INTL FCSTONE FINANCIAL INC.
(A Wholly Owned Subsidiary of
INTL FCStone Inc.)

Statement of Financial Condition

March 31, 2018

(Unaudited)

INTL FCStone Financial Inc.
Statement of Financial Condition
March 31, 2018
(Unaudited amounts in thousands, except par value and share amounts)

Assets		
Cash and cash equivalents	$	38,333
Cash, securities and other assets segregated under federal regulations (including $615,619 at fair value)		1,070,353
Collateralized transactions:		
Securities purchased under agreements to resell		602,159
Securities borrowed		519,904
Deposits with and receivables from broker-dealers, clearing organizations and counterparties (including $661,997 at fair value)		1,687,750
Receivables from customers, net		156,907
Securities owned, at fair value (includes securities pledged as collateral that can be sold or repledged of $5,077)		1,664,096
Exchange and clearing organization memberships and stock, at cost		7,934
Deferred income taxes, net		2,743
Furniture, equipment, and leasehold improvements, net		5,331
Goodwill and intangible assets, net		19,484
Due from affiliates		4,721
Other assets		9,245
Total assets	$	5,788,960
Liabilities and Stockholder's Equity		
Liabilities:		
Payables to:		
Customers	$	2,598,737
Broker-dealers, clearing organizations and counterparties (including $5,780 at fair value)		46,653
Lenders under loans		57,500
Affiliates		30,757
Accounts payable and accrued expenses		52,264
Collateralized transactions:		
Securities sold under agreements to repurchase		1,562,542
Securities loaned		559,104
Securities sold, not yet purchased, at fair value		598,909
Income taxes payable to INTL FCStone Inc.		19,326
Total liabilities		5,525,792
Commitments and contingencies (note 11)		
Stockholder's equity:		
Common stock, $0.01 par value. Authorized 10,000 shares; issued and outstanding 1,000 shares		—
Additional paid-in capital		257,259
Retained earnings		5,909
Total stockholder's equity		263,168
Total liabilities and stockholder's equity	$	5,788,960

See accompanying notes to statement of financial condition.

Note 1 - Organization, Description of Business, and Summary of Significant Accounting Policies

(a) *Description of Business*

INTL FCStone Financial Inc. ("the Company"), a corporation, was organized under the laws of the State of Florida on May 29, 1998. The Company is a wholly owned subsidiary of INTL FCStone Inc. (the "Parent" or "INTL FCStone").

The Company is a diversified financial services organization providing clearing, execution, custodial, risk management, advisory, brokerage, and market intelligence services across asset classes. The Company's services include comprehensive risk management advisory services for commercial customers; clearing and execution of debt and equity securities, listed futures, and options on futures contracts on all major securities and commodity exchanges; principal trading of fixed income and equity securities; and market-making in international equities.

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). In addition, the Company is a registered futures commission merchant ("FCM") and a member of various commodities and futures exchanges in the United States ("U.S.") and abroad and, accordingly, is subject to the exchanges' various requirements and the regulatory requirements of the U.S. Commodity Futures Trading Commission ("CFTC").

The Company clears its securities transactions internally, or externally, primarily through BNY Mellon and its affiliate Pershing LLC ("Pershing"), and Broadcort, a division of Merrill Lynch, Pierce, Fenner & Smith, Inc. ("Broadcort") on a fully disclosed basis.

The Company conducts business activities throughout the U.S. and abroad, with offices or a presence in 14 states in the U.S., China, Brazil, United Kingdom, Singapore, Argentina, Paraguay, Columbia, and Mexico. Transactions in international markets are primarily settled in U.S. dollars.

(b) *Use of Estimates*

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. The most significant of these estimates and assumptions relate to fair value measurements for financial instruments and investments, valuation of goodwill and intangible assets, income taxes and contingencies. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. The Company reviews all significant estimates affecting the statement of financial condition on a recurring basis and records the effect of any necessary adjustments prior to their issuance. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

(c) *Cash and Cash Equivalents*

The Company considers cash held at banks and all highly liquid investments with original maturities of 90 days or less to be cash and cash equivalents. Cash and cash equivalents include unrestricted cash and foreign currency not deposited with or pledged to an exchange-clearing organization or segregated under federal regulations.

(d) ***Cash, Securities and Other Assets Segregated Under Federal Regulations***

As an FCM subject to rules mandated by the CFTC pursuant to the requirements of the Commodity Exchange Act, funds deposited by customers relating to futures and options on futures contracts in regulated commodities must be carried in separate accounts, which are designated as segregated and secured customer accounts. The deposits in segregated and secured customer accounts are not commingled with the funds of the Company.

Additionally, in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, the Company maintains separate accounts for the benefit of securities customers and proprietary accounts of broker dealers ("PABs"). These customer protection rules require the Company to maintain special reserve bank accounts ("SRBAs") for the exclusive benefit of securities customers and PABs.

At March 31, 2018, cash, securities and other assets segregated under federal regulations consisted of the following (see additional fair value disclosures in Note 5) (in thousands):

Cash held in SRBAs for the benefit of securities customers and PABs under Rule 15c3-3	$	6,190
Assets segregated and secured under Section 4d(2) of the Commodity Exchange Act and Commission Regulation 30.7		
Cash		448,544
Commodities warehouse receipts		14,693
U.S. Treasury obligations		600,926
	$	1,070,353

(e) ***Securities Purchased/Sold Under Agreements to Resell/Repurchase***

The Company enters into securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) primarily to finance financial instruments, acquire securities to cover short positions or to acquire securities for settlement.

Reverse repurchase agreements and repurchase agreements are treated as collateralized financing transactions and are recorded at their contractual amounts plus accrued interest. In connection with these agreements and transactions, it is the policy of the Company to receive or pledge cash or securities to adequately collateralize such agreements and transactions in accordance with general industry guidelines and practices. The value of the collateral is valued daily and the Company may require counterparties, or may be required by counterparties, to deposit additional collateral or return collateral pledged, when appropriate. The carrying amounts of these agreements and transactions approximate fair value due to their short-term nature and the level of collateralization.

(f) ***Securities Borrowed and Loaned***

The Company enters into securities borrowed and securities loaned transactions. Securities borrowed and securities loaned are reported as collateralized financings. Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received. The Company receives collateral generally in excess of the market value of securities loaned. In connection with these agreements and transactions, it is the policy of the Company to receive or pledge cash or securities to adequately collateralize such agreements and transactions in accordance with general industry guidelines and practices. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and securities loaned are reported on a gross basis as the requirements for netting under U.S. GAAP have not been met. The carrying amount of these agreements and transactions approximate fair value due to their short-term nature and the level of collateralization.

