24.4
Interest expense	4.5	2.8	7.2	5.5
Net operating revenues	107.9	85.9	201.1	159.3
Compensation and other expenses:				
Compensation and benefits	63.1	52.7	119.5	99.0
Communication and data services	7.2	6.2	13.9	12.4
Occupancy and equipment rental	3.8	3.2	6.9	6.2
Professional fees	3.1	4.1	6.4	8.4
Travel and business development	2.5	2.0	5.3	4.8
Depreciation and amortization	1.8	1.7	3.7	3.6
Bad debts and impairments	2.8	0.4	2.8	0.7
Other	5.5	5.3	10.9	10.0
Total compensation and other expenses	89.8	75.6	169.4	145.1
Income from continuing operations, before tax	18.1	10.3	31.7	14.2
Income tax expense	5.1	2.6	9.3	4.1
Net income from continuing operations	13.0	7.7	22.4	10.1
Loss from discontinued operations, net of tax	—	(0.2)	—	(0.1)
Net income	\$13.0	\$7.5	\$22.4	\$10.0
Basic earnings per share:				
Income from continuing operations	\$0.68	\$0.40	\$1.18	\$0.53
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net income per common share	\$0.68	\$0.39	\$1.18	\$0.52
Diluted earnings per share:				
Income from continuing operations	\$0.67	\$0.40	\$1.16	\$0.52
Loss from discontinued operations	—	(0.01)	—	(0.01)
Net income per common share	\$0.67	\$0.39	\$1.16	\$0.51
Weighted-average number of common shares outstanding:				
Basic	18,599,011	18,609,550	18,546,377	18,627,383
Diluted	18,957,780	18,955,128	18,743,033	19,274,153

See accompanying notes to condensed consolidated financial statements.

Table of Contents

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

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Net income	\$13.0	\$7.5	\$22.4	\$10.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(0.8) (2.7) (1.1) (3.9
Pension liabilities adjustment	—	0.1	—	0.1
Net unrealized gain or loss on available-for-sale securities	2.3	(0.2) 3.4	—
Reclassification of adjustments included in net income:				
Periodic pension costs (included in compensation and benefits)	—	—	—	0.1
Reclassification adjustment for gains included in net income:	—	—	—	0.1
Other comprehensive income (loss)	1.5	(2.8) 2.3	(3.7
Comprehensive income	\$14.5	\$4.7	\$24.7	\$6.3

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INTL FCStone Inc.

Condensed Consolidated Cash Flows Statements

(Unaudited)

(in millions)	Six Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$22.4	\$10.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3.7	3.5
Provision for bad debts and impairments	2.8	0.7
Deferred income taxes	2.3	(3.5)
Amortization of debt issuance costs and debt discount	0.5	0.5
Amortization of share-based compensation	1.8	2.2
Loss on sale of property and equipment	0.4	0.2
Changes in operating assets and liabilities, net:		
Cash, securities and other assets segregated under federal and other regulations	(244.8)	(266.3)
Securities purchased under agreements to resell	3.6	—
Deposits and receivables from exchange-clearing organizations	313.0	86.7
Deposits and receivables from broker-dealers, clearing organizations, and counterparties	(66.5)	41.6
Receivable from customers, net	(18.1)	22.4
Notes receivable, net	(11.9)	(27.6)
Income taxes receivable	(0.3)	2.3
Financial instruments owned, at fair value	(356.6)	(2.7)
Physical commodities inventory	(19.6)	(8.9)
Other assets	(15.7)	(5.0)
Accounts payable and other accrued liabilities	(9.6)	(16.9)
Payable to customers	(36.5)	177.1
Payable to broker-dealers, clearing organizations and counterparties	123.8	(12.4)
Income taxes payable	(1.0)	3.0
Payables under repurchase agreements	87.6	—
Financial instruments sold, not yet purchased, at fair value	222.5	37.6
Net cash provided by operating activities	3.8	44.5
Cash flows from investing activities:		
Cash paid for acquisitions, net	(7.8)	—
Purchase of property and equipment	(1.9)	(3.1)
Net cash used in investing activities	(9.7)	(3.1)
Cash flows from financing activities:		
Net change in payable to lenders under loans	23.3	(20.5)
Payments related to earn-outs on acquisitions	(2.2)	(0.3)
Debt issuance costs	(0.1)	(0.3)
Exercise of stock options	1.9	1.2
Share repurchases	(4.7)	(7.2)
Income tax benefit on stock options and awards	0.4	—
Net cash provided by (used in) financing activities	18.6	(27.1)
Effect of exchange rates on cash and cash equivalents	(0.5)	(1.2)
Net increase in cash and cash equivalents	12.2	13.1
Cash and cash equivalents at beginning of period	231.3	156.1
Cash and cash equivalents at end of period	\$243.5	\$169.2
Supplemental disclosure of cash flow information:		

