UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 13, 2020 (July 31, 2020)

StoneX Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	000-23554	59-2921318
(State of Incorporation)	(Commission File Number)	(IRS Employer ID No.)

155 East 44th Street, Suite 900
New York, NY 10017

(Address of principal executive offices, including Zip Code)

(212) 485-3500

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to rule 14d-2(b) under the Exchange Act 17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	SNEX	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

On July 31, 2020, StoneX Group, Inc. (the "Company") filed its Form 8-K ("the Original Form 8-K") to report the acquisition of GAIN Capital Holdings, Inc., a Delaware corporation ("GAIN"), as contemplated by the terms of the Agreement and Plan of Merger, dated as of February 26, 2020 (the "Merger Agreement"), by and among the Company, GAIN and Golf Merger Sub I Inc. ("Merger Sub"). The Original Form 8-K did not include the audited financial statements of GAIN or the pro forma unaudited financial statements of the combined entity. This Amendment to the Form 8-K is filed to include the financial statement information required under Item 9.01 of Form 8-K in connection with the acquisition of GAIN.

Except to the extent expressly set forth herein, this amended Form 8-K speaks as of the filing date of the Original Form 8-K and has not been updated to reflect events occurring subsequent to the original filing date. Accordingly, this amended Form 8-K should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the Original Form 8-K.

Forward-Looking Statements

This Form 8-K/A contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are identified by words such as "may," "should," "expects," "anticipates," "assumes," "can," "will," "could," "likely," "intends," "might," "predicts," "seeks," "would," "believes," "estimates" or "plans." These forward-looking statements include, among other things, statements relating to the expected results of the merger with GAIN, including any anticipated cost or capital synergies associated therewith, operating efficiencies and results, growth, client and stockholder benefits, accretion, financial benefits or returns, key assumptions, integration costs and transaction costs, our future financial performance, our business prospects and strategy, anticipated financial position, liquidity and capital needs and other similar matters. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control, that may cause actual results to be materially different from any anticipated results expressed or implied by these forward-looking statements, including, among others, (i) anticipated benefits of the merger, including the realization of revenue, accretion, financial benefits or returns and other cost and capital synergies may not be fully realized or may take longer to realize than expected, (ii) adverse changes in economic, political and market conditions, such as price levels and volatility in the commodities, securities and foreign exchange markets in which we and GAIN operate, (iii) losses from our market-making and trading activities arising from counter-party failures and changes in market conditions, (iv) the possible loss of key personnel or GAIN key personnel, (v) the impact of increasing competition, (vi) the impact of changes in government regulation, (vii) the possibility of liabilities arising from violations of federal and state securities laws, (viii) the impact of changes in technology in the securities and commodities trading industries and (ix) other risks and uncertainties, including those set forth under the heading "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K and, to the extent applicable, our Quarterly Reports on Form 10-Q. You should read cautionary statements made as being applicable to all related forward-looking statements wherever they appear in this Form 8-K/A. We cannot assure you that the forward-looking statements in this Form 8-K/A will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all. Investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they were made. Except as expressly required under federal securities laws and the rules and regulations of the U.S. Securities and Exchange Commission, we do not have any obligation, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this press release, whether as a result of new information, future events or otherwise. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

Financial statements of GAIN as required under Item 9.01 of Form 8-K in connection with the merger with GAIN are attached.

(b) Pro Forma Financial Information

Pro forma financial information as required under Item 9.01 of Form 8-K in connection with the merger with GAIN are attached.

(c) Exhibits

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of February 26, 2020, by and among the Company, GAIN and Merger sub (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed by the Company on February 27, 2020) *
23. 1	Consent of BDO USA, LLP
99.1	Audited consolidated financial statements and financial statements schedules of GAIN for the year ended December 31, 2019, and the unaudited condensed consolidated financial statements of GAIN for the three months ended March 31, 2020.
99.2	Unaudited pro forma condensed combined income statement for the year ended September 30, 2019, unaudited pro forma condensed combined income statement for the six months ended March 31, 2020, and unaudited pro forma condensed combined balance sheet as of March 31, 2020.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Previously filed.

Signature

Pursuant to the Requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the Undersigned hereunto duly authorized.

	StoneX Group Inc.
	(Registrant)
October 13, 2020	**/s/ WILLIAM J. DUNAWAY**
(Date)	William J. Dunaway
	Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (No. 333-117544, 333-137992, 333-144719, 333-152461, 333-186704, 333-209912, and 333-231301) and on Form S-8 (No. 333-108332, 333-142262, 333-196413, 333-197773, 333-216538, and 333-229807) of StoneX Group Inc. our reports dated March 16, 2020, relating to the consolidated financial statements and financial statement schedule, of Gain Capital Holdings, Inc. which appears in the Current Report on Form 8-K/A of StoneX Group, Inc. filed on October 13, 2020.

BDO USA, LLP
New York, New York
October 13, 2020

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FINANCIAL STATEMENT SCHEDULE

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
GAIN Capital Holdings, Inc.
Bedminster, NJ

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of GAIN Capital Holdings, Inc. (the "Company") as of December 31, 2019, the related consolidated statements of income and comprehensive (loss)/income, shareholders' equity, and cash flows for the year then ended, and the related notes and the financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)*] issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 16, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2019.

New York, NY

March 16, 2020

GAIN CAPITAL HOLDINGS, INC.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31, 2019	December 31, 2018
ASSETS:		
Cash and cash equivalents	$ 190,072	$ 278,850
Cash and securities held for customers	929,263	842,478
Receivables from brokers	112,296	84,271
Property and equipment, net	30,563	30,579
Intangible assets, net	24,163	32,195
Goodwill	—	27,820
Other assets	64,012	36,355
Total assets	$ 1,350,369	$ 1,332,548
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities		
Payables to customers	$ 929,263	$ 842,478
Payables to brokers	—	1,635
Accrued compensation and benefits	5,462	11,227
Accrued expenses and other liabilities	43,129	41,562
Income tax payable	638	5,764
Convertible senior notes	137,178	132,109
Total liabilities	1,115,670	1,034,775
Commitments and contingent liabilities		
Shareholders' equity		
Common stock ($0.00001 par value; 120 million shares authorized; 55.3 million shares issued and 37.5 million shares outstanding as of December 31, 2019; 54.5 million shares issued and 37.8 million shares outstanding as of December 31, 2018)	—	—
Additional paid-in capital	249,111	243,216
Retained earnings	134,752	204,483
Accumulated other comprehensive loss	(21,647)	(29,410)
Treasury stock, at cost (17.8 million shares at December 31, 2019 and 16.7 million at December 31, 2018, respectively)	(127,517)	(120,516)
Total shareholders' equity	234,699	297,773
Total liabilities and shareholders' equity	$ 1,350,369	$ 1,332,548

The accompanying notes are an integral part of these consolidated financial statements.

GAIN CAPITAL HOLDINGS, INC.
Consolidated Statements of Operations and Comprehensive (Loss)/Income
(in thousands, except share and per share data)

	Year Ended December 31,	
	2019	2018
REVENUE:		
Retail revenue	$ 177,727	$ 300,206
Futures revenue	34,791	39,705
Other revenue	7,141	7,406
Total non-interest revenue	219,659	347,317
Interest revenue	16,598	12,503
Interest expense	2,325	1,863
Total net interest revenue	14,273	10,640
Net revenue	$ 233,932	$ 357,957
EXPENSES:		
Employee compensation and benefits	$ 78,126	$ 89,070
Selling and marketing	38,395	36,460
Referral fees	29,305	40,026
Trading expenses	20,790	22,899
General and administrative	50,605	55,239
Depreciation and amortization	17,086	19,654
Purchased intangible amortization	8,811	14,171
Communications and technology	19,504	21,961
Bad debt provision	2,024	2,508
Restructuring expenses	1,274	762
Legal settlement	—	5,306
Goodwill impairment	28,098	—
Impairment of investment	—	(130)
Total operating expense	$ 294,018	$ 307,926
OPERATING (LOSS)/PROFIT	(60,086)	50,031
Interest expense on long term borrowings	13,544	13,540
(LOSS)/INCOME BEFORE INCOME TAX (BENEFIT)/EXPENSE	$ (73,630)	$ 36,491
Income tax (benefit)/expense	(12,869)	8,514
NET (LOSS)/INCOME FROM CONTINUING OPERATIONS	$ (60,761)	$ 27,977
Income from discontinued operations	—	65,649
NET (LOSS)/INCOME	$ (60,761)	$ 93,626
Net income attributable to non-controlling interest	—	737
NET (LOSS)/INCOME APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	$ (60,761)	$ 92,889
Other comprehensive income/(loss):		
Foreign currency translation adjustment	7,763	(13,740)
COMPREHENSIVE (LOSS)/INCOME APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	$ (52,998)	$ 79,149
Basic (loss)/earnings from continuing operations per share	$ (1.63)	$ 0.60
Basic (loss)/earnings per share	$ (1.63)	$ 2.11
Diluted (loss)/earnings from continuing operations per share	$ (1.63)	$ 0.60
Diluted (loss)/earnings per share	$ (1.63)	$ 2.08
Basic weighted average common shares outstanding	37,388,984	43,731,881
Diluted weighted average common shares outstanding	37,388,984	44,189,324

The accompanying notes are an integral part of these consolidated financial statements.

GAIN CAPITAL HOLDINGS, INC.
Consolidated Statement of Changes in Shareholders' Equity
(in thousands, except share data)

	Common Stock		Treasury Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
BALANCE—January 1, 2018	45,152,299	$ —	$ (56,927)	$ 235,659	$ 122,686	$ (15,670)	$ 285,748
Net income applicable to GAIN Capital Holdings, Inc.	—	—	—	—	92,889	—	92,889
Exercise of options	169,695	—	—	1,004	—	—	1,004
Conversion of restricted stock into common stock	651,503	—	—	—	—	—	—
Issuance of common stock for the employee stock purchase plan	74,204	—	—	515	—	—	515
Purchase of treasury stock	(8,216,611)	—	(63,514)	—	—	—	(63,514)
Shares withheld for net settlements of share-based awards	(9,404)	—	(75)	—	—	—	(75)
Share-based compensation	—	—	—	6,038	—	—	6,038
Adjustment to the redemption value of put options related to non-controlling interests	—	—	—	—	(816)	—	(816)
Dividends declared	—	—	—	—	(10,276)	—	(10,276)
Foreign currency translation adjustment	—	—	—	—	—	(13,740)	(13,740)
BALANCE—December 31, 2018	37,821,686	$ —	$ (120,516)	$ 243,216	$ 204,483	$ (29,410)	$ 297,773
Net loss applicable to GAIN Capital Holdings, Inc.	—	—	—	—	(60,761)	—	(60,761)
Exercise of options	73,442	—	—	281	—	—	281
Conversion of restricted stock into common stock	617,790	—	—	—	—	—	—
Issuance of common stock for the employee stock purchase plan	101,260	—	—	414	—	—	414
Purchase of treasury stock	(1,129,902)	—	(7,001)	—	—	—	(7,001)
Repurchase of convertible notes	—	—	—	148	—	—	148
Share-based compensation	—	—	—	5,052	—	—	5,052
Dividends declared	—	—	—	—	(8,970)	—	(8,970)
Foreign currency translation adjustment	—	—	—	—	—	7,763	7,763
BALANCE—December 31, 2019	37,484,276	$ —	$ (127,517)	$ 249,111	$ 134,752	$ (21,647)	$ 234,699

The accompanying notes are an integral part of these consolidated financial statements.