(g) ***Deposits with and Receivables from and Payables to Broker-Dealers, Clearing Organizations and Counterparties***

Deposits with clearing organizations pertain primarily to deposits made to satisfy exchange margin requirements on customer and proprietary open futures and options on futures positions and to satisfy the requirements set by clearing exchanges for clearing membership. Deposits with and receivables from and payables to broker-dealers, clearing organizations and counterparties are reported gross, except where a right of setoff exists.

In addition to margin, deposits with and receivables from exchange-clearing organizations include guaranty deposits. The guaranty deposits are held by the exchange-clearing organization for use in potential default situations by one or more members of the exchange-clearing organization. The guaranty deposits may be applied to the Company's obligations to the exchange-clearing organization, or to the exchange-clearing organization's obligations to other clearing members or third parties. Deposits with clearing organizations also includes cash on deposit with National Securities Clearing Corporation, Inc., MBS Clearing Corporation, Inc., Depository Trust and Clearing Corporation, Inc., The Options Clearing Corporation, Pershing, and Broadcort, as a condition of their clearing relationships.

Receivables from clearing organizations also include amounts due from or due to exchange-clearing organizations for daily variation settlements on open futures and options on futures positions. The variation settlements due from or due to exchange-clearing organizations are settled in cash on the following business day.

Deposits with and receivables from clearing organizations also include the unrealized gains and losses associated with customers' options on futures contracts. For customer owned derivative contracts, the fair value is offset against the payable to or receivable from customers.

The Company maintains customer omnibus and proprietary accounts with other clearing organizations, and the equity balances in those accounts along with any margin cash or securities deposited with the clearing organizations are included in deposits with and receivables from broker-dealers, clearing organizations and counterparties.

Receivables from broker-dealers and counterparties also 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 and counterparties primarily include amounts payable for securities purchased but not yet received by the Company on settlement date ("fails-to-receive") and net payables arising from unsettled trades.

These balances also include securities pledged by the Company on behalf of customers and customer-owned securities that are pledged. Securities pledged primarily include U.S. Treasury bills and notes. The securities are adjusted to their fair value on a recurring basis. For customer-owned securities, the change in fair value is offset against the payable to or receivables from customers. The securities, primarily U.S. government obligations, held by the Company as collateral or as margin have been deposited with exchange-clearing organizations, broker-dealers, clearing organizations and counterparties.

Management has considered accounting guidance as it relates to assets pledged by customers to margin their accounts. Based on a review of the agreements with the customer, management believes that a legal basis exists to support that the transferor surrenders control over those assets given the following three conditions are met: (a) the transferred assets have been isolated from the transferor - put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (b) each transferee has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor and (c) the transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets. Under this guidance, it is the Company's practice to reflect the customer collateral assets and corresponding liabilities in the statement of financial condition, as the rights to those securities have been transferred to the Company under the agreements with the customer.

At March 31, 2018, deposits with and receivables from and payables to exchange-clearing organizations, broker-dealers, clearing organizations and counterparties consisted of the following (see additional fair value disclosures in Note 5) (in thousands):

Deposits and receivables:		
Cash margin, including accrued interest, due from exchanges		792,751
Securities pledged and due from exchanges		648,717
Exchange settlements due from exchanges		1,800
Net option value due from exchanges		8,293
Exchange guaranty deposits		81,628
Receivable from carrying brokers		85,698
Securities clearing fund deposits		751
Cash due from securities clearing firms and organizations		38,545
Due from securities clearing firms for unsettled trades		2,851
To be announced ("TBA") and forward settling securities		4,913
Securities failed to deliver		19,991
Other		1,812
	$	1,687,750
Payables:		
Clearing brokers and organizations and counterparties for unsettled trades	$	1,872
TBA and forward settling securities		5,944
Securities failed to receive		36,629
Other		2,208
	$	46,653

(h) ***Receivables from and Payables to Customers***

Receivables from customers, net includes the total of net deficits in individual exchange-traded futures and option on futures trading accounts carried by the Company and amounts due from other services provided to the Company's futures clients. Customer deficits arise from realized and unrealized trading losses on futures and options on futures and amounts due on cash and margin transactions. Customer deficit accounts are reported gross of customer accounts that contain net credit or positive balances, except where a right of setoff exists. Net deficits in individual exchange-traded trading accounts include both secured and unsecured deficit balances due from customers as of the statement of financial condition date. Secured deficit amounts are backed by U.S. Treasury bills and notes with a fair value of $3,606,200 and commodity warehouse receipts with a fair value of $1,970,936 as of March 31, 2018. These U.S. Treasury bills and notes and commodity warehouse receipts are not netted against the secured deficit amounts, as the conditions for right of setoff have not been met.

Receivables from customers, net also includes the net amounts receivable from securities customers in connection with the settlement of normal cash securities, margin loans to customers, and customer cash debits. It is the Company's policy to report margin loans and payables that arise due to positive cash flows in the same customer's accounts on a net basis when the conditions for netting as specified in U.S. GAAP are met. Customers' securities transactions cleared by the Company are recorded on a settlement date. Securities owned by customers including those that collateralize margin or other similar transactions, are not reflected on the statement of financial condition as the Company does not have title to those assets. In the event of uncompleted transactions on settlement date, the Company records corresponding receivables and payables, respectively. The carrying value of the receivables and payables approximates fair value due to their short-term nature.

Payables to customers represent the total of customer accounts with credit or positive balances. Customer accounts are used primarily in connection with normal cash securities and commodity derivative transactions and include gains and losses on open commodity trades as well as securities and other deposits made as required by the Company. Customer accounts with credit or positive balances are reported gross of customer deficit accounts, except where a right of setoff exists.

For regulatory purposes, certain customers, which would include persons who are affiliated with the Company or are principals, such as an officer or director, and any person who is materially involved in the management of the Company, are identified as noncustomers. A noncustomer account may not be carried as a customer account due to an affiliation with the Company. In a liquidation event, amounts owed to noncustomers are paid in the same priority as amounts owed to general creditors of the Company. These accounts are also referred to as proprietary accounts. As of March 31, 2018, receivables from and payables to customers included amounts from non-customers of $29,802,256 and $177,942,880, respectively.

The future collectibility of receivables from customers can be impacted by the Company's collection efforts, the financial stability of its customers, and the general economic climate in which it operates. The Company evaluates accounts that it believes may become uncollectible on a specific-identification basis, through reviewing daily margin deficit reports, the historical daily aging of the receivables, and by monitoring the financial strength of its customers. The Company may unilaterally close customer trading positions in certain circumstances. In addition, to evaluate customer margining and collateral requirements, customer positions are stress tested regularly and monitored for excessive concentration levels relative to the overall market size. The Company has an allowance for doubtful accounts of $13,669 as of March 31, 2018.