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Cash paid for interest	\$5.0	\$5.0
Income taxes paid, net of cash refunds	\$7.6	\$1.6
Supplemental disclosure of non-cash investing and financing activities:		
Identified intangible assets and goodwill on acquisitions	\$3.0	\$—
Additional consideration payable related to acquisitions, net	\$1.7	\$0.3
Acquisition of business:		
Assets acquired	1,011.4	—
Liabilities assumed	(995.1) —
Total net assets acquired	\$16.3	\$—
Deferred consideration payable related to acquisitions	\$5.0	\$—
Escrow deposits related to acquisitions	\$5.0	\$—
See accompanying notes to condensed consolidated financial statements.		

4

Table of Contents

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

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances as of September 30, 2014	\$0.2	\$(17.5)	\$229.6	\$144.7	\$ (11.6)	\$345.4
Net income				22.4		22.4
Other comprehensive loss					2.3	2.3
Exercise of stock options			2.3			2.3
Share-based compensation			1.8			1.8
Repurchase of stock		(4.5)	(0.2)			(4.7)
Balances as of March 31, 2015	\$0.2	\$(22.0)	\$233.5	\$167.1	\$ (9.3)	\$369.5
See accompanying notes to condensed consolidated financial statements.						

Table of Contents

INTL FCStone Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

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

INTL FCStone Inc., a Delaware corporation, and its consolidated subsidiaries (collectively “INTL” or “the Company”), form a diversified, global financial services organization providing financial products and advisory and execution services to help clients access market liquidity, maximize profits and manage risk. The Company’s services include comprehensive risk management advisory services for commercial customers; execution of listed futures and options on futures contracts on all major commodity exchanges; structured over-the-counter (“OTC”) products in a wide range of commodities; physical trading and hedging of precious metals and select other commodities; trading of more than 150 foreign currencies; market-making in international equities; fixed income; debt origination and asset management. The Company provides these services to a diverse group of more than 20,000 accounts, representing approximately 11,000 consolidated clients located throughout the world, including producers, processors and end-users of nearly all widely-traded physical commodities to manage their risks and enhance margins; to commercial counterparties who are end-users of the firm’s products and services; to governmental and non-governmental organizations; and to commercial banks, brokers, institutional investors and major investment banks.

Basis of Presentation and Consolidation

The accompanying condensed consolidated balance sheet as of September 30, 2014, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the condensed consolidated financial statements for the interim periods presented have been reflected as required by Rule 10-01 of Regulation S-X.

Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. It is suggested that these interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes contained in the Company’s Form 10-K for the fiscal year ended September 30, 2014 filed with the SEC.

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

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

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

Recent Accounting Pronouncements

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, which changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Additionally, for repurchase financing arrangements, the amendments of this ASU require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase

agreement. For public entities, the ASU is effective for the first interim or annual period beginning after December 15, 2014. Earlier application is not permitted. The Company adopted this guidance starting with the second quarter of fiscal year 2015. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there