GAIN CAPITAL HOLDINGS, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/income	$ (60,761)	$ 93,626
Adjustments to reconcile net (loss)/income to cash provided by/(used in) by operating activities		
Loss on foreign currency exchange rates	272	2,362
Depreciation and amortization	25,897	35,107
Deferred tax benefit	(12,060)	(2,815)
Amortization of deferred financing costs	597	648
Bad debt provision	2,024	2,508
Convertible senior notes discount amortization	5,902	5,590
Share-based compensation	5,052	6,038
Goodwill impairment	28,098	—
Loss on disposal of fixed assets	—	1,332
Gain on sale of GTX	—	(69,292)
Interest earned on investments	—	(930)
Amortization of right of use asset	2,914	—
Changes in operating assets and liabilities:		
Securities held for customers	98,170	(103,781)
Receivables from brokers	(23,024)	(8,411)
Payables to brokers	(1,635)	(972)
Other assets	(497)	6,267
Payables to customers	77,879	(109,957)
Accrued compensation and benefits	(5,849)	(1,117)
Accrued expenses and other liabilities	(11,580)	7,548
Income tax payable	(3,886)	6,975
Lease liability	(2,747)	—
Net cash provided by/(used in) operating activities	**124,766**	**(129,274)**
Cash provided by/(used) in operating activities - continuing operations	**124,766**	**(147,884)**
Cash provided by operating activities - discontinued operations	—	**18,610**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(16,235)	(14,745)
Purchase of partial interest of GAA/TT	(2,422)	(2,906)
Proceeds from sale of GTX	—	96,519
Net cash (used in)/provided by investing activities	**(18,657)**	**78,868**
Cash used in investing activities - continuing operations	**(18,657)**	**(16,806)**
Cash provided by investing activities - discontinued operations	—	**95,674**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	281	1,004
Proceeds from employee stock purchase plan	414	515
Purchase of treasury stock	(7,001)	(63,589)
Dividend payments	(8,970)	(10,276)
Distributions to non-controlling interest holders	—	(634)
Maturity and repurchase of convertible notes	(1,299)	(6,350)
Net cash used in financing activities	**(16,575)**	**(79,330)**
Effect of exchange rate changes on cash and cash equivalents	**6,643**	**(42,164)**

NET INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	**96,177**	**(171,900)**
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of year	1,016,616	1,188,516
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of year	$ 1,112,793	$ 1,016,616
Cash and cash equivalents	190,072	278,850
Cash and cash equivalents held for customers (see note 2)	922,721	737,766
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of year	$ 1,112,793	$ 1,016,616
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 9,182	$ 9,111
Income taxes	$ 9,384	$ 8,648
Non-cash financing activities:		
Adjustment to the redemption value of put options related to non-controlling interests	$ —	$ (816)

The accompanying notes are an integral part of these consolidated financial statements.

GAIN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

GAIN Capital Holdings, Inc. (together with its subsidiaries, the "Company"), is a Delaware corporation formed and incorporated on March 24, 2006. The Company is a global provider of trading services and solutions, specializing in over-the-counter ("OTC"), and exchange-traded markets. The Company operates its business in two segments: retail and futures. Through its retail segment, the Company provides its customers around the world with access to a diverse range of global financial markets, including spot forex, precious metals, spread bets, and contracts for difference ("CFDs"), on currencies, commodities, indices, individual equities, cryptocurrencies, bonds and interest rate products, as well as OTC options. The Company's futures segment offers execution and risk management services for exchange-traded products on major U.S. and European exchanges, including Bitcoin. For more information about the Company's segments, please refer to Note 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and other subsidiaries in which the Company holds a controlling financial interest. All intercompany transactions and balances are eliminated in consolidation.

Sale of GTX ECN Business

On June 29, 2018, the Company completed the sale of its GTX ECN business, which previously comprised the Company's institutional segment, to Deutsche Börse Group via its FX unit, 360T, for a total purchase price of $100 million less a working capital adjustment which amounted to a $0.2 million reduction in the purchase price. The Company determined that the institutional segment met the discontinued operations criteria set forth in Accounting Standards Codification ("ASC") Subtopic 205-20-45, *Presentation of Financial Statements*, in the quarter ended June 30, 2018. As such, the institutional segment results have been classified as discontinued operations in the accompanying Consolidated Statement of Operations and Comprehensive Income for the year ended December 31, 2018. For more information relating to the discontinued operations of the Company's GTX ECN business, please see Note 3.

Use of Estimates

Preparing consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, as well as the reported amounts of revenue and expenses during the reporting period. For the year ended December 31, 2019, the Company revised its estimated fair value for *Goodwill*, resulting in the Company impairing the entire amount of *Goodwill*. Estimates, by their nature, are based on judgment and available information about current events and expectations about actions undertaken in the future. Actual results could differ materially from estimates.

Revenue Recognition

Revenue is recognized in accordance with guidance set forth in ASC 606, *Revenues from Contracts with Customers*. The Company primarily generates revenue through market making and by providing trading execution services for its clients. The Company categorizes revenue as *Retail revenue*, *Futures revenue*, *Other revenue* or *Net interest revenue*.

Retail revenue is the Company's largest source of revenue. *Retail revenue* comprises trading revenue from the retail OTC business and advisory business. OTC trading includes forex trading ("forex"), precious metals trading, CFDs and spread-betting (in markets which do not prohibit such transactions), as well as other financial products.

Gains or losses are realized when customer transactions are liquidated. Unrealized gains or losses on trading positions are revalued at prevailing market rates at the date of the balance sheet and are included in *Receivables from brokers*, *Payables to customers*, and *Payables to brokers* on the Consolidated Balance Sheets. Changes in net unrealized gains or losses are recorded in *Retail revenue* on the Consolidated Statements of Operations and Comprehensive (Loss)/Income. *Retail revenue* is recorded on a trade date basis.

Futures revenue consists of revenue from the Company's futures business, which offers exchange-based trading execution services, focusing on the indices, agricultural hedging, and commodities sectors. Revenues in this business are generated through commissions, which are earned for executing customer trades. These revenues are booked on a trade date basis. The Company acts as an agent with respect to clearing trades, but is a principal with respect to fees paid to introducing brokers in its futures business. The Company does not assume any market risk with respect to customer trades in this business.

Other revenue primarily comprises account management and transaction fees, inactivity, training fees charged to customer accounts, and receipt of class action settlements, as well as foreign currency transaction gains and losses.

Net interest revenue consists primarily of the revenue generated by the Company's cash and customer cash held at banks, as well as funds on deposit as collateral with the Company's liquidity providers, less interest paid to the Company's customers.

Interest revenue and *interest expense* are recorded when earned and incurred, respectively.

Cash and cash equivalents

The Company considers all highly liquid investments with maturity of 90 days or less at the time of acquisition to be cash equivalents. The Company's cash equivalents consist of U.S. treasury bills and money market accounts, all of which are recorded at fair value.

Cash and securities held for customers

Cash and securities held for customers represents cash, and highly liquid assets held to fund customer liabilities in connection with trading positions and customer cash balances. Included in this balance are funds deposited by customers and funds accruing to customers as a result of trades or contracts. The Company records a corresponding liability in connection with this amount in *Payables to customers* on the Consolidated Balance Sheet. As of December 31, 2019 and December 31, 2018, $6.5 million and $104.7 million, respectively, of total cash and securities held for customers are invested in U.S. government and agency securities. Such securities are carried at fair value, with unrealized and realized gains and losses included in interest revenue in the Consolidated Statement of Operations and Comprehensive (Loss)/Income, as appropriate. In addition, the Company holds certain customer funds in segregated or secured broker accounts. Legally segregated balances are not available for general use, in accordance with certain jurisdictional regulatory requirements.

The table below further breaks out the *Cash and securities held for customers* on the Consolidated Balance Sheets:

	Year Ended December 31,	
	2019	**2018**
Cash and cash equivalents held for customers	$ 922,721	$ 737,766
Marketable securities held for customers	6,542	104,712
Cash and securities held for customers	$ 929,263	$ 842,478

Receivables from Brokers

Receivables from brokers, recorded on the Consolidated Balance Sheets, include funds that the Company has posted with brokers as collateral required by agreements for holding retail hedging positions and funds required to collateralize customer futures trading. *Receivables from brokers* also include gains or losses realized on settled contracts, as well as unrealized gains or losses on open positions.

Fair Value Measurements

Certain financial assets and liabilities are measured at fair value in accordance with applicable accounting guidance, as discussed in Note 5 Fair Value Information.

Other financial assets and liabilities are not measured at fair value on a recurring basis but nevertheless approximate fair value due to their short term maturities. Such financial assets and liabilities include: *Receivables from brokers, Convertible senior notes,* certain *Other assets, Payables to customers, Payables to brokers,* and *Accrued expenses and other liabilities*.

The above referenced receivables and payables include open trading positions which are held at fair value which change in value as the price of the underlying product changes. Prices approximate the amounts at which the Company can settle the positions at the balance sheet date.

Concentrations of Credit Risk

The Company owns financial instruments that subject the Company to credit risk. These financial instruments are held primarily in *Cash and cash equivalents* as well as *Cash and securities held for customers*. The Company's credit risk is managed by investing primarily in high-quality money market and U.S. Government instruments. The majority of the Company's cash and cash equivalents are held at ten financial institutions.

The Company also has credit risk related to receivables from brokers included in *Receivables from brokers* and *Cash and cash equivalents*. December 31, 2019 and 2018, 12% and 34%, respectively, of the Company's brokers receivables included in the Consolidated Balance Sheets were from one large, global financial institution.

Property and Equipment and Other Long-Lived Assets

Property and equipment is recorded at cost, net of accumulated depreciation. Identifiable improvements are capitalized and expenditures for maintenance and repairs are charged to expense as incurred.

Property and equipment are depreciated on a straight-line basis over a three year useful life, except for leasehold improvements, which are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life.

The Company accounts for costs incurred to develop its trading platforms and related software in accordance with ASC 350-40, *Internal-Use Software*. ASC 350-40 requires that such technology be capitalized in the application development stages. Costs related to training, administration and non-value-added maintenance are charged to expense as incurred. Capitalized software development costs are amortized over the useful life of the software, which the Company estimates at three years.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such review. The carrying value of a long-lived asset is considered impaired when the anticipated identifiable undiscounted cash flows from such an asset (or asset group) are less than carrying value. In that event, a loss is recognized in the amount by which the carrying value exceeds fair market value of the long-lived asset. This standard applies to assets held for use and not to assets held for sale. The Company has no assets held for sale. The Company has identified no such impairment indicators as of December 31, 2019 or 2018.

Foreign Currencies

Each of the Company's subsidiaries books and records are held using the currency of the primary economic environment in which the subsidiaries operate (the functional currency). The Company has determined that it's reporting currency is U.S. dollars (USD), to which non-USD subsidiary books are translated. The Company's *Accumulated other comprehensive loss* consists of foreign currency translation adjustments from subsidiaries not using USD as their functional currency.

Foreign currency transactions are booked in functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary assets and liabilities denominated in non-functional currencies at period end exchange rates are recognized in *Other revenue* on the Consolidated Statements of Operations and Comprehensive (Loss)/Income. The Company recorded a foreign exchange loss of $0.3 million and $2.4 million, for the years ended December 31, 2019 and 2018, respectively.

Intangible Assets

GAAP addressing intangible assets requires purchased intangible assets other than goodwill to be amortized over their estimated useful lives unless their lives are determined to be indefinite. The Company has both definite and indefinite lived intangibles. If indefinite-lived assets are determined to have a finite life in the future, the Company will amortize the carrying value over the remaining estimated useful life at that time.