The Company generally charges off an outstanding receivable balance when all economically sensible means of recovery have been exhausted. That determination considers information such as the occurrence of significant changes in the customer's financial position such that the customer can no longer pay the obligation, or that the proceeds from collateral will not be sufficient to pay the receivable balance.

(i) ***Securities Owned and Sold, Not Yet Purchased, at fair value***

Securities owned and sold, not yet purchased, at fair value consist of financial instruments that settle in a regular way and are carried at fair value. Securities owned and sold, not yet purchased, at fair value consists of commodities warehouse receipts, exchange firm common stock not required in order to conduct business on the exchange, proprietary securities trading in connection with preferred stock, common and foreign ordinary stock, American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs"), corporate bonds, municipal bonds, U.S. Treasury obligations, U.S. government agency obligations, agency mortgage-backed obligations, asset-backed obligations, and foreign government obligations. Securities owned and sold, not yet purchased, are recorded on a trade date basis. For further information regarding the determination of fair value refer to Note 5.

(j) ***Derivative Financial Instruments***

The Company acts as a principal and clearing and execution provider of derivative instruments. The Company accounts for derivative instruments as either assets or liabilities at fair value in the statement of financial condition. The Company does not elect hedge accounting for any derivative instrument for which the Company holds an interest.

The Company's accounting policy is such that open contracts with the same customer are netted at the account level, in accordance with netting arrangements in place with each party, as applicable and rights to reclaim cash collateral or obligations to return cash collateral are netted against fair value amounts recognized for derivative instruments with the same customer in accordance with the master netting arrangements in place with each customer. Balance sheet netting does not include non-cash collateral that is received and pledged.

(k) ***Exchange and Clearing Organization Memberships and Stock, at Cost***

The Company holds certain exchange membership seats and exchange and clearing organization firm common stock and pledges them for clearing purposes, in order to provide the Company the right to process trades directly with the various exchanges and clearing organization. Exchange and clearing organization memberships and firm common stocks required in order to conduct business on the exchange are recorded at cost. The cost and fair value for exchange and clearing organization memberships and firm common stock required in order to conduct business on the exchange were $7,934,028 and $6,526,404, respectively, at March 31, 2018. The fair value of exchange firm common stock is determined by quoted market prices, and the fair value of exchange memberships is determined by recent sale transactions. The decline in the fair value of the exchange membership seats and common stock is temporary.

(l) ***Furniture, Equipment, and Leasehold Improvements, net***

Furniture, equipment, and leasehold improvements, net is stated at cost, less accumulated depreciation and amortization. Expenditures that increase the value or productive capacity of assets are capitalized. When furniture, equipment, and leasehold improvements are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture, equipment, and leasehold improvements are depreciated over three to ten years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement.

(m) ***Goodwill and Intangible Assets, net***

Goodwill is not subject to amortization but is subject to impairment testing on an annual basis, or more often if events or circumstances indicate possible impairment. The Company initially performs a qualitative assessment of goodwill to test for impairment. If, based on qualitative review, it is concluded that more likely than not the fair value is less than carrying amount, then quantitative steps are completed to determine if there is goodwill impairment. If it is concluded that fair value is not less than carrying amount, further quantitative tests are not required. The Company utilizes a discounted cash flows valuation methodology in estimating the fair value of the reporting units. If the fair value is less than the carrying amount, an additional test is required to measure the amount of impairment. The Company's impairment evaluation for the year ended September 30, 2017, indicated that none of the Company's goodwill is impaired and there are no events or circumstances that indicate possible impairment as of March 31, 2018.

Identifiable intangible assets subject to amortization are amortized using the straight-line method over their estimated period of benefit, ranging from two to twenty years. Identifiable intangible assets are tested for impairment whenever events or changes in circumstances suggest that an asset's, or asset group's, carrying value may not be fully recoverable. Residual value is presumed to be zero for all identifiable intangible assets.

(n) ***Other Assets***

Other assets primarily include prepaid assets, cash deposits paid on leased office space and dividend and accrued interest receivable. Prepaid assets primarily consist of advance payments made for services that will be charged to expense in future periods when services are received.

(o) ***Income Taxes***

The Company is included in the consolidated federal and state income tax returns of its Parent. Income taxes are allocated to the Company using the pro-rata method. Tax accounts are settled periodically with the Parent.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that, in the opinion of management, is more likely than not to be realized.

The Company did not have any uncertain tax positions as of March 31, 2018. No amounts have been accrued for the payment of interest and penalties at March 31, 2018.

Note 2 - Net Capital Requirements

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule 15c3-1 (the Rule), which requires the maintenance of minimum net capital. The Company is a registered FCM and also subject to the net capital requirements of the CFTC Regulation 1.17. Under the more restrictive of these rules, the Company is required to maintain "adjusted net capital", equivalent to the greater of $1,000,000 or 8 percent of customer and noncustomer risk maintenance margin requirements on all positions, as these terms are defined.

Adjusted net capital and the related net capital requirement may fluctuate on a daily basis. The net capital requirements prohibit the payment of dividends to the Parent, if such payment would reduce the Company's net capital below required levels. Equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1.

The Company's adjusted net capital and minimum net capital requirement as of March 31, 2018 were as follows (in thousands):

Adjusted Net Capital	$	152,333
Minimum Adjusted Net Capital Requirement		83,572
Excess Net Capital	$	68,761

Note 3 - Segregated and Secured Requirements

Pursuant to requirements of the Commodity Exchange Act, funds deposited by customers of the Company relating to futures and options on futures in regulated commodities must be carried in separate accounts that are designated as segregated customers' accounts. The Company holds no cleared swaps or dealer option accounts customer segregated funds under section 4d(f) of the Commodity Exchange Act. Certain amounts in the accompanying table reflect reclassifications and eliminations required for regulatory filing and, as a result, may differ from those presented in the accompanying statement of financial condition.