Table of Contents

are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued. This ASU also requires management to disclose certain information depending on the results of the going concern evaluation. The provisions of this ASU are effective for annual periods ending after December 15, 2016, and for interim and annual periods thereafter. Early adoption is permitted. This amendment is applicable to the Company for the fiscal year ended September 30, 2017. The adoption of this standard is not expected to have a material impact on the condensed consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items: Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates from U.S. GAAP the concept of extraordinary items. The ASU retains and expands the existing presentation and disclosure guidance for items that are unusual in nature or occur infrequently to also include items that are both unusual in nature and infrequently occurring. The provisions of this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted, provided that presentation applied to the beginning of the fiscal year of adoption. This amendment is applicable to the Company beginning October 1, 2016. The adoption of this standard is not expected to have a material impact on the condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest- Imputation of Interest (Subtopic 835-03) - Simplifying the Presentation of Debt Issuance Costs which requires unamortized debt issuance costs to be presented as a reduction of the corresponding debt liability rather than a separate asset. Amortization of the costs is reported as interest expense. The provisions of this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed for all entities for financial statements that have not been previously issued. Entities should apply the new guidance retrospectively to all prior periods. The guidance is applicable to the Company beginning October 1, 2016. The adoption of this standard is not expected to have a material impact on the condensed consolidated financial statements.

Note 2 – Earnings per Share

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

Table of Contents

The following is a reconciliation of the numerator and denominator of the diluted net income per share computations for the periods presented below.

(in millions, except share amounts)	Three Months Ended March 31,		Six Months Ended March 31,	
	2015	2014	2015	2014
Numerator:				
Income from continuing operations	\$13.0	\$7.7	\$22.4	\$10.1
Less: Allocation to participating securities	(0.3)	(0.2)	(0.5)	(0.3)
Income from continuing operations allocated to common stockholders	\$12.7	\$7.5	\$21.9	\$9.8
(Loss) income from discontinued operations	\$—	\$(0.2)	\$—	\$(0.1)
Less: Allocation to participating securities	—	—	—	—
(Loss) income from discontinued operations allocated to common stockholders	\$—	\$(0.2)	\$—	\$(0.1)
Diluted net income	\$13.0	\$7.5	\$22.4	\$10.0
Less: Allocation to participating securities	(0.3)	(0.2)	(0.5)	(0.3)
Diluted net income allocated to common stockholders	\$12.7	\$7.3	\$21.9	\$9.7
Denominator:				
Weighted average number of:				
Common shares outstanding	18,599,011	18,609,550	18,546,377	18,627,383
Dilutive potential common shares outstanding:				
Share-based awards	358,769	345,578	196,656	646,770
Diluted weighted-average shares	18,957,780	18,955,128	18,743,033	19,274,153

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

Options to purchase 999,125 and 1,332,197 shares of common stock for the three months ended March 31, 2015 and 2014, respectively, and options to purchase 1,275,944 and 1,132,782 shares of common stock for the six months ended March 31, 2015 and 2014, respectively, were excluded from the calculation of diluted earnings per share because they would have been anti-dilutive.

Note 3 – Assets and Liabilities, at Fair Value

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

☉ Cash and cash equivalents

☉ Cash, securities and other assets segregated under federal and other regulations

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

☉ Financial instruments owned

☉ Accounts payable and other accrued liabilities

☉ Payables to customers

☉ Payables to broker-dealers, clearing organizations and counterparties

☉ Financial instruments sold, not yet purchased

Fair Value Hierarchy

The majority of financial assets and liabilities on the condensed consolidated balance sheets are reported at fair value. Cash is reported at the balance held at financial institutions. Cash equivalents includes money market funds, which are valued at period-end at the net asset value provided by the fund’s administrator, and certificates of deposit, which are stated at cost plus accrued interest, which approximates fair value. Cash, securities and other assets segregated under federal and other regulations include the value of cash collateral as well as the value of other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities and commodities warehouse

receipts. Deposits with and receivables from exchange-clearing organizations and broker-dealers, clearing organizations and counterparties and payable to customers and broker-dealers, clearing organizations and counterparties include the value of cash collateral as well as the value of money market funds and other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities. These

Table of Contents

balances also include the fair value of exchange-traded futures and options on futures and exchange-cleared swaps and options determined by prices on the applicable exchange. Financial instruments owned and sold, not yet purchased include the value of U.S. and foreign government obligations, corporate debt securities, derivative financial instruments, commodities and mutual funds. The fair value of exchange common stock is determined by quoted market prices, and the fair value of exchange memberships is determined by recent sale transactions. The carrying value of receivables from customers, net and notes receivable, net approximates fair value, given their short duration. Payables to lenders under loans carry variable rates of interest and thus approximate fair value. The fair value of the Company's senior unsecured notes is estimated to be \$47.8 million (carrying value of \$45.5 million) as of March 31, 2015, based on the transaction prices at public exchanges for this issuance.