The Company analyzes its business, legal and regulatory environment at least annually and on an interim basis when conditions indicate impairment may have occurred to determine whether its indefinite-lived intangible assets are likely to be impaired. This qualitative assessment indicated that it is more likely than not that the Company's indefinite lived intangible assets are not impaired. Please refer to Note 9 for additional information.

Goodwill

The Company recognized goodwill as a result of the acquisitions of certain subsidiaries. Goodwill represents the excess of cost over fair market value of net assets acquired. In accordance with relevant GAAP, the Company tests goodwill for impairment on an annual basis, during the fourth quarter and on an interim basis when conditions indicate impairment may have occurred (please refer to Note 9). In performing these assessments, management relies on and considers a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable market transactions (to the extent available), other market data and the Company's overall market capitalization. There are inherent uncertainties related to these factors which require judgment in applying them to the analysis of goodwill for impairment.

When testing for goodwill impairment, the Company first assesses qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company concludes it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative fair value test is performed.

Under the quantitative test, the fair value of each reporting unit is compared to its carrying value in order to identify potential impairment. If the fair value of a reporting unit exceeds the carrying value of its net assets, goodwill is not considered impaired and no further testing is required. If the carrying value of the net assets exceeds the fair value of a reporting unit, impairment is indicated at the reporting unit level and an impairment charge will be recorded. An impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit.

Derivatives

Forex, metals, and CFDs allow for exchanging the difference in value of a particular asset such as a stock index, energy product, or gold contract, between the time at which a contract is opened and the time at which it is closed. The Company's retail customer open positions and positions held with liquidity providers are considered derivatives under the accounting guidance in ASC 815, *Derivatives and Hedging*. Therefore, they are accounted for at fair value, and included in *Receivables from brokers, Payables to customers,* and *Payables to brokers* in the Consolidated Balance Sheets. The Company did not designate any of its derivatives as hedging instruments. Net gains and losses with respect to derivative instruments are reflected in *Retail revenue* in the accompanying Consolidated Statements of Operations and Comprehensive (Loss)/Income.

Allowance for Doubtful Accounts

The Company records an increase in the allowance for doubtful accounts when the prospect of collecting a specific customer account balance becomes doubtful. Management specifically analyzes accounts receivable and historical bad debt experience when evaluating the adequacy of the allowance for doubtful accounts. Changes in estimates are recognized in current year earnings. The customer receivables, net of allowance for doubtful accounts, are included in *Other assets* on the Consolidated Balance Sheets. The related expense is recorded in *Bad debt provision* on the Consolidated Statements of Operations and Comprehensive (Loss)/Income.

Payables to Customers

Payables to customers, included on the Consolidated Balance Sheets, include amounts due on cash and margin transactions. These transactions include deposits, commissions and realized gains or losses arising from settled trades. The payables balance also reflects unrealized gains or losses arising from open positions in customer accounts. The payables balance includes amounts deposited by white label partners for which the Company acts as a clearing broker.

Payables to Brokers

Payables to brokers comprise open trades, which are measured at fair value and the cash due to or from brokers, which is not measured at fair value but approximates fair value. These balances occur when the Company's hedging trades produce losses and necessitate a margin call to re-capitalize positions or settle losses.

Lease Obligations

Effective January 1, 2019, the Company accounts for its leases under ASC 842, *Leases*. The Company determines if an arrangement is, or contains, a lease at inception. Right-of-use assets and the related liabilities result from operating leases which were included in *Other assets* and *Accrued expenses and other liabilities*, respectively, in the Consolidated Balance Sheet as of December 31, 2019.

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company uses the estimated incremental borrowing rate in determining the present value of lease payments. Variable components of the lease payments such as fair market value adjustments, utilities, and maintenance costs are expensed as incurred and not included in determining the present value of lease liabilities, which will include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company has lease agreements with lease and non-lease components which are accounted for as a single lease component. As an accounting policy election, the Company excludes short-term leases having initial terms of 12 months or fewer. Lease expense is recognized on a straight-line basis over the lease term. Please see Note 11 for additional information on leases.

The Company continues to account for leases in the prior period financial statements under ASC Topic 840.

Referral fees

Introducing brokers direct customers to the Company in return for a referral fee on each referred customer's trading volume or a share of net revenue generated by each referred customer's trading activity. White label partners offer the Company's trading services to their customers under their own brand. Like introducing brokers, White label partners charge referral fees for the trade flow brought to the Company. These fees are recorded in *Referral Fees* in the Consolidated Statements of Operations and Comprehensive (Loss)/Income.

Trading Expenses

Trading expenses consist of exchange fees paid to stock exchanges and other third-parties for exchange market data that the Company provides to its customers or uses to create its own derived data products, as well as fees for news services and clearing fees paid to prime brokers in connection with its futures segment. These costs are expensed as incurred.

Advertising Expenses

Advertising costs are expensed when incurred and are included in *Selling and marketing expense* in the accompanying Consolidated Statements of Operations and Comprehensive (Loss)/Income.

Income Taxes

Income taxes are accounted for using the asset and liability method. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is more likely than not that such assets will not be realized. Contingent income tax liabilities are recorded when the criteria for loss recognition have been met. An uncertain tax position is recognized based on the determination of whether or not a tax position is more likely than not to be sustained upon examination based upon the technical merits of the position. If this recognition threshold is met, the tax benefit is then measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. As of December 31, 2019, the Company asserts that the earnings of its foreign subsidiaries will be permanently reinvested in the working capital and other business needs of the subsidiaries to the extent that repatriation of these earnings would trigger additional capital gains tax, foreign withholding taxes, or material state income taxes. As such, amounts that can be brought back without triggering capital gains, foreign withholding taxes, or material state income taxes will not be considered permanently reinvested. Based on the Company's analysis, the Company does not believe that the potential impact of the unrecognized deferred tax liability associated with the repatriation of such earnings would be material to the financial statements.

Share-Based Compensation

Share-based compensation expense requires measurement of compensation cost for share-based awards at fair value and recognition of compensation cost over the vesting period, net of estimated forfeitures. For awards with service and performance conditions, the Company recognizes compensation cost on a straight-line basis over the requisite service period.

The fair value of stock options granted is estimated using the Black-Scholes option-pricing model, which considers, among other factors, the expected term of the award and the expected volatility of the Company's stock price. Although the Black-Scholes model meets the requirements of ASC 718, *Compensation-Stock Compensation*, the fair values generated by the model may not be indicative of the actual fair values of the underlying awards, as it does not consider other factors important to those share-based compensation awards, such as continued employment, periodic vesting requirements and limited transferability.

The risk-free interest rate used in the Black-Scholes option-pricing model is based on the U.S. Treasury yield curve in effect at the time of grant. The expected option life is based on historical experience of employee exercise behavior. Expected volatility is based on historical volatility, implied volatility, price observations taken at regular intervals and other factors deemed appropriate. Expected dividend is based upon the current dividend rate.

The fair value of restricted stock unit awards is based on the fair value of the Company's common stock on the grant date.

Treasury Shares

In accordance with ASC 505-30, *Equity - Treasury Stock*, the Company treats the cost of acquired shares purchased as a deduction from shareholders' equity and as a reduction of the total shares outstanding when calculating earnings per share.

Earnings Per Common Share

Basic earnings per common share is calculated using the weighted average common shares outstanding during the year. Common equivalent shares from stock options and restricted stock awards, using the treasury stock method, are also included in the diluted per share calculations unless their effect of inclusion would be anti-dilutive. Please refer to Note 18 for discussion of the impact of the Company's convertible notes and non-controlling interests on EPS.

Recent Accounting Pronouncements Recently Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which amended the guidance on accounting for leases. The FASB issued this update to increase transparency and comparability among organizations. This update requires the recognition of lease assets and lease liabilities on the balance sheet and the disclosure of key information about leasing arrangements. The Company adopted the ASU effective January 1, 2019 using the additional (optional) approach, in accordance with ASU 2018-11 *Leases (Topic 842): Targeted Improvements*. The Company initially recorded a right of use asset and lease liability of $12.6 million and $14.9 million, in *Other assets* and *Accrued expenses and other liabilities*, respectively. There was no effect on opening retained earnings, and the Company continues to account for leases in the prior period financial statements under ASC Topic 840.

In adopting the new lease standard, the Company elected the package of practical expedients permitted under the adoption of the new standard, which allowed the Company to account for existing leases under their current classification, as well as omit any new costs classified as initial direct costs, under the new standard. The Company also elected the practical expedient allowing an accounting policy election by class of underlying asset, to account for separate lease and nonlease components as a single lease component. Please see Note 11 for additional information on leases.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220)*, to address certain income tax effects in Accumulated Other Comprehensive Income ("AOCI") resulting from the tax reform enacted in 2017. The amended guidance provides an option to reclassify tax effects within AOCI to retained earnings in the period in which the effect of the tax reform is recorded. The amendments were effective for fiscal years beginning after December 15, 2018, including interim periods. The Company has adopted this ASU as of January 1, 2019, which did not have any impact on the Company's results of operations or financial condition as there were no balances in AOCI that are tax effected.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The ASU sets forth a "current expected credit loss" (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. In February 2020, the FASB issued ASU 2020-02, *Financial Instruments - Credit Losses (Topic 326)*, which amends the effective date of the original pronouncement for smaller reporting companies. ASU 2016-13 and its amendments will be effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2022. The Company is currently assessing the impact of the adoption of this ASU on its financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements (Topic 820)*, which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The Company will adopt the new standard effective

January 1, 2020 and does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

3. DISCONTINUED OPERATIONS

On June 29, 2018, the Company completed the sale of its GTX ECN business, which previously comprised the Company's institutional segment, to Deutsche Börse via its FX unit, 360T, for a total purchase price of $100 million less a working capital adjustment which amounted to a $0.2 million reduction in purchase price.

The Company recorded a gain of $69.3 million on the sale of the GTX business for the year ended December 31, 2018.

The Company determined that the sale of the GTX business qualifies as a discontinued operation under the criteria set forth in ASC 205-20-45, *Presentation of Financial Statements* and the Company does not have any significant continuing involvement in these operations.

The results of operations from the discontinued segment for the years ended December 31, 2019 and 2018 are as follows (in thousands):

	Year Ended December 31,	
	2019	**2018**
REVENUE:		
Institutional revenue	$ —	$ 16,379
Other loss	—	(2)
Total non-interest revenue	—	16,377
Interest revenue	—	103
Total net interest revenue	—	103
Net revenue	$ —	$ 16,480
EXPENSES:		
Employee compensation and benefits	$ —	$ 5,973
Trading expenses	—	5,439
Other expenses	—	3,955
Total operating expense	—	15,367
OPERATING PROFIT	—	1,113
Gain on sale of discontinued operations	—	69,292
INCOME BEFORE INCOME TAX EXPENSE	—	70,405
Income tax expense	—	4,756
NET INCOME FROM DISCONTINUED OPERATIONS	$ —	$ 65,649

4 . REVENUE RECOGNITION

Under ASC Topic 606, revenues are recognized when control of the promised goods or services is transferred to customers in exchange for an amount that reflects the consideration the Company expects to be entitled to in return for transferring those goods or services. The following is a description of the Company's revenue recognition policies for contracts with customers.

Futures Revenue

Futures revenue consists primarily of commissions and fees earned on futures and futures options trades that the Company executes on behalf of its customers. The Company is not exposed to any market risk from this activity. The Company's performance obligation related to futures revenue is trade execution, which is satisfied on trade date. Accordingly, commission revenues are recorded on trade date.