Funds deposited by customers and other assets, which have been segregated as belonging to the commodity customers as of March 31, 2018 are as follows (in thousands):

Cash, at banks - segregated	$	385,595
Securities representing investments of customers' funds, at banks		599,434
Securities held for customers in lieu of cash, at banks		1,492
Deposits with and receivables from:		
Exchange-clearing organizations, including securities, net of omnibus eliminations		1,355,894
Segregated funds on hand		14,693
Total customer-segregated funds		2,357,108
Amount required to be segregated		2,303,203
Excess funds in segregation	$	53,905
Management target amount for excess funds in segregation	$	35,000
Excess funds in segregation over management target for excess funds	$	18,905

Funds deposited by customers and other assets, which are held in separate accounts for customers trading foreign futures and foreign options on futures on foreign commodity exchanges or boards of trade, as of March 31, 2018 are as follows (in thousands):

Cash - secured	$	62,939
Equities with registered futures commission merchants		27,905
Amounts held by clearing organizations of foreign boards of trade		5,627
Amounts held by members of foreign boards of trade		47,565
Total customer-secured funds		144,036
Amount required to be set aside in separate Section 30.7 accounts		128,318
Excess set aside for secured amount	$	15,718
Management target amount for excess funds in separate Section 30.7 accounts	$	8,000
Excess funds in separate Section 30.7 accounts over management target amount excess	$	7,718

Note 4 - Customer and Proprietary Accounts of Broker Dealers Reserve Requirements

The Company, in its capacity as a securities clearing broker-dealer, clears transactions for customers and certain PABs. A broker may only include assets in proprietary accounts as allowable assets in its net capital computation when the introducing broker and the clearing broker have entered into a PAB agreement. The Company, in its capacity as a clearing broker, prepared reserve computations for the customer accounts and PAB accounts of all its introducing brokers, in accordance with the customer reserve computation guidelines set forth in Rule 15c3-3. Based upon these computations, there was no customer reserve requirement as of March 31, 2018. The PAB reserve requirement was $8,177,485 as of March 31, 2018. As of March 31, 2018, amounts held on deposit in special reserve bank accounts for the benefit of customers and PABs were $704,000 and $5,486,461, respectively. An additional deposit of $3,178,000 was made to the PAB special reserve bank account on April 3, 2018 based upon the excess credits from the PAB reserve computation.

Note 5 - Fair Value of Financial Assets and Liabilities

Fair value is defined by U.S. GAAP as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants on the measurement date.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

In accordance with FASB ASC 820, *Fair Value Measurement*, the Company groups its assets and liabilities measured at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuation is based upon unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Level 1 consists of financial assets and liabilities whose fair values are estimated using quoted market prices.

Level 2 - Valuation is based upon 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. Included in Level 2 are those financial assets and liabilities for which fair values are estimated using models or other valuation methodologies. These models are primarily industry-standard models that consider various observable inputs, including time value, yield curve, volatility factors, observable current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures.

Level 3 - Valuation is generated from 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). Level 3 comprises financial assets and liabilities whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are not readily observable from objective sources. As of March 31, 2018, the Company did not have any Level 3 financial assets or liabilities.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

A market is active if there are sufficient transactions on an ongoing basis to provide current pricing information for the asset or liability, pricing information is released publicly, and price quotations do not vary substantially either over time or among market makers. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

The Company considers counterparty credit risk of all parties to outstanding derivative instruments that would be considered by a market participant in the transfer or settlement of such contracts (exit price). The Company has limited exposure to credit risk on derivative financial instruments as all exchange-traded or cleared contracts held can be settled on an active market with the credit guarantee by the respective exchange.

The following section describes the valuation methodologies used by the Company to measure classes of financial instruments at fair value and specifies the level within the fair value hierarchy where various financial instruments are generally classified.

The Company uses quoted prices in active markets, where available, and classifies such instruments within Level 1 of the fair value hierarchy. Examples include options on futures contracts traded on national exchanges using quoted prices from national exchanges in which the Company executes transactions for customer and proprietary accounts, exchange-cleared swaps and options which are valued using exchange closing prices, corporate and municipal bonds, certain common, preferred stock, ADRs, and GDRs, certain exchangeable foreign ordinary equities, ADRs, and GDRs, and U.S. Treasury obligations.

The fair value of exchange common stock and commodities warehouse receipts are determined by quoted market prices, and the fair value of exchange memberships is determined by recent sale transactions. Exchange common stock, exchange memberships, and commodities warehouse receipts are classified as Level 1.

When instruments are traded in secondary markets and quoted prices do not exist for such securities, the Company generally relies on internal valuation techniques or prices obtained from third-party pricing services or brokers or a combination thereof, and accordingly, classified these instruments as Level 2. Examples include U.S. government agency obligations, agency-mortgage backed obligations, asset-backed obligations, foreign government obligations, certain common and preferred stock,ADRs, and GDRs, and certain exchangeable foreign ordinary equities, ADRs, and GDRs.

Securities owned and sold are primarily valued using third party pricing sources that are subject to price verification procedures performed by separate internal personnel. Third party vendors compile prices from various sources and often apply matrix pricing for similar securities when no prices are observable. The Company reviews the pricing methodologies provided by the various vendors in order to determine if observable market information is being used, versus unobservable inputs. When evaluating the propriety of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Trader or broker prices are used to ensure the reasonableness of a vendor price; however valuing financial instruments involves judgments acquires from knowledge of a particular market. If a trader asserts that a vendor or market price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2018. 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 this financial statement since that date and current estimates of fair value may differ significantly from the amounts presented herein.

The following table summarizes the Company's financial assets and liabilities recorded at fair value on a recurring basis as of March 31, 2018, by level within the fair value hierarchy (in thousands):

	March 31, 2018				
	Level 1	Level 2	Level 3	Netting and Collateral (1)	Total
Assets:					
Commodities warehouse receipts	$ 14,693	$ —	$ —	$ —	$ 14,693
U.S. Treasury obligations	600,926	—	—	—	600,926
Securities and other assets segregated under federal regulations	615,619	—	—	—	615,619
U.S. Treasury obligations	648,474	—	—	—	648,474
TBA and forward settling securities	—	4,934	—	296	5,230
Derivatives	3,688,668	—	—	(3,680,375)	8,293
Deposits with and receivables from broker-dealers, clearing organizations and counterparties	4,337,142	4,934	—	(3,680,079)	661,997
Common and preferred stock, ADRs, and GDRs	46,639	2,872	—	—	49,511
Exchangeable foreign ordinary equities, ADRs, and GDRs	17,741	540	—	—	18,281
Corporate and municipal bonds	40,859	—	—	—	40,859
Agency mortgage-backed obligations	—	1,028,865	—	—	1,028,865
Asset-backed obligations	—	41,314	—	—	41,314
U.S. Treasury obligations	64,672	—	—	—	64,672
U.S. government agency obligations	—	408,060	—	—	408,060
Foreign government obligations	—	853	—	—	853
Commodities warehouse receipts	1,971	—	—	—	1,971
Exchange firm common stock	9,710	—	—	—	9,710
Securities owned, at fair value	181,592	1,482,504	—	—	1,664,096
Total assets at fair value	$ 5,134,353	$ 1,487,438	$ —	$ (3,680,079)	$ 2,941,712
Liabilities:					
TBA and forward settling securities	$ —	$ 5,837	$ —	$ (57)	$ 5,780
Derivatives	3,832,658	—	—	(3,832,658)	—
Payables to broker-dealers, clearing organizations and counterparties	3,832,658	5,837	—	(3,832,715)	5,780
Common and preferred stock, ADRs, and GDRs	52,410	537	—	—	52,947
Exchangeable foreign ordinary equities, ADRs, and GDRs	18,330	114	—	—	18,444
Corporate and municipal bonds	66	—	—	—	66
Agency mortgage-backed obligations	—	84	—	—	84
U.S. Treasury obligations	471,676	—	—	—	471,676
U.S. government agency obligations	—	55,686	—	—	55,686
Foreign government obligations	—	6	—	—	6
Securities sold, not yet purchased, at fair value	542,482	56,427	—	—	598,909
Total liabilities at fair value	$ 4,375,140	$ 62,264	$ —	$ (3,832,715)	$ 604,689