As part of the acquisition of G.X. Clarke & Co. ("G.X. Clarke") (see Note 17), the Company acquired amounts receivable from and payable to broker-dealers, clearing organizations and counterparties in connection with U.S. Treasury obligations, U.S. Government agency obligations, and agency mortgage-backed obligations. Receivables from broker-dealers, clearing organizations and counterparties primarily include amounts receivable for securities sold but not yet delivered by the Company on settlement date ("fails-to-deliver") and net receivables arising from unsettled trades. Payables to broker-dealers, clearing organizations and counterparties primarily include amounts payable for securities purchased, but not yet received by the Company on settlement date ("fails-to-receive"), net payables arising from unsettled trades and bonds loaned transactions. Due to their short-term nature, receivables from and payables to broker-dealers, clearing organizations and counterparties approximate fair value.

Also as part of the acquisition of G.X. Clarke (see Note 17), the Company acquired a significant amount of trading assets and liabilities. G.X. Clarke's trading activities consists primarily of securities trading in connection with U.S. Treasury obligations, U.S. Government agency obligations, and agency mortgage-backed obligations. The acquired assets and liabilities, including derivatives, are recorded on a trade date basis at fair value.

The fair value estimates presented in the condensed consolidated financial statements are based on pertinent information available to management as of March 31, 2015 and September 30, 2014. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these condensed consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented in the condensed consolidated financial statements.

Cash equivalents, securities, commodities warehouse receipts, derivative financial instruments, commodities leases, exchange common stock and contingent liabilities are carried at fair value, on a recurring basis, and are classified and disclosed into three levels in the fair value hierarchy. The Company did not have any fair value adjustments for assets or liabilities measured at fair value on a non-recurring basis during the six months ended March 31, 2015. The three levels of the fair value hierarchy under the Fair Value Measurements and Disclosures Topic of the ASC are:

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

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

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

Table of Contents

The following tables set forth the Company's financial and nonfinancial assets and liabilities accounted for at fair value, on a recurring basis, as of March 31, 2015 and September 30, 2014 by level in the fair value hierarchy. There were no assets or liabilities that were measured at fair value on a nonrecurring basis as of March 31, 2015 and September 30, 2014.

(in millions)	March 31, 2015			Netting and Collateral (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Unrestricted cash equivalents - certificate of deposits	\$2.6	\$—	\$—	\$—	\$2.6
Commodities warehouse receipts	16.8	—	—	—	16.8
U.S. government obligations	—	492.2	—	—	492.2
Securities and other assets segregated under federal and other regulations	16.8	492.2	—	—	509.0
Money market funds	251.7	—	—	—	251.7
U.S. government obligations	—	621.5	—	—	621.5
Derivatives	5,146.1	—	—	(5,010.6)	135.5
Deposits and receivables from exchange-clearing organizations	5,397.8	621.5	—	(5,010.6)	1,008.7
Foreign government obligations	—	1.2	—	—	1.2
Derivatives	399.5	1.1	—	(430.4)	(29.8)
Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives	399.5	2.3	—	(430.4)	(28.6)
Common and preferred stock and American Depositary Receipts ("ADRs")	98.2	10.0	0.5	—	108.7
Exchangeable foreign ordinary equities and ADRs	8.1	—	—	—	8.1
Corporate and municipal bonds	8.3	3.1	3.6	—	15.0
U.S. government obligations	—	458.9	—	—	458.9
Foreign government obligations	—	10.4	—	—	10.4
Derivatives	322.7	1,988.1	—	(2,258.7)	52.1
Commodities leases	—	82.8	—	(81.2)	1.6
Exchange firm common stock	5.7	—	—	—	