Disaggregation of Revenues

The following table presents the Company's futures revenue from contracts with customers disaggregated by customer and service type for the services described above, as it relates to the futures segment for the years ended December 31, 2019 and 2018 (amounts in thousands):

	Year Ended December 31,			
	2019		2018	
Futures				
Direct Customers [1]	$	12,951	$	14,549
Indirect Customers [2]		21,840		25,156
Other [3]		4,980		4,262
Net Futures Revenue	$	39,771	$	43,967

(1) Direct customers are all customers not classified as indirect
(2) Indirect customers are referred to the Company by introducing brokers
(3) Other revenue comprises interest and fees

Futures Contract Assets and Futures Contract Liabilities

The timing of revenue recognition may differ from the timing of payment. The Company records an accrual when revenue is recognized prior to payment and when the Company has an unconditional right to payment. The Company records a contract liability when payment is received prior to the time at which the service obligation is satisfied.

5. FAIR VALUE INFORMATION

GAAP defines fair value as the price that would be received in exchange for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three level hierarchy that ranks the quality and reliability of information used in developing fair value estimates for financial instruments. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In cases where two or more levels of inputs are used to determine fair value, a financial instrument's level is determined based on the lowest level input that is considered significant to the fair value measurement in its entirety. The three levels of fair value hierarchy are summarized below:

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 in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 - Valuations that require inputs that are both unobservable to a market participant and significant to the fair value measurement.

For assets and liabilities that are transferred between levels during the period, fair values are ascribed as if the assets or liabilities had been transferred as of the beginning of the period.

The following table presents the Company's assets and liabilities that were measured at fair value on a recurring basis during the reporting period and the related hierarchy levels (amounts in thousands):

	Fair Value Measurements on a Recurring Basis as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets/(Liabilities):				
Cash and securities held for customers:				
U.S. treasury bills	$ 6,542	$ —	$ —	$ 6,542
Receivable from brokers:				
Broker derivative contracts	—	(5,949)	—	(5,949)
Other assets:				
Certificates of deposit	178	—	—	178
Other	152	—	—	152
Payables to customers:				
Customer derivative contracts	—	116,007	—	116,007
Total	$ 6,872	$ 110,058	$ —	$ 116,930

	Fair Value Measurements on a Recurring Basis as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial Assets/(Liabilities):				
Cash and securities held for customers:				
U.S. treasury bills	$ 104,712	$ —	$ —	$ 104,712
Receivable from brokers:				
Broker derivative contracts	—	(7,637)	—	(7,637)
Other assets:				
Certificates of deposit	176	—	—	176
Other	128	—	—	128
Payables to customers:				
Customer derivative contracts	—	144,440	—	144,440
Payables to brokers:				
Broker derivative contracts	—	1,457	—	1,457
Total	$ 105,016	$ 138,260	$ —	$ 243,276

The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the years ended December 31, 2019 and 2018, nor has there been any movement between levels during these respective periods.

Level 1 Financial Assets

The Company has U.S. Treasury bills and certificates of deposit that are Level 1 financial instruments that are recorded based upon listed or quoted market rates. The U.S. Treasury bills and money market accounts are recorded in *Cash and cash equivalents* and *Cash and securities held for customers* and the certificates of deposit are recorded in *Other Assets*.

Level 2 Financial Assets and Liabilities

The Company has customer derivative contracts that are Level 2 financial instruments recorded in *Payables to customers*.

The Company has broker derivative contracts that are Level 2 financial instruments recorded in *Receivables from brokers* and *Payables to brokers*.

The fair values of these Level 2 financial instruments are based upon directly observable values for underlying instruments.

Level 3 Financial Liabilities

The Company did not have any Level 3 Financial Assets or Liabilities on December 31, 2019 or 2018.

Financial Instruments Not Measured at Fair Value

The table below presents the carrying value, fair value, and fair value hierarchy category of certain financial instruments that are not measured at fair value in the consolidated balance sheets.

Receivables from brokers comprise open trades, which are measured at fair value (disclosed above), and the Company's posted funds with brokers that are required as collateral for holding trading positions. Collateral is not measured at fair value but approximates fair value, because the Company may withdraw it at its discretion. Settlement would be expected to occur within a relatively short period of time once a withdrawal is initiated.

Payables to customers comprise open trades, which are measured at fair value (disclosed above), and customer deposits that the Company holds for its role as clearing broker. These deposits are not measured at fair value, but approximate fair value, because they are cash balances that the Company or its customers can settle at either party's discretion. Such settlement would occur within a relatively short period of time once a withdrawal is initiated.

Payables to brokers comprise open trades, which are measured at fair value (disclosed above) and the cash due to or from brokers. The cash within this balance is not measured at fair value but does approximate fair value, because it is immediately payable to the brokers. Settlement occurs as soon as a broker initiates a margin call.

The carrying value of *Convertible senior notes* represents the notes' principal amounts net of unamortized discount (please refer to Note 16). The Company assessed the notes' fair value as determined by current Company-specific and risk free interest rates as of the balance sheet date.

The table below represents the financial assets and liabilities at their carrying value and fair value (amounts in thousands):

	As of December 31, 2019		Fair Value Measurements using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Receivables from brokers	$ 118,245	$ 118,245	$ —	$ 118,245	$ —
Financial Liabilities:					
Payables to customers	$ 1,045,270	$ 1,045,270	$ —	$ 1,045,270	$ —
Convertible senior notes	$ 137,178	$ 141,501	$ —	$ 141,501	$ —

	As of December 31, 2018		Fair Value Measurements using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Receivables from brokers	$ 91,908	$ 91,908	$ —	$ 91,908	$ —
Financial Liabilities:					
Payables to customers	$ 986,918	$ 986,918	$ —	$ 986,918	$ —
Payables to brokers	$ 3,092	$ 3,092	$ —	$ 3,092	$ —
Convertible senior notes	$ 132,109	$ 158,752	$ —	$ 158,752	$ —

Nonrecurring Fair Value Measurements

As a result of the 2019 annual goodwill impairment analysis, the Company recorded an impairment charge of $28.1 million to reduce the carrying value of its reporting units to their fair value. This measurement was performed on a non-recurring basis using significant unobservable inputs (Level 3). See Note 9 for further information.

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6. DERIVATIVES

The Company's contracts with its customers and its liquidity providers are deemed to be derivative instruments. The table below represents the fair values of the Company's derivative instruments reported within *Receivables from brokers, Payables to customers* and *Payables to brokers* on the accompanying Consolidated Balance Sheets (amounts in thousands):

	December 31, 2019		
	Gross amounts of assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
Derivative Instruments:			
Foreign currency exchange contracts	$ 97,075	$ (40,704)	$ 56,371
CFD contracts	90,666	(43,642)	47,024
Metals contracts	11,058	(4,395)	6,663
Total	$ 198,799	$ (88,741)	$ 110,058

	December 31, 2019		
	Cash Collateral	Net amounts of assets/(liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) presented in the balance sheet
Derivative Assets/(Liabilities:)			
Receivables from brokers	$ 118,245	$ (5,949)	$ 112,296
Payables to customers	$ (1,045,270)	$ 116,007	$ (929,263)

	December 31, 2018		
	Gross amounts of assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
Derivative Instruments:			
Foreign currency exchange contracts	$ 100,158	$ (20,382)	$ 79,776
CFD contracts	77,014	(21,220)	55,794
Metals contracts	6,438	(3,748)	2,690
Total	$ 183,610	$ (45,350)	$ 138,260

	December 31, 2018		
	Cash Collateral	Net amounts of assets/(liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) presented in the balance sheet
Derivative Assets/(Liabilities):			
Receivables from brokers	$ 91,908	$ (7,637)	$ 84,271
Payables to customers	$ (986,918)	$ 144,440	$ (842,478)
Payables to brokers	$ (3,092)	$ 1,457	$ (1,635)

The Company's derivatives include different underlyings which vary in price. Foreign exchange contracts typically have prices less than two dollars, while certain metals contracts and CFDs can have considerably higher prices. The amounts reported within *Receivables from brokers, Payables to customers, and Payables to brokers* on the Consolidated Balance Sheets are derived from the notional contract numbers below (amounts in thousands):

	December 31, 2019	
	Total contracts in long positions	Total contracts in short positions
Derivative Instruments:		
Foreign currency exchange contracts	3,418,117	3,342,201
CFD contracts	115,527	23,320
Metals contracts	471	233
Total	3,534,115	3,365,754

	December 31, 2018	
	Total contracts in long positions	Total contracts in short positions
Derivative Instruments:		
Foreign currency exchange contracts	3,780,488	3,238,781
CFD contracts	98,840	134,546
Metals contracts	489	188
Total	3,879,817	3,373,515

The Company did not designate any of its derivatives as hedging instruments. Net gains with respect to derivative instruments reflected in *Retail revenue* in the accompanying Consolidated Statements of Operations and Comprehensive (Loss)/Income for the years ended December 31, 2019 and 2018 were as follows (amounts in thousands):

	For the Years Ended December 31,	
	2019	2018
Derivative Instruments:		
Foreign currency exchange contracts	$ 102,974	$ 165,477
CFD contracts	61,644	112,640
Metals contracts	13,109	22,019
Total	$ 177,727	$ 300,136

7. RECEIVABLES FROM BROKERS

The Company has posted funds with brokers as collateral required by agreements for holding trading positions. These amounts are reflected as *Receivables from brokers* on the Consolidated Balance Sheets.

Amounts receivable from brokers consisted of the following as of (amounts in thousands):

	December 31,	
	2019	2018
Required collateral	$ 118,245	$ 91,908
Open foreign exchange positions	(5,949)	(7,637)
Total	$ 112,296	$ 84,271

8. PROPERTY AND EQUIPMENT

Property and equipment, including leasehold improvements and capitalized software development costs, consisted of the following as of (amounts in thousands):

	December 31, 2019	December 31, 2018
Software	$ 73,859	$ 60,218
Computer equipment	14,675	13,790
Leasehold improvements	10,663	10,814
Telephone equipment	547	646
Office equipment	1,877	1,948
Furniture and fixtures	3,122	3,294
Web site development costs	635	635
Gross property and equipment	105,378	91,345
Less: Accumulated depreciation and amortization	(74,815)	(60,766)
Property and equipment, net	$ 30,563	$ 30,579

Depreciation and amortization expense for property and equipment was $17.1 million and $19.7 million for the years ended December 31, 2019 and 2018, respectively.

The Company wrote off certain property and equipment that became obsolete for the years ended December 31, 2019 and 2018, resulting in an additional charge of $0.3 million and $1.3 million, respectively. The additional charge was recorded in *General and administrative expenses*.

The Company retired fully depreciated property and equipment of $3.3 million and $8.8 million for the years ended December 31, 2019 and 2018, respectively.

9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The Company's various intangible assets consisted of the following as of (amounts in thousands):

	December 31, 2019				December 31, 2018		
Intangibles	**Weighted average remaining useful lives**	**Gross**	**Accumulated Amortization**	**Net**	**Gross**	**Accumulated Amortization**	**Net**
Customer list	5.0 years	$ 46,576	$ (32,510)	$ 14,066	$ 58,494	$ (40,208)	$ 18,286
Technology	2.3 years	24,626	(16,800)	7,826	49,430	(38,555)	10,875
Trademark	2.2 years	6,298	(4,390)	1,908	7,308	(4,637)	2,671
Total finite lived intangibles		$ 77,500	$ (53,700)	$ 23,800	$ 115,232	$ (83,400)	$ 31,832
Trademarks not subject to amortization(1)		363	—	363	363	—	363
Total intangibles assets		$ 77,863	$ (53,700)	$ 24,163	$ 115,595	$ (83,400)	$ 32,195

(1) These indefinite-life trademarks relate to the Forex.com and foreignexchange.com domain names where management determined there was no legal, regulatory or technological limitation on their useful lives. The Company compares the recorded value of the indefinite-life intangible assets to fair value on an annual basis and whenever circumstances arise that indicate impairment may have occurred.