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

All common stock and ADRs represent equities of foreign entities denominated in U.S. dollars. Foreign ordinary stock represents foreign equities denominated in foreign currency translated to U.S. dollars.

Note 6 - Derivative Instruments and Hedging Activities

The Company provides clearing and execution of exchange-traded futures and options on futures for middle-market intermediaries, end-users, producers of commodities and the institutional and professional trader market segments.

The Company also has derivative instruments, which consist of agency mortgage-backed TBA securities and forward settling transactions that are used to manage risk exposures in the fixed income trading inventory. The fair value of these transactions are recorded in receivables or payables to broker-dealers, clearing organizations and counterparties. TBA and forward settling securities represent non-regular way securities.

See Note 5 and Note 16 for additional information about the fair value of financial instruments held, and the Company's exposure to credit risk on derivative instruments.

The following table presents the fair value of the Company's derivative instruments and location on the statement of financial condition (in thousands).

	March 31, 2018	
	Assets [(1)]	**Liabilities** [(1)]
Derivative contracts not accounted for as hedges:		
Exchange-traded commodity derivatives	$ 2,612,787	$ 2,926,827
Exchange-traded foreign exchange derivatives	107,068	59,717
Exchange-traded interest rate derivatives	732,595	615,933
Exchange-traded equity index derivatives	236,218	230,181
TBA and forward settling securities	4,934	5,837
Gross fair value of derivative contracts	3,693,602	3,838,495
Impact of netting and collateral	(3,680,079)	(3,832,715)
Total fair value included in 'deposits with and receivables from broker-dealers, clearing organizations, and counterparties'	$ 13,523	
Total fair value included in 'payables to broker-dealers, clearing organizations and counterparties		$ 5,780

(1) As of March 31, 2018, the Company's derivative contract volume for open positions was approximately 9.0 million contracts.

As of March 31, 2018, TBA and forward settling securities are summarized as follows (in thousands):

	Gain / (Loss)	Notional Amounts
Unrealized gain on TBA securities purchased within deposits with and receivables from broker-dealers, clearing organizations and counterparties and related notional amounts (1)	$ 2,862	$ 832,477
Unrealized loss on TBA securities purchased within deposits with and receivables from broker-dealers, clearing organizations and counterparties and related notional amounts (1)	$ (21)	$ 49,927
Unrealized gain on TBA securities sold within payables to broker-dealers, clearing organizations and counterparties and related notional amounts (1)	$ 57	$ (118,711)
Unrealized loss on TBA securities sold within payables to broker-dealers, clearing organizations and counterparties and related notional amounts (1)	$ (5,837)	$ (1,611,150)
Unrealized gain on forward settling securities purchased within deposits with and receivables from broker-dealers, clearing organizations and counterparties and related notional amounts.	$ 287	$ 410,863
Unrealized gain on forward settling securities sold within deposits with and receivables from broker-dealers, clearing organizations and counterparties and related notional amounts.	$ 1,785	$ (308,104)

(1) The notional amounts of these instruments reflect the extent of the Company's involvement in TBA securities and do not represent risk of loss due to counterparty non-performance.

Note 7 - Securities Financing Transactions

The Company enters into securities purchased under agreements to resell, securities sold under agreements to repurchase, securities borrowed and securities loaned transactions to, among other things, finance financial instruments, acquire securities to cover short positions, acquire securities for settlement, and to accommodate counterparties' needs. These agreements are recorded as collateralized financings at their contractual amounts plus accrued interest. In connection with these agreements and transactions, it is the policy of the Company to receive or pledge cash or securities to adequately collateralize such agreements and transactions in accordance with general industry guidelines and practices. The value of the collateral is valued daily and the Company may require counterparties to deposit additional collateral or return collateral pledged, when appropriate. The carrying amounts of these agreements and transactions approximate fair value due to their short-term nature and the level of collateralization.

The Company pledges financial instruments owned to collateralize repurchase agreements agreements. At March 31, 2018, financial instruments owned, at fair value of $5,077,326 were pledged as collateral under repurchase agreements. The counterparty has the right to repledge the collateral in connection with these transactions. These financial instruments owned have been pledged as collateral and have been parenthetically disclosed on the statement of financial condition.

The Company also has repledged securities borrowed and securities held on behalf of correspondent brokers to collateralize securities loaned agreements with a fair value of $547,897,825 as of March 31, 2018.

In addition, as of March 31, 2018, the Company pledged financial instruments owned, at fair value of $1,485,106,151 and securities received under reverse repurchase agreements of $111,430,119 to cover collateral for tri-party repurchase agreements. For these securities, the counterparties do not have the right to sell or repledge the collateral and, therefore, they have not been parenthetically disclosed on the statement of financial condition.

At March 31, 2018, the Company has accepted collateral that it is permitted by contract to sell or repledge. This collateral consists primarily of securities received in reverse repurchase agreements, securities borrowed agreements, and margin securities held on behalf of correspondent brokers. The fair value of such collateral at

March 31, 2018, was $1,320,165,880 of which $496,288,520 was used to cover securities sold short which are recorded in financial instruments sold, not yet purchased on the statement of financial condition. In the normal course of business, this collateral is used by the Company to cover financial instruments sold, not yet purchased, to obtain financing in the form of repurchase agreements, and to meet counterparties' needs under lending arrangements. At March 31, 2018, substantially all of the above collateral had been delivered against financial instruments sold, not yet purchased or repledged by the Company to obtain financing.

The following table provides the contractual maturities of gross obligations under repurchase and securities lending agreements as of March 31, 2018 (in thousands):

	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	$ 797,742	$464,300	$280,500	20,000	$ 1,562,542
Securities loaned	559,104	—	—	—	559,104
Gross amount of secured financing	$ 1,356,846	$464,300	$280,500	20,000	$ 2,121,646

The following table provides the underlying collateral types of the gross obligations under repurchase and securities lending agreements as of March 31, 2018 (in thousands):

Securities sold under agreements to repurchase:	
U.S. Treasury obligations	$ 5,052
U.S. government agency obligations	358,061
Asset-backed obligations	75,000
Agency mortgage-backed obligations	1,124,429
Total securities sold under agreements to repurchase	1,562,542
Securities loaned:	
Common stock	559,104
Total securities loaned	559,104
Gross amount of secured financing	$ 2,121,646

Note 8 - Property and Equipment, net

Furniture, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization.

The following is a summary of furniture, equipment, and leasehold improvements as of March 31, 2018 (in thousands):

Furniture and equipment	$ 2,678
Computer software and hardware	4,011
Leasehold improvements	6,272
	12,961
Less accumulated depreciation	(7,630)
	$ 5,331

Note 9 - Goodwill and Intangible Assets, net

The Company has total goodwill of $12,565,740 as of March 31, 2018.

The gross and net carrying values of intangible assets as of March 31, 2018 by major intangible asset class are as follows (in thousands):

	March 31, 2018		
	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets subject to amortization:			
Software programs/platforms	$ 1,505	$ (1,314)	$ 191
Customer base	12,778	(6,051)	6,727
	$ 14,283	$ (7,365)	$ 6,918

Note 10 - Credit Facilities

On April 5, 2018, the Company amended its committed unsecured line of credit agreement, with a syndicate of lenders, administered by Bank of Montreal, under which the Company may borrow up to $75,000,000. This credit facility provides short-term funding of margin to commodity exchanges as necessary. The credit facility expires on April 4, 2019, and is subject to annual review. These borrowings are payable on demand.

The continued availability of this credit facility is subject to the Company's financial condition and operating results continuing to be satisfactory as set forth in the agreement. Borrowings under the credit facility are on a demand basis and bear interest at the Base Rate, as defined, plus 2.00%, which was 6.75% as of March 31, 2018. The agreement contains financial covenants related to the Company's tangible net worth, excess net capital, and maximum allowable net loss over a trailing twelve month period, as defined. The Company was in compliance with these covenants throughout the period, including as of March 31, 2018. Unused portions of the margin line require a commitment fee of 0.50% on the unused commitment. There were $9,500,000 in borrowings outstanding under this credit facility at March 31, 2018.

During the next twelve months, the Company's committed credit facility is scheduled to expire. While there is no guarantee that the Company will be successful in renewing this agreement as it expires, the Company believes it will be able to do so.

The Company has a secured, uncommitted loan facility, under which the Company may borrow up to $75,000,000, collateralized by commodity warehouse receipts, to facilitate U.S. commodity exchange deliveries of its customers, subject to certain terms and conditions of the credit agreement. Borrowings under the credit facility bear interest at the Fed Funds Rate, as defined, plus 2.5%. There are no commitment fees related to this credit arrangement. There were no borrowings outstanding under this credit facility at March 31, 2018.

The Company also has a secured uncommitted loan facility under which the Company may borrow for short term funding of firm and customer securities margin requirements, subject to certain terms and conditions of the agreement. The uncommitted maximum amount available to be borrowed is not specified, and all requests for borrowing are subject to the sole discretion of the lender. There were $48,000,000 in borrowings outstanding under this credit facility at March 31, 2018.

The Company also has a secured uncommitted loan facility under which it may borrow up to $100,000,000 for short term funding of firm and customer securities margin requirements, subject to certain terms and conditions of the agreement. The loans are payable on demand and bear interest at a rate mutually agreed to with the lender. The borrowings are secured by first liens on firm owned marketable securities or customer owned securities which have been pledged to the Company. There were no borrowings outstanding under this credit facility at March 31, 2018.

Note 11 - Commitments and Contingencies

Operating Leases

The Company leases office facilities, equipment, and automobiles for various terms under non-cancelable operating lease agreements. The leases expire on various dates through 2027, and generally provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar lease agreements. Most of the leases provide that the Company pay taxes, maintenance, insurance, and other operating expenses. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease, including rent concessions or holidays.

The following table summarizes future minimum lease payments required under the various operating lease agreements (in thousands):

Fiscal year ending September 30,		
2018 (remaining six months)	$	1,943
2019		3,966
2020		3,776
2021		3,258
2022 and beyond		3,736
Total	$	16,679

Purchase and Other Commitments

Purchase and other commitments primarily include certain service agreements related to the use of front-office and back-office trading software systems and clearing agreements. Purchase and other commitments as of March 31, 2018 for less than one year, and one to three years were $225,000 and $487,000, respectively and none after three years.

Securities sold, not yet purchased represent obligations of the Company to purchase specified financial instruments in the market at prevailing prices. Consequently, the Company's ultimate obligation to satisfy securities sold, not yet purchased may exceed the amounts recognized on the accompanying statement of financial condition.

Securities Clearing Arrangement Indemnifications and Termination Fees

The Company clears its securities transactions either internally, or externally primarily through Broadcort and Pershing, under clearing agreements with both parties. The agreements call for termination fees if the Company terminates either agreement without cause, or if one of the parties terminates either agreement for cause, as specified within the agreements. The maximum amount of termination fees related to these parties is $100,000.

In the normal course of its business, the Company indemnifies and holds Broadcort and Pershing harmless against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the statement of financial condition for these indemnifications.

Exchange and Clearing Organization Member Guarantees

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

Legal Proceedings

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

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

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

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

Sentinel Litigation

Prior to the July 1, 2015 merger into INTL FCStone Financial Inc., FCStone, LLC had a portion of its excess segregated funds invested with Sentinel Management Group Inc. ("Sentinel"), a registered FCM and an Illinois-based money manager that provided cash management services to other FCMs. In August 2007, Sentinel halted redemptions to customers and sold certain of the assets it managed to an unaffiliated third party at a significant discount. On August 17, 2007, subsequent to Sentinel's sale of certain assets, Sentinel filed for bankruptcy protection. In aggregate, approximately $15,500,000 of FCStone, LLC's approximately $21,900,000 in invested funds were returned to it before and after Sentinel's bankruptcy petition.

In August 2008, the bankruptcy trustee of Sentinel filed adversary proceedings against FCStone, LLC, and a number of other FCMs in the Bankruptcy Court for the Northern District of Illinois. The case was subsequently reassigned to the U.S. District Court, for the Northern District of Illinois. The trustee sought recovery of pre- and post-petition transfers totaling approximately $15,500,000.

The trial of this matter took place during October 2012. The trial court entered a judgment against FCStone in January 2013. The case has been appealed to the Seventh Circuit several times. The latest oral argument was heard in the Seventh Circuit in June 2017. In August 2017, the Seventh Circuit ruled in favor of all of the Company's arguments.