During the year ended December 31, 2019, the Company retired $34.4 million of fully amortized intangible assets, which was an equal amount for both gross and accumulated amortization and did not have any impact on the results of operations or cash flows.

Amortization expense for the purchased intangibles was $8.8 million and $14.2 million for the years ended December 31, 2019 and 2018, respectively.

Future annual estimated amortization expense is as follows (amounts in thousands):

Years Ended December 31,:		
2020	$	7,219
2021		7,141
2022		3,925
2023		2,782
2024		2,200
Thereafter		533
Total	$	23,800

Goodwill

Goodwill is evaluated for impairment on an annual basis during the fourth quarter and in interim periods when events or changes indicate the carrying value may not be recoverable.

The Company operates under two reporting units: retail and futures. There were no additions to the carrying value of the Company's goodwill during the year ended December 31, 2019.

On February 26, 2020, the Company entered into an Agreement and Plan of Merger with INTL FCStone Inc. The sale is expected to be completed subsequent to the end of the second quarter of 2020. As a result of the expected transaction, the Company recorded an impairment charge of $28.1 million based on the agreed-upon sales price of $6.00 per share. The loss is recorded in *Goodwill impairment* on the Consolidated Statement of Operations and Comprehensive (Loss)/Income. See Note 24 for more information. No impairment charges for goodwill were recognized during the year ended December 31, 2018 or any previous year.

The following represents the changes in the carrying amount of goodwill by segment for the year ended December 31, 2019 (amounts in thousands):

		Retail		Futures		Total
Carrying amount of goodwill as of December 31, 2018	$	25,435	$	2,385	$	27,820
Foreign currency translation adjustments		254		24		278
Impairment		(25,689)		(2,409)		(28,098)
Carrying amount of goodwill as of December 31, 2019	$	—	$	—	$	—

10. OTHER ASSETS

Other assets consisted of the following (amounts in thousands):

	December 31,			
		2019		2018
Vendor and security deposits	$	3,795	$	6,964
Income tax receivable		5,394		383
Deferred tax assets, net		25,306		13,217
Right of use asset		15,011		—
Customer debit positions		5,423		4,146
Allowance on customer debit positions		(4,125)		(4,126)
Prepaid assets		9,115		8,323
Miscellaneous receivables		3,969		7,111
Deferred commitment fees		124		337
Total other assets	$	64,012	$	36,355

The allowance for doubtful accounts consisted of the following (amounts in thousands):

Balance as of January 1, 2018	$	(1,959)
Addition to provision		(2,508)
Amounts collected/written off		341
Balance as of December 31, 2018	$	(4,126)
Addition to provision		(2,024)
Amounts collected/written off		2,025
Balance as of December 31, 2019	$	(4,125)

11. LEASES

The Company leases office space under agreements classified as operating leases that have lease periods expiring between 2020 and 2029. The Company's leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Company's leases include renewal options and escalation clauses. Renewal options have not been included in the calculation of the lease liabilities and right of use assets as the Company is not reasonably certain to exercise the options. The Company does not act as a lessor or have any leases classified as financing leases.

In June 2019, the Company exercised its right to terminate its office space lease in London. The Company accounted for this change in termination date as a modification and remeasured the value of the right of use asset and related lease liability on such date. This remeasurement resulted in a reduction of $3.7 million and $3.7 million to the right of use asset and related lease liability, respectively, during June 2019.

In November 2019, the Company entered into a new office space lease in London (the "new London lease") commencing in November 2019 (the "commencement date"), with a ten year term expiring in November 2029. On the commencement date of the new London lease, the Company recorded an operating lease liability and a right of use asset, respectively, of $8.7 million.

At December 31, 2019, the Company had operating lease liabilities of $17.7 million and right of use assets of $15.0 million, which were included in *Accrued expenses and other liabilities* and *Other assets*, respectively, in the Consolidated Balance Sheet.

The following summarizes quantitative information about the Company's operating leases (amounts in thousands, except lease term and discount rate):

		Year Ended December 31, 2019
Lease cost		
Operating lease cost	$	3,749
Total lease cost	$	3,749
Other information		
Operating cash flows from operating leases	$	3,967
Weighted-average remaining lease term - operating leases		4.4
Weighted-average discount rate - operating leases		7.5%

Maturities of the Company's operating leases, excluding short-term leases, are as follows (amounts in thousands):

For the year ended December 31, 2020	$	4,308
For the year ended December 31, 2021		3,075
For the year ended December 31, 2022		2,660
For the year ended December 31, 2023		2,765
For the year ended December 31, 2024		2,119
Thereafter		7,833
Total		22,760
Less: imputed interest		(5,046)
Operating lease liabilities at December 31, 2019	$	17,714

12. RELATED PARTY TRANSACTIONS

Certain officers and directors of the Company have personal funds on deposit in separate customer accounts with the Company. These accounts are recorded in *Payables to customers* on the Consolidated Balance Sheets. The aggregate amount of these funds was $0.4 million and $0.4 million at December 31, 2019 and 2018, respectively.

IPGL Limited, the majority selling shareholder in the acquisition of City Index, has a trading account with the Company which is recorded in *Payables to customers* on the Consolidated Balance Sheet. The aggregate amount of these funds was $19.9 million and $11.7 million at December 31, 2019 and 2018, respectively.

The net revenue generated by any individual related party was not deemed to be material in the twelve months ended 2019 or 2018, respectively.

13. RESTRUCTURING

The Company incurred $1.3 million and $0.8 million of restructuring expenses for the years ended December 31, 2019 and 2018, respectively. These expenses reflected the cost of reducing global headcount following strategic decisions in 2019 and 2018. They are recorded in *Restructuring expenses* in the Consolidated Statements of Operations and Comprehensive (Loss)/Income. All restructuring liabilities have been paid as of December 31, 2019.

14. NON-CONTROLLING INTERESTS

In March 2014, the Company acquired controlling interests in GAA and Top Third ("TT"). The Company purchased 55% of each entity, and the respective sellers maintained a 45% interest, subject to immediately exercisable call options for the Company to purchase the remaining interests, as well as put options for the sellers to sell their remaining interests in each entity to the Company that were to become exercisable in 2017. In December 2016, the Company acquired an additional 24% of each entity. In connection with the purchase of these additional interests, the Company and the respective sellers agreed that neither would exercise the call options or put options, respectively, with respect to the remaining interests prior to December 31, 2017. In December 2017, the Company and the sellers of TT extended their agreement that neither would exercise the relevant call options or put options through December 31, 2018.

In February 2018, the minority owners of GAA notified the Company that they were exercising their put option with respect to their combined 21% ownership of GAA. In September 2018, the Company settled its purchase of the minority ownership interests in GAA for approximately $2.9 million. In December 2018, the minority owners of TT notified the Company that they were exercising their put option with respect to their combined 21% ownership of TT. The purchase of the minority ownership interest closed on February 1, 2019 for approximately $2.4 million.

In accordance with ASC 480-10-S99-3A, *Classification and Measurement of Redeemable Securities*, non-controlling interests are classified outside of permanent equity as their redemption is not (i) mandatory, (ii) at fixed prices, and (iii) exclusively within the Company's control.

Prior to December 31, 2018, the non-controlling interests were not classified as liabilities, because redemption was not mandatory or at fixed prices. The non-controlling interests also were not classified as equity because redemption was not exclusively in the Company's control. Therefore, the non-controlling interests were held in temporary equity in the Consolidated Balance Sheets.

The table below reflects the non-controlling interests effects on the Company's financial statements:

	Redeemable non-controlling interests	
January 1, 2018	$	4,411
Adjustment to the redemption value of non-controlling interests		816
Net income attributable to non-controlling interests		737
Distributions to non-controlling interest holders		(634)
Purchase of additional shares of non-controlling interest		(2,906)
Reclassification to liabilities		(2,424)
December 31, 2018	$	—

15. REVOLVING CREDIT ARRANGEMENT

On August 3, 2017, the Company entered into a Credit Agreement, dated as of August 2, 2017, for a three year $50.0 million senior secured first lien revolving credit facility that was maturing in August 2020.

On January 2, 2020, the Company delivered written notice to terminate the Credit Agreement effective as of January 13, 2020 ("termination date"). There were no amounts outstanding under the revolving line of credit as of the termination date nor as of December 31, 2019. The Company did not incur any material early termination penalties as a result of the termination.

16. CONVERTIBLE SENIOR NOTES

Convertible Senior Notes due 2022

On August 22, 2017, the Company issued $92.0 million aggregate principal amount of its 5.00% Convertible Senior Notes due 2022 (the "2022 Notes"), which amount includes the exercise in full of the over-allotment option granted to the initial purchasers of the 2022 Notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The Notes bear interest at a fixed rate of 5.00% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2018. The 2022 Notes are convertible into cash, shares of the Company's common stock, or a combination thereof, at the Company's election. The Company currently intends to settle the debt in cash. The 2022 Notes will mature on August 15, 2022, unless earlier converted, redeemed or repurchased. The Company may not redeem the 2022 Notes prior to August 15, 2020. The net proceeds from the Note Offering were approximately $89.0 million, after deducting discounts to the initial purchasers but prior to taking into account any estimated offering expenses payable by the Company.

Prior to the close of business on the business day immediately preceding April 15, 2022, the 2022 Notes may be converted only upon the occurrence of specified events set forth in the Indenture. On or after April 15, 2022, until the close of business on the business day immediately preceding the maturity date, holders may convert their 2022 Notes at any time. Subject to the foregoing, the 2022 Notes are convertible at the option of the holders and will be settled, at the Company's election, by the payment or delivery of cash, shares of the Company's common stock, or a combination thereof. The conversion rate is initially 122.0107 shares of the Company's common stock per $1,000 principal amount of 2022 Notes (equivalent to an initial conversion price of approximately $8.20 per share of common stock). The conversion rate and the corresponding conversion price have not changed since inception but will be subject to adjustment in some circumstances described in the Indenture.

If the Company undergoes a fundamental change (as defined in the Indenture), holders may require the Company to repurchase for cash all or part of their 2022 Notes at a purchase price equal to 100% of the principal amount of the 2022 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, in certain circumstances, the Company may be required to increase the conversion rate for any 2022 Notes converted in connection with a make-whole fundamental change (as defined in the Indenture).

The Company may not redeem the 2022 Notes prior to August 15, 2020. On and after August 15, 2020, and prior to the maturity date, the Company may redeem for cash all, but not less than all, of the 2022 Notes if the last reported sale price of its common stock equals or exceeds 130% of the applicable conversion price for at least 20 trading days, whether or not consecutive, during the 30 consecutive trading day period ending on the trading day immediately preceding the date the Company delivers notice of the redemption. The redemption price will equal 100% of the principal amount of the 2022 Notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. In addition, if the Company calls the 2022 Notes for redemption, a make-whole fundamental change will be deemed to occur. As a result, the Company will, in certain circumstances, increase the conversion rate for holders who convert their 2022 Notes after the Company delivers a notice of redemption and before the close of business on the business day immediately preceding the relevant redemption date.

Convertible Senior Notes due 2020

On April 1, 2015, as part of the City Index acquisition consideration, the Company issued to the sellers $60.0 million aggregate principal amount of 4.125% Convertible Senior Notes maturing on April 1, 2020 (the "2020 Notes"). These 2020 Notes pay interest semi-annually on April 1 and October 1 at a rate of 4.125% per year, which commenced on October 1, 2015. During the fourth quarter of 2019, the Company repurchased approximately $1.5 million of the 2020 Notes, for an aggregate purchase price of $1.3 million. The Company currently intends to settle the remaining debt in cash.