In April 2018, the United States Supreme Court denied the trustee's petition for writ of certiorari. Following this, the Company requested immediate payment of funds due based on the August 2017 ruling in its favor. In May 2018, the Company received funds in the amount of approximately $1,900,000, which it will recognize as a gain during the quarter ending June 30, 2018.

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 or assumptions.

Note 12 - Share-Based Compensation

The Parent sponsors a share-based stock option plan (the Plan) available for its directors, officers, and employees. The Plan permits the issuance of shares of INTL FCStone common stock to key employees of the Company. Awards that expire or are canceled generally become available for issuance again under the Plan. INTL FCStone generally settles stock option exercises with newly issued shares of common stock.

There were 28,250 stock options awarded to the Company's employees during the six months ended March 31, 2018. The strike price of $43.88 is equivalent to the January 18, 2018, grant date market value of INTL FCStone's stock. The grant date fair value, calculated using the Black-Scholes option pricing model, was $9.74 per share based on assumptions including a risk-free rate of 1.23%, no dividends, volatility of 29.97% and an expected life of 3.06 years.

Stock option activity of the Company during the six months ended March 31, 2018 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value (in millions)
Balances at September 30, 2017	226,997	$ 26.56	2.86	$ 2.7
Granted	28,250	$ 43.88		
Exercised	(18,920)	$ 21.41		
Forfeited	(3,330)	$ 27.61		
Balances at March 31, 2018	232,997	$ 29.06	2.69	$ 1.5
Exercisable at March 31, 2018	91,267	$ 26.37	2.36	$ 3.2

The intrinsic value of options exercised during the six months ended March 31, 2018 was approximately $398,993, determined as of the exercise date.

Note 13 - Retirement Plans

Defined Benefit Retirement Plans

The Company participates in the qualified and nonqualified noncontributory retirement plans of FCStone Group, Inc., an affiliate. The retirement plans are defined benefit pension plans that cover certain employees of the Company. The plans were closed to new employees hired subsequent to April 1, 2006, and amended effective September 1, 2008, to freeze all benefit accruals, therefore no additional benefits accrue for active participants under the plans.

Defined Contribution Retirement Plan

The Company offers participation in the INTL FCStone Inc. 401(k) Plan ("401(k) Plan"), a defined contribution plan providing retirement benefits, to all employees who have reached 21 years of age, and provided four months of service to the Company. Employees may contribute from 1% to 80% of their annual compensation to the 401 (k) Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company makes matching contributions to the 401(k) Plan in an amount equal to 62.5% of each participant's eligible elective deferral contribution to the 401(k) Plan, up to 8% of employee compensation. Matching contributions vest, by participant, based on the following years of service schedule: less than two years - none, after two years - 33%, after three years - 66%, and after four years - 100%. During the period ended March 31, 2018, the Company contributed $1,559,939 to this plan.

Note 14 - Income Taxes

On December 22, 2017, the President of the United States 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. The Company will compute its 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 Company has not recorded any tax expense related to the remeasurement of deferred tax assets and liabilities because the tax impact is currently recorded on INTL FCStone and has not yet been allocated to the Company.

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 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. The FASB staff would not object to the application of SAB 118 to private companies. The Company has applied the provision of SAB 118.

While the Company can make reasonable estimates of the impact of the reduction in corporate rate, the final impact of the Tax Reform may differ from these estimates, due to, among other things, changes in interpretations and assumptions, additional guidance that may be issued by taxing authorities, and actions the Company 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) limitations on the utilization of net operating losses generated after December 31, 2017 to 80 percent of taxable income per tax year, and (3) limitations on the deductibility of certain executive compensation.

Effects of tax law changes where a reasonable estimate of the accounting effects has not yet been made include additional limitations on certain meals and entertainment expenses and the unlimited carryforward of net operating losses. The Company has also not yet determined the potential tax impact of provisions that are not yet effective, such as the limitation of the utilization of net operating losses generated after fiscal 2018 to 80 percent of taxable income per tax year.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2018 include net operating losses, amortization on intangible assets, accrued compensation, shared-based compensation, deferred rent, furniture, equipment, and leasehold improvements, prepaid expenses, and unrealized gains on marketable securities and exchange memberships. The Company's deferred tax assets have been reduced by a valuation allowance primarily related to state net operating loss carryforwards that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. When evaluating the need for a valuation allowance, the Company considers the operating and tax results of INTL FCStone, as income taxes are allocated to the Company on a pro-rata basis.

INTL FCStone earned U.S. federal, state, and local taxable income (losses) for the years ending September 30, 2017, 2016, and 2015 of $(20,474,477), $(9,650,419), and $16,514,823, respectively. The differences between actual levels of past taxable income (losses) and pre-tax book income (losses) are primarily attributable to temporary differences in these jurisdictions. INTL FCStone considered the existence of deferred tax liabilities and available tax planning strategies when evaluating the realizability of deferred tax assets. Based on the reversal of deferred tax liabilities and tax planning strategies that can be implemented by INTL FCStone, management believes that it is more likely than not that the Company will realize the tax benefit of the deferred tax assets, net of the existing valuation allowance, within approximately 5 years.

INTL FCStone has open tax years that include the activities of the Company, ranging from September 30, 2010 through September 30, 2017 with various taxing authorities.

Note 15 - Transactions with Affiliated Companies

The Company contracts with INTL Custody & Clearing Solutions, Inc. ("ICCS") and SA Stone Wealth Management, Inc. ("SASWM"), broker-dealer affiliates, and SA Stone Investment Advisors, Inc. ("SASIA"), a registered investment advisor affiliate, to serve as their securities clearing and carrying broker, to clear and perform the majority of other back office operations, and to maintain and preserve all books and records required by applicable provisions of laws and applicable rules of the SEC. Under the terms of the agreements, ICCS, SASWM, and SASIA have ultimate responsibility for any loss, liability, damage, cost, or expense incurred as a result of the failure of any account to make timely payment for the securities purchased or timely and good delivery of securities sold on the account. The Company as the securities clearing and carrying broker for ICCS, SASWM, and SASIA maintains cash and cash equivalent accounts on their behalf. The Company serves as the custodian for securities, cash, and other property owned by or in fiduciary accounts of ICCS, SASWM, and SASIA. The Company includes the assets in proprietary accounts of ICCS and SASWM as allowable assets in its net capital computation as the Company has entered into PAB agreements. As of March 31, 2018, the Company held cash and cash equivalents of $2,416,115, $10,135,133, and $123,728 on behalf of ICCS, SASWM, and SASIA, respectively, which are included within payables to customers on the statement of financial condition. The Company, in its capacity as the securities clearing firm for these affiliates, charged clearing fees for such services. The Company also provides office space, management, consulting, and financial services to these affiliates and charges fees for such services.