Prior to the date that is six months immediately preceding the maturity date, the 2020 Notes will be convertible only upon the occurrence of specified events set forth in the Note Indenture. Thereafter, until the close of business on the business day immediately preceding the maturity date, holders may convert their 2020 Notes at any time. The Company will settle conversions of the 2020 Notes by paying or delivering, as the case may be, cash, shares of Common Stock or a combination thereof, at its election. The conversion rate for the 2020 Notes will be equal to $1,000, divided by the initial conversion price, rounded to the nearest 1/10,000th share of Common Stock. The initial conversion price will be equal to 125% of the arithmetic average of the daily volume-weighted average price for the Common Stock over the 20 consecutive trading day period ending on, and including, the trading day immediately preceding the closing date; provided that the initial conversion price shall not exceed the greater of (i) $9.25 and (ii) the last reported sale price of the Common Stock on the Closing Date; and shall not be less than $7.20. As of December 31, 2019, the conversion ratio is 104.7344 shares of the Company's common stock per $1,000 principal amount of 2020 Notes (equivalent to a conversion price of approximately $9.55 per share of common stock). The conversion rate and the corresponding conversion price will be subject to customary anti-dilution adjustments, as described in the Note Indenture, including, but not limited to, Common Stock splits, Common Stock combinations, issuances of Common Stock as a dividend on the Common Stock, issuances of options rights, warrants or other securities of the Company as a dividend on the Common Stock, payment by the Company of any cash dividend in excess of $0.05 per quarter per share of Common Stock, and above-market tender offers or exchange offers by the Company or its subsidiaries for the Common Stock. In addition, in certain circumstances, the Company may be required to increase the conversion rate for any 2020 Notes converted in connection with a make-whole fundamental change as defined in the Note Indenture.

If the Company undergoes a fundamental change, holders may require the Company to repurchase for cash all or part of their 2020 Notes at a purchase price equal to 100% of the principal amount of the 2020 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the date of repurchase.

Prior to the date that is two years immediately preceding the maturity date, the Company will not have the right to redeem the 2020 Notes. During the two year period immediately preceding the maturity date, the Company may redeem for cash all, but not less than all, of the 2020 Notes if the last reported sale price of the Common Stock equals or exceeds 130% of the conversion price for the 2020 Notes for at least 20 trading days, whether or not consecutive, during the 30 consecutive trading day period ending on the trading day immediately preceding the date the Company delivers notice of redemption. If the Company elects to redeem the 2020 Notes, holders may convert their 2020 Notes at any time prior to the close of business on the business day immediately preceding the redemption date.

The Indenture contains events of default customary for convertible debt securities (with customary grace periods, as applicable) and provides that, upon the occurrence of an event of default arising from certain events of bankruptcy or insolvency with respect to the Company, all outstanding 2020 Notes will become due and payable immediately without further action or notice. If any other type of event of default occurs and is continuing, then the holders of at least 25% in aggregate principal amount of the then outstanding 2020 Notes or the trustee may declare all of the outstanding 2020 Notes to be due and payable immediately.

The indentures for the 2022 Notes and the 2020 Notes generally describe a 'fundamental change' as (a) the consummation of a sale of all or substantially all of the assets of the Company, (b) an exchange of the Company's common shares for the rights to receive securities, property, other assets or cash from a third party (excluding an exchange whereby the beneficial owners of the Company retain 50% of the outstanding voting power of the surviving corporation), (c) a shareholder-approved plan for liquidation or dissolution or (d) a delisting of the Company's common shares. A 'fundamental change' is not considered to have occurred if at least 90% of the consideration received is common shares traded on the NYSE, The NASDAQ Global Market or the NASDAQ Global Select Market.

An entity must separately account for the liability and equity components of a convertible debt instrument that may be settled entirely or partially in cash upon conversion. The separate accounting must reflect the issuer's economic interest cost. The fair value of the equity component, net of pro-rata initial purchasers' discounts, is included in the additional paid-in capital section of shareholders' equity in the Company's Consolidated Balance Sheets. The principal amount of the 2022 Notes and the 2020 Notes is reduced by unamortized original issue discount, which reflects the fair value at inception date. The original issue discount will be amortized over the life of the 2022 Notes and 2020 Notes using the effective interest rate of 10.4% and 8.6%, respectively.

As of December 31, 2019 and 2018, the Company's common stock had not met the convertibility criteria noted in the offering memorandum for either the 2022 Notes or the 2020 Notes and, therefore, the 2022 Notes and 2020 Notes were not dilutive as of December 31, 2019 or 2018.

The balances of the liability and equity components as of December 31, 2019 and 2018 were as follows (amounts in thousands):

	December 31, 2019	December 31, 2018
Liability component - principal	$ 150,540	$ 152,000
Deferred bond discount	(13,081)	(19,503)
Deferred financing cost	(281)	(388)
Liability component - net carrying value	$ 137,178	$ 132,109
Additional paid in capital	$ 39,554	$ 39,405
Discount attributable to equity	(826)	(826)
Equity component	$ 38,728	$ 38,579

Interest expense related to the Convertible Senior Notes, included in *Interest expense on long term borrowings* in the Consolidated Statements of Operations and Comprehensive (Loss)/Income, was as follows (amounts in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Interest expense - stated coupon rate	$ 7,045	$ 7,315
Interest expense - amortization of deferred bond discount and costs	6,499	6,225
Total interest expense - convertible notes	$ 13,544	$ 13,540

17. SHARE BASED PAYMENTS

Total share-based compensation expense recognized during the years ended December 31, 2019 and 2018 consisted of the following (amounts in thousands):

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Employee compensation and benefits	$ 5,052	$ 6,038

On September 30, 2015, the Company's board of directors adopted the GAIN Capital Holdings, Inc. 2015 Omnibus Incentive Compensation Plan, (the "2015 Plan"), which became effective November 30, 2015.

The 2015 Plan replaced the GAIN Capital Holdings, Inc. 2010 Omnibus Incentive Compensation Plan, (the "2010 Plan"). The 2015 Plan has available 2.9 million shares for awards to employees, nonemployee directors, consultants, and advisors in the form of incentive stock options ("ISO"), nonqualified stock options ("NQSO"), restricted stock awards ("RSA"), time-based restricted stock units ("RSU"), performance-based restricted stock units ("PSU"), stock appreciation rights and other stock-based awards. The "evergreen" provision that allowed the Company to authorize additional shares to be issued under the 2010 plan was removed from the 2015 Plan. Accordingly, the maximum number of shares that can be issued will be fixed and cannot be increased in the future without shareholder approval.

Under the 2015 Plan, the Compensation Committee of the Board of Directors (the "Compensation Committee") will determine the exercise price of the options granted and may grant options to purchase shares of the Company's common stock in amounts as determined by the Compensation Committee. The Compensation Committee may grant options that are intended to qualify as ISOs under Section 422 of the Internal Revenue Code, or NQSOs which are not intended to so qualify. ISOs may only be granted to employees. Anyone eligible to participate in the 2015 Plan may receive a grant of NQSOs. The exercise price of a stock option granted under the 2015 Plan cannot be less than the fair market value of a share of the Company's common stock on the date the option is granted. All options granted under the 2015 Plan expire seven years from the date of grant.

Stock Options

The following table summarizes the stock option activity under all plans for the year ended December 31, 2019 (in thousands, except per share amounts):

	Options Outstanding			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding January 1, 2019	955	$ 6.05	2.32	$ 932
Granted	—	—	0.00	
Exercised	(73)	3.83	1.16	
Forfeited/Expired	(193)	6.42	0.95	
Outstanding December 31, 2019	689	$ 6.19	1.66	$ 19
Vested and expected to vest options	362	$ 8.01	2.74	$ 19
Exercisable, December 31, 2019	635	$ 6.14	1.52	$ 19

Fair market value of common stock at exercise date	$ 295
Cost to exercise	281
Net value of stock options exercised	$ 14

The total intrinsic value of stock options exercised during the years ended December 31, 2019 and 2018, respectively, was $0.0 million and $0.3 million. During 2019, the Company had 0.1 million stock options vest. The Company received $0.3 million and $1.0 million from stock option exercises during the years ended December 31, 2019 and 2018, respectively.

The Company made no stock option grants during the years ended December 31, 2019 and 2018.

Restricted Stock Units and Restricted Stock Awards

The 2015 Plan provides for the issuance of RSUs that are convertible on a 1:1 basis into shares of the Company's common stock. The Company maintains a restricted stock unit account for each grantee. RSU grants typically vest evenly over three or four years, with the relevant percentage vesting on each anniversary date of the grant. After the RSUs vest, the grantee shall receive payment in the form of cash, shares of the Company's common stock, or a combination of the two, as determined by the Company. Payment of cash and issuance of shares shall be made upon the vesting date, upon a predetermined delivery date, upon a change in control of the Company, or upon the employee leaving the Company. The Company has historically settled these awards through the issuance of common stock to recipients and intends to continue to do so. RSUs are assigned the value of the Company's common stock at date of grant issuance, and the grant date fair value is amortized over a three or four year period.

In both 2019 and 2018, the Company issued RSUs with performance-based vesting in addition to the time-based grants. The number of shares issuable upon vesting is determined by the Company's achievement relative to certain operating performance targets established by the Company. Vesting is contingent upon the recipient's continued service to the Company through the vesting period. A portion of these performance-based grants vest on the two year anniversary of the grant date, with the remainder vesting three years after the grant date. The Company recognized expense for these performance-based RSUs on the basis of the Company's best estimate of fair value as of December 31, 2019.

The Company granted 0.6 million time-based RSUs and 0.5 million performance-based RSUs in 2019. In 2018, the Company granted 0.5 million time-based RSUs and 0.4 million performance-based RSUs.

A summary of the status of the Company's non-vested shares of RSUs as of December 31, 2019 and changes during the year ended December 31, 2019 are presented below (in thousands, except per share amounts):

Non-Vested Shares	Number of Time Based RSUs	Weighted Average Grant Date Fair Value	Number of Performance Based RSUs	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2019	1,343	$ 7.88	420	$ 7.91
Granted	599	5.97	529	6.54
Vested	(628)	7.55	—	—
Forfeited	(225)	7.55	(124)	7.33
Non-vested at December 31, 2019	1,089	$ 7.08	825	$ 7.12

The total grant-date fair value of time-based RSUs granted during the years ended December 31, 2019 and 2018 was $3.6 million and $3.9 million, respectively. The total grant-date fair value of performance-based RSUs granted during the year ended December 31, 2019 and 2018 was $3.5 million and $3.3 million respectively.

As of December 31, 2019, there was $7.5 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2015 Plan. The cost is expected to be recognized over a weighted-average period of approximately two years.

Employee Stock Purchase Plan

The 2011 Employee Stock Purchase Plan ("ESPP") was adopted by the Company's Board of Directors on November 22, 2010. The ESPP became effective on January 1, 2011. The ESPP permits eligible employees to purchase shares of the Company's common stock at a 15% discount from the lesser of the fair market value per share of the Company's common stock on the first day of the offering period or the fair market value of the Company's common stock on the purchase date. Funds are collected from employees through after-tax payroll deductions. The total number of shares reserved for issuance under the ESPP was initially 500,000. It is intended that the ESPP meet the requirements for an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. For the year ended December 31, 2019 and 2018, 101,260 shares and 74,204 shares were issued under the ESPP, respectively. The discount on the ESPP of $0.1 million is recorded in *Employee compensation and benefits* in the Consolidated Statement of Operations and Comprehensive (Loss)/Income.

18. EARNINGS PER COMMON SHARE

Basic and diluted (loss)/earnings per common share is computed by dividing net (loss)/income by the weighted average number of common shares outstanding during the period. Diluted (loss)/earnings per share includes the determinants of basic net income per share and, in addition, gives effect to the potential dilution that would occur if securities or other contracts to issue common stock were exercised, vested or converted into common stock, unless they are anti-dilutive. Diluted weighted average common shares include vested, unvested stock options, and unvested restricted stock units.

Diluted (loss)/earnings per share excludes any shares of Company common stock potentially issuable under the Company's convertible senior notes, which are discussed in Note 16. Based upon an assumed trading price of $10 for each share of the Company's common stock, and if the relevant conditions under the indenture governing the 2020, and 2022 convertible senior notes were satisfied, there would be an additional 0.3 million, and 2.0 million dilutive shares as of December 31, 2019 for the 2020 and 2022 notes, respectively.

The following table sets forth the computation of (loss)/earnings per share (amounts in thousands except share and per share data):

	For the year ended December 31,	
	2019	2018
Net (loss)/income from continuing operations	$ (60,761)	$ 27,977
Less income attributable to non-controlling interests	—	737
Net (loss)/income from continuing operations	$ (60,761)	$ 27,240
Adjustment [(1)]	—	(816)
Net (loss)/income available to GAIN common shareholders from continuing operations	$ (60,761)	$ 26,424
Net income from discontinued operations	—	65,649
Weighted average common shares outstanding:		
Basic weighted average common shares outstanding	37,388,984	43,731,881
Effect of dilutive securities:		
Stock options	—	250,726
RSUs/RSAs	—	206,717
Diluted weighted average common shares outstanding	37,388,984	44,189,324
Basic (loss)/earnings from continuing operations	$ (1.63)	$ 0.60
Basic earnings from discontinued operations	$ —	$ 1.50
Diluted (loss)/earnings from continuing operations	$ (1.63)	$ 0.60
Diluted earnings from discontinued operations	$ —	$ 1.49

(1) During the year ended December 31, 2018, the Company concluded that the carrying value of the Company's redeemable non-controlling interests was less than their redemption value, requiring that an adjustment to the carrying value be recorded for purposes of calculating earnings per common share. The adjustment to increase or reduce the carrying value will, respectively, reduce or increase earnings per common share by reducing or increasing net income available to common shareholders.

For the year ended December 31, 2019, all common stock equivalents were excluded from the computation of diluted loss per share, because the impact would have been anti-dilutive due to the Company's net loss during that period. The table below shows securities excluded from the dilution calculation under the treasury stock method.

	Year Ended December 31, 2019
Stock options [(1)]	70,639
RSUs	40,396
Total securities excluded from diluted loss per share calculation	111,035

(1) During the year ended December 31, 2019, 0.5 million stock options were out of the money and excluded from the computation of diluted loss or earnings per share from continuing operations.

19. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time the Company becomes involved in legal proceedings and in each case the Company assesses the likely liability and/or the amount of damages as appropriate. Where available information indicates that it is probable a liability had been incurred at the date of the consolidated financial statements and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to income. In many proceedings, however, it is inherently difficult to determine whether any loss is probable, reasonably possible, or to estimate the amount of any loss. Even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal proceedings, the Company can estimate possible losses, additional losses, ranges of loss or ranges of additional loss in excess of amounts accrued. For certain other legal proceedings, the Company cannot reasonably estimate such losses, if any, since the Company cannot predict if, how, or when such proceedings will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings that are in their early stages of development or where plaintiffs seek substantial or indeterminate damages. Numerous issues must be developed, including the need to discover and determine important factual matters and the need to address novel or unsettled legal questions relevant to the proceedings in question, before a loss or additional loss or range of loss can be reasonably estimated for any proceeding.

In November 2018, the Company settled on an ongoing contractual dispute with a service provider relating to the historical deployment of software supporting one of the Company's legacy trading platforms. Pursuant to the terms of the settlement, the Company agreed to make a one-time settlement payment of approximately $5.3 million in exchange for a full and final settlement of all claims.

20. INCOME TAXES

The following table presents the U.S. and non-U.S. components of (loss)/income before income tax (benefit)/expense for the years ended December 31, 2019 and 2018 (amounts in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2018
U.S.	$ (45,813)	$ 3,158
Non-U.S.	(27,817)	33,333
Total (loss)/income before tax (benefit)/expense	$ (73,630)	$ 36,491

Income tax (benefit)/expense consisted of (amounts in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Current		
Federal	$ 1,022	$ 2,102
State	(389)	1,253
U.K.	(3,134)	6,672
Japan	351	328
Australia	1,087	1,264
Other non-U.S.	254	90
Total current income tax (benefit)/expense	(809)	11,709
Deferred		
Federal	(9,041)	(2,330)
State	(1,548)	(711)
U.K.	(1,858)	(599)
Singapore	436	548
Japan	167	70
Other non-U.S.	(216)	(173)
Total deferred tax benefit	(12,060)	(3,195)
Total income tax (benefit)/expense	$ (12,869)	$ 8,514

Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse. The Company's net deferred tax assets are included in *Other assets* on the Consolidated Balance Sheets.

Significant components of the Company's deferred tax assets and liabilities were as follows (amounts in thousands):

	December 31,	
	2019	2018
Deferred tax assets		
Net operating losses	$ 12,359	$ 6,832
Share-based compensation	916	994
Intangible assets	9,683	4,291
Basis difference in property and equipment	4,462	4,262
Other	1,502	1,999
Total deferred tax assets	28,922	18,378
Valuation allowance	(762)	(904)
Total deferred tax assets after valuation allowance	28,160	17,474
Deferred tax liabilities		
Discount on convertible note	(2,854)	(4,257)
Total deferred liabilities	(2,854)	(4,257)
Net deferred tax assets	$ 25,306	$ 13,217

The Company has $61.7 million in net operating loss ("NOL") carry forwards as of December 31, 2019. As of December 31, 2019, the Company has NOL's in the following jurisdictions: $27.8 million in the U.K., $25.0 million in the U.S., $4.2 million in Singapore, $3.5 million in the Netherlands, tax affected $1.1 million in various U.S. states, and $0.1 million in various minor jurisdictions. These NOLs begin to expire in 2025. The Company has a deferred tax asset of $12.4 million relating to these NOLs for which it has established a valuation allowance of $0.8 million. The net change in the valuation allowance is $0.1 million.

The following table reconciles the effective tax rate to the U.S. federal statutory income tax rate:

	Year Ended December 31,	
	2019	2018
Federal income tax at statutory rate	21.00 %	21.00 %
Increase/(decrease) in effective tax rate resulting from:		
State income tax	2.52 %	1.17 %
Foreign rate differential	(1.16)%	0.07 %
Goodwill impairment	(5.14)%	— %
GILTI	— %	10.75 %
Impact of non-controlling interests	— %	(0.42)%
162 (m)	(0.42)%	1.32 %
Uncertain tax positions	— %	(0.64)%
U.K. bank tax	— %	1.28 %
Rate changes	0.20 %	— %
Foreign tax credit	— %	(9.22)%
True-ups and deferred tax adjustments	(0.77)%	(2.00)%
Other permanent differences	1.24 %	0.02 %
Effective Tax Rate	17.47 %	23.33 %

In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No.118 ("SAB 118"). SAB 118 allowed for the recording of a provisional estimate to reflect the income tax impact of the Tax Act and provides a measurement period of up to one year from the enactment date.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company made reasonable estimates of the effects and recorded provisional amounts in the financial statements as of December 31, 2017. Specifically provisional amounts were recorded in respect of the provisions of the Tax Act that relate to mandatory deemed repatriation of untaxed foreign earnings, offset by current year losses and a foreign tax credit. In 2018, the Company completed its review of the Tax Act, taking into account guidance issued by the Internal Revenue Service ("IRS") and made adjustments required to the provisional amount recorded as explained further below.

In 2018 and 2019, the Company had a number of discrete tax items that impacted its effective tax rate:

- In the fourth quarter of 2018, the Company completed its income tax accounting for its U.S. tax liability with respect to its untaxed foreign earnings, including the impact of foreign tax credits and state taxes, as a result of the Tax Cuts and Jobs Act, enacted on December 22, 2017, within the measurement period. As a result, the Company recorded a tax benefit of $1.3 million during the year ended December 31, 2018.

- In the fourth quarter of 2018, the Company elected to treat the new Global Intangible Low Tax Income ("GILTI") inclusion, resulting from the enactment of the Tax Cuts and Jobs Act, as a period cost. In 2018, The Company recorded tax expense of $0.6 million as the impact of GILTI, net of applicable foreign tax credits.

- In the fourth quarter of 2018, the Company received a favorable ruling from the U.S. competent authority in response to filings made by the Company challenging an IRS transfer pricing adjustment for 2012. As a result of the ruling, the Company increased its previously accrued benefit by an additional $0.2 million during the year ended December 31, 2018.

- In fourth quarter of 2019, the Company impaired its goodwill, resulting in additional tax expense of $3.8 million.

In 2019, the IRS concluded an audit of the Company's 2015-2016 tax years with no audit adjustments.

At December 31, 2019, the Company asserts that the earnings of its foreign subsidiaries will be permanently reinvested in the working capital and other business needs of the subsidiaries to the extent that repatriation of these earnings would trigger additional capital gains tax, foreign withholding taxes, or material state income taxes. As such, amounts that can be brought back without triggering capital gains, foreign withholding taxes, or material state income taxes will not be considered permanently reinvested. Based on the Company's analysis, the Company does not believe that the potential impact of the unrecognized deferred tax liability associated with the repatriation of such earnings would be material to the financial statements.

As of December 31, 2019 and 2018, there were no gross unrecognized tax benefits from uncertain tax positions.

There were no unrecognized tax benefits for the years ended December 31, 2019 and 2018 that would affect the effective tax rate. The Company's open tax years range from 2017 through 2019 for its U.S. federal returns, from 2017 through 2019 for the U.K., from 2014 through 2019 for Japan, and from 2016 through 2019 for its major state jurisdictions. It is reasonably possible that the amount of liability for unrecognized tax benefits could change during the next 12 months. An estimate of the range of the possible change cannot be made until issues are further developed or examinations closed.

There were no penalties and interest recorded for the years ended December 31, 2019 and 2018, and as such, there are no amounts recorded in the Consolidated Statements of Operations and Comprehensive (Loss)/Income. As a result, there is no impact to uncertain tax positions when reconciling the federal income tax rate to the Company's effective tax rate.

21. RETIREMENT PLANS

The Company sponsors a "Safe Harbor" 401(k) retirement plan which was put into effect as of January 1, 2011. The plan provides for a 100% match by the Company on the first 3% of the employee's salary contributed to the plan and 50% on the next 2% with immediate vesting on all employer contributions, subject to IRS limitations. Substantially all of the Company's US employees are eligible to participate in the plan.

The expense recorded to employee compensation and benefits on the Consolidated Statements of Operations and Comprehensive (Loss)/Income by the Company for its employees' participation in 401k plans during the years ended December 31, 2019 and 2018 was $0.6 million and $0.9 million, respectively.