The Company provides risk management and futures and options on futures clearing and transaction services to an affiliate, INTL FCStone Markets, LLC, ("INTL FCStone Markets"). As part of its risk management business, the Company receives trading revenue that is generated from OTC derivative trades done through its affiliate. In addition, the Company charges clearing and transaction fees to INTL FCStone Markets related to commodity futures and options on futures accounts that are utilized to hedge INTL FCStone Markets' OTC transactions. The Company enters into similar transactions with other affiliated introducing broker entities for which the Company clears transactions. Alternatively, the Company incurs commission and clearing costs from certain affiliates, based on service agreements between the parties.

The Company also obtains operational support for the Company's business activities in U.S. and international jurisdictions and certain administrative services, which are recognized through a management service fee billed by INTL FCStone. These charges are considered a reasonable estimation of the cost of services provided, and represent an allocation of the costs incurred by INTL FCStone to provide such services.

In the ordinary course of business, the Company completes transactions and pays certain costs on behalf of affiliated subsidiaries of INTL FCStone as discussed above. As of March 31, 2018, the Company had receivables from affiliates of $4,722,199, primarily related to revenues charged to affiliates and the reimbursement of expenses paid on behalf of affiliates. Additionally, the Company pays introducing broker commissions and management fees, discussed above, to certain affiliates based on revenues generated for the Company, and reimburses certain affiliates for costs paid on its behalf. As of March 31, 2018, the Company had payables to affiliates of $16,060,527 related to introducing broker commissions and management fees and reimbursement of expenses. There can be no assurances that such transactions would have occurred under the same terms and conditions with an unrelated party. The Company settles its receivable and payable balances with its affiliates in a timely manner. The Company also had intercompany loans of $14,696,180 outstanding with INTL FCStone as of March 31, 2018, that are included within payables to affiliates on the statement of financial condition.

The Company has commodity futures and options on futures accounts for its customers with its clearing firm affiliates. In addition, the Company maintains commodity futures and options on futures accounts on behalf of its introducing broker affiliates and the customers of its introducing broker affiliates. As of March 31, 2018 the net liquidating values of these accounts, which totaled $52,029,510 and $120,090,756, are included in deposits with and receivables from broker-dealers, clearing organizations and counterparties and payables to customers, respectively, on the statement of financial condition. Additionally, the Company also held U.S. Treasury bills with a fair value of $35,776,450 as of March 31, 2018, that have been pledged by an affiliate as collateral in lieu of cash margin and are included in payables to customers on the statement of financial condition.

Note 16 - Financial Instruments with Off-Statement of Financial Condition Risk

The Company is a party to financial instruments in the normal course of its business of execution, settlement, and financing of customer trading accounts in various securities and exchange-traded derivative instruments. These instruments are primarily the execution of orders for securities and commodity futures and options on futures contracts on behalf of its customers, which are transacted on a cash or margin basis. These activities may expose the Company to off-statement of financial condition risk in the event the customer or other broker is unable to fulfill its contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss. Margin transactions may expose the Company to significant credit risk in the event margin requirements are not sufficient to fully cover losses which customers may incur. The Company controls the risks associated with these transactions by requiring customers to maintain margin deposits in compliance with various regulatory requirements, individual exchange regulations, and internal guidelines. The Company monitors required margin levels daily and, therefore, may require customers to deposit additional collateral or reduce positions when necessary.

The Company also establishes contract limits for customers, which are monitored daily. The Company evaluates each customer's creditworthiness on a case-by-case basis. Clearing, financing, and settlement activities may require the Company to maintain funds with or pledge securities as collateral with other financial institutions. Generally, these exposures to both customers and exchanges are subject to netting, or customer agreements, which reduce the exposure to the Company by permitting receivables and payables with such customers to be offset in the event of a customer default. Management believes that the margin deposits held are adequate to minimize the risk of material loss that could be created by positions held as of March 31, 2018. Additionally, the Company monitors collateral fair value on a daily basis and adjusts collateral levels in the event of excess market exposure. Generally, these exposures to both customers and counterparties are subject to master netting, or customer agreements which reduce the exposure to the Company.

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

As a broker-dealer in U.S. Treasury obligations, U.S. government agency obligations, and agency mortgage-backed and asset-backed obligations, the Company is engaged in various securities trading, borrowing and lending activities with institutional counterparties. The Company's exposure to credit risk associated with the nonperformance of counterparties in fulfilling their contractual obligations pursuant to these securities transactions and market risk associated with the sale of securities not yet purchased can be directly impacted by volatile trading markets which may impair their ability to satisfy outstanding obligations to the Company. In the event of non-performance and unfavorable market price movements, the Company may be required to purchase or sell financial instruments, which may result in a loss to the Company.

The Company does not anticipate non-performance by counterparties in the above situations. The Company has a policy of reviewing the credit standing of each counterparty with which it conducts business. The Company has credit guidelines that limit the Company's current and potential credit exposure to any one counterparty. The Company administers limits, monitors credit exposure, and periodically reviews the financial soundness of counterparties. The Company manages the credit exposure relating to its trading activities in various ways, including entering into collateral arrangements and limiting the duration of exposure. Risk is mitigated in certain cases by closing out transactions and entering into risk reducing transactions.

Note 17 - Business and Credit Concentrations

The Company and its subsidiaries are engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

A significant portion of the Company's customers are concentrated in the agricultural and energy sectors and related industries and the Company could be impacted by government policies and regulations affecting those industries. Economic forces, including agricultural commodity, energy, and financial markets, as well as government policies and regulations affecting the agricultural sector and related industries could adversely affect its operations and profitability. Agricultural production and trade flows are significantly affected by government policies and regulations which might include items, such as taxes, tariffs, duties, subsidies, and import and export restrictions on agricultural commodities and commodity products. These policies and regulations can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded, and the volume and types of imports and exports.

Note 18 - Subsequent Events

Management has evaluated events and transactions through June 1, 2018, which is the date the financial statement was issued, for potential recognition or disclosure herein and has determined that no additional disclosures or adjustments are required with the exception of the update to the Sentinel litigation matter disclosed in Note 11.

The audited Statement of Financial Condition of INTL FCStone Financial Inc as of September 30, 2017, filed with the Securities and Exchange Commission pursuant to Rule 17a-5 of the Securities Exchange Act, is available for inspection at the principal office of the Company and at the regional office of the Securities and Exchange Commission.

This statement may be viewed on our website at www.intlfcstone.com/Commodities/Securities/Capabilities/Securities/Regulatory-Disclosures/.