22. REGULATORY REQUIREMENTS

The following table illustrates the minimum regulatory capital the Company's subsidiaries were required to maintain as of December 31, 2019 and the actual amounts of capital that were maintained (amounts in millions):

Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital	Percent of Requirement Maintained
GAIN Capital Group, LLC	$ 34.2	$ 61.3	$ 27.1	179%
GAIN Capital Securities, Inc.	0.1	0.3	0.2	300%
GAIN Capital U.K., Ltd.	58.9	177.8	118.9	302%
GAIN Capital Japan Co., Ltd.	1.0	11.7	10.7	1,170%
GAIN Capital Australia, Pty. Ltd.	0.9	5.5	4.6	611%
GAIN Global Markets, Inc.	0.4	3.4	3.0	850%
GAIN Capital-Forex.com Canada, Ltd.	0.2	2.3	2.1	1,150%
GAIN Capital Singapore Pte., Ltd.	3.7	11.8	8.1	319%
Trade Facts, Ltd.	0.5	3.8	3.3	760%
Global Assets Advisors, LLC (1)	0.0	1.2	1.2	2,667%
Total	$ 99.9	$ 279.1	$ 179.2	279%

(1) The Global Asset Advisors, LLC minimum regulatory capital requirement is $45 thousand.

23. SEGMENT INFORMATION

ASC 280, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise which engage in business activities from which they may earn revenues and incur expenses and about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision making group, in deciding how to allocate resources and in assessing performance. Reportable segments are defined as operating segments that either (a) exceed 10% of revenue, or (b) report profit or loss in an absolute amount exceeding 10% of profit of all operating segments that did not report a loss or (c) exceed 10% of the combined assets of all operating segments.

During the year ended December 31, 2018, the Company completed its implementation of global support groups in the areas of finance, legal, human resources, and treasury. These groups are now centrally managed and support all business functions. Therefore, all costs related to these groups previously recorded within the retail segment are now classified in the corporate and other segment to better align the cost reporting. The change in segment reporting had no impact on the net profit or loss of the Company.

Retail Segment

Business in the retail segment is conducted primarily through the Company's FOREX.com and City Index brands. The Company provides its retail customers around the world with access to over 15,000 global financial markets, including spot forex, precious metals and CFDs on commodities, indices, individual equities, cryptocurrencies, bonds and interest rate products, as well as OTC options on forex. In the U.K., the Company also offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment to residents of that country.

Futures Segment

The futures segment offers execution and related services for exchange-traded futures and futures options on major U.S. and European exchanges. The Company offers futures services through its subsidiaries, GAIN Capital Group, LLC, Global Asset Advisors, LLC, and Top Third Ag Marketing, LLC, under the GAIN Capital Futures brand.

Corporate and other

Corporate and other provides general corporate services to the Company's segments. Corporate and other revenue primarily comprises foreign currency transaction gains and losses.

Selected financial information by segment is presented in the following tables (amounts in thousands):

	Year Ended December 31, 2019	Year Ended December 31, 2018
Retail reportable segment:		
Net revenue	$ 194,256	$ 310,984
Employee compensation and benefits	49,565	55,447
Selling and marketing	37,527	35,378
Referral fees	18,232	26,899
Other operating expenses	68,750	72,747
Segment profit	$ 20,182	$ 120,513
Futures reportable segment:		
Net revenue	$ 39,771	43,967
Employee compensation and benefits	9,531	9,868
Selling and marketing	865	811
Referral fees	11,073	13,127
Other operating expenses	12,567	13,989
Segment profit	$ 5,735	$ 6,172
Corporate and other:		
Other loss	$ (95)	$ (2,392)
Employee compensation and benefits	19,030	23,756
Selling and marketing	3	271
Other operating expenses	11,606	13,770
Loss	$ (30,734)	$ (40,189)
TOTAL SEGMENT (LOSS)/PROFIT	**$ (4,817)**	**$ 86,496**
Depreciation and amortization	17,086	19,654
Purchased intangible amortization	8,811	14,171
Restructuring expenses	1,274	762
Goodwill impairment	28,098	—
Impairment of investment	—	(130)
Legal settlement	—	5,306
Class action settlement	—	(5,398)
Dutch auction fees	—	768
PP&E write-off	—	1,332
OPERATING (LOSS)/PROFIT	**$ (60,086)**	**$ 50,031**
Interest expense on long term borrowings	13,544	13,540
(LOSS)/INCOME BEFORE INCOME TAX (BENEFIT)/EXPENSE	**$ (73,630)**	**$ 36,491**

The following table presents net revenue by geographic area (amounts in thousands):

	Year Ended December 31,	
	2019	2018
Net Revenue[1]:		
North America[2]	$ 178,549	$ 164,040
Europe[3]	47,843	129,807
Other	7,540	64,110
Total Net Revenue	$ 233,932	$ 357,957

(1) - Net revenue is attributed to individual countries based on the jurisdiction of the formation of the reporting entity that records the transaction.

(2) - Includes U.S. net revenue of $116.3 million and $143.6 million for the years ended December 31, 2019 and 2018, respectively.

(3) - Includes U.K. net revenue of $47.7 million and $129.7 million for the years ended December 31, 2019 and 2018, respectively.

The following table presents long-lived assets by geographic area (amounts in thousands):

	December 31,	
	2019	2018
Long-lived assets[1]:		
North America[2]	$ 7,581	$ 8,875
Europe[3]	22,825	21,427
Other	157	277
Total long-lived assets	$ 30,563	$ 30,579

(1) - Long-lived assets are comprised of property and equipment, net. They exclude goodwill, other intangible assets and other assets, which are not attributable to any one geographic location.

(2) - Includes U.S. long-lived assets of $7.6 million and $8.9 million as of December 31, 2019 and 2018, respectively.

(3) - Includes U.K. long-lived assets of $22.3 million and $21.4 million as of December 31, 2019 and 2018, respectively.

24. SUBSEQUENT EVENTS

In February 2020, the Company announced the payment of a $0.06 dividend per share of Common Stock payable on March 27, 2020 to stockholders of record on March 24, 2020.

On February 26, 2020, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with INTL FCStone Inc., a Delaware corporation (“INTL”) and Golf Merger Sub I, Inc., a Delaware corporation and a wholly owned subsidiary of INTL (“Merger Sub”), pursuant to which, among other things and subject to the satisfaction or waiver of specified conditions, Merger Sub will merge with and into the Company (the "Merger"). As a result of the Merger, Merger Sub will cease to exist, and the Company will survive as a wholly owned subsidiary of INTL. Subject to the terms and conditions of the Merger Agreement at the effective time of the Merger (the Effective Time"), each share of the Company's common stock issued and outstanding immediately prior to the Effective Time (other than dissenting shares) will be converted into the right to receive $6.00 per share in cash, without interest.

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2020
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 001-35008

GAIN CAPITAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-4568600**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Bedminster One **135 Route 202/206** **Bedminster, New Jersey**	**07921**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (908) 731-0700

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol	Name on each exchange on which registered
Common Stock, $0.00001 par value per share	GCAP	New York Stock Exchange

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 5, 2020, the registrant had 37,803,800 shares of common stock, $0.00001 par value per share, outstanding.

GAIN CAPITAL HOLDINGS, INC.
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2020

PART I – FINANCIAL INFORMATION

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PART I – FINANCIAL INFORMATION
Item 1 - Condensed Consolidated Financial Statements

GAIN CAPITAL HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except share data and par value)

		March 31, 2020		December 31, 2019
ASSETS:				
Cash and cash equivalents	$	293,302	$	190,072
Cash and securities held for customers		785,223		929,263
Receivables from brokers		53,053		112,296
Property and equipment, net		29,052		30,563
Intangible assets, net		21,153		24,163
Other assets		50,003		64,012
Total assets	$	1,231,786	$	1,350,369
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Liabilities				
Payables to customers	$	785,223	$	929,263
Payables to brokers		5,895		—
Accrued compensation and benefits		6,439		5,462
Accrued expenses and other liabilities		44,969		43,129
Income tax payable		11,818		638
Convertible senior notes		80,334		137,178
Total liabilities	$	934,678	$	1,115,670
Commitments and contingent liabilities				
Shareholders' equity				
Common stock ($0.00001 par value; 120 million shares authorized; 55.6 million shares issued and 37.8 million shares outstanding as of March 31, 2020; 55.3 million shares issued and 37.5 million shares outstanding as of December 31, 2019)	$	—	$	—
Additional paid-in capital		251,107		249,111
Retained earnings		209,825		134,752
Accumulated other comprehensive loss		(36,307)		(21,647)
Treasury stock, at cost (17.8 million shares at March 31, 2020 and December 31, 2019)		(127,517)		(127,517)
Total shareholders' equity		297,108		234,699
Total liabilities and shareholders' equity	$	1,231,786	$	1,350,369

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

GAIN CAPITAL HOLDINGS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss)
(Unaudited)
(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2020	**2019**
REVENUE:		
Retail revenue	$ 173,070	$ 24,279
Futures revenue	9,386	7,990
Other revenue	986	2,485
Total non-interest revenue	183,442	34,754
Interest revenue	2,740	4,294
Interest expense	484	613
Total net interest revenue	2,256	3,681
Net revenue	$ 185,698	$ 38,435
EXPENSES:		
Employee compensation and benefits	$ 24,166	$ 20,255
Selling and marketing	7,112	10,224
Referral fees	12,497	7,098
Trading expenses	4,928	5,480
General and administrative	13,846	12,756
Depreciation and amortization	4,304	4,250
Purchased intangible amortization	1,808	3,329
Communications and technology	4,523	5,691
Bad debt provision	4,213	427
Restructuring expenses	1,420	—
Transaction costs	1,043	—
Total operating expenses	$ 79,860	$ 69,510
OPERATING PROFIT/(LOSS)	105,838	(31,075)
Interest expense on long term borrowings	3,442	3,332
INCOME/(LOSS) BEFORE INCOME TAX	$ 102,396	$ (34,407)
Income tax expense/(benefit)	25,052	(6,053)
NET INCOME/(LOSS)	$ 77,344	$ (28,354)
Other comprehensive (loss)/income:		
Foreign currency translation adjustment	(14,660)	4,846
COMPREHENSIVE INCOME/(LOSS)	$ 62,684	$ (23,508)
Basic earnings/(loss) per share	$ 2.06	$ (0.76)
Diluted earnings/(loss) per share	$ 2.06	$ (0.76)
Basic weighted average common shares outstanding	37,554,579	37,525,073
Diluted weighted average common shares outstanding	37,585,806	37,525,073

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

GAIN CAPITAL HOLDINGS, INC.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended March 31, 2020 and 2019
(Unaudited)
(in thousands, except share and per share data)

	Common Stock		Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Outstanding Shares	Amount					
BALANCE—January 1, 2020	37,484,276	$ —	$(127,517)	$ 249,111	$ 134,752	$ (21,647)	$ 234,699
Net income applicable to Gain Capital Holdings, Inc.	—	—	—	—	77,344	—	77,344
Conversion of restricted stock into common stock	302,920	—	—	—	—	—	—
Share-based compensation	—	—	—	1,996	—	—	1,996
Dividends ($0.06 per share)	—	—	—	—	(2,271)	—	(2,271)
Foreign currency translation adjustment	—	—	—	—	—	(14,660)	(14,660)
BALANCE—March 31, 2020	37,787,196	$ —	$(127,517)	$ 251,107	$ 209,825	$ (36,307)	$ 297,108

	Common Stock		Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Outstanding Shares	Amount					
BALANCE—January 1, 2019	37,821,686	$ —	$(120,516)	$ 243,216	$ 204,483	$ (29,410)	$ 297,773
Net loss applicable to Gain Capital Holdings, Inc.	—	—	—	—	(28,354)	—	(28,354)
Conversion of restricted stock into common stock	182,443	—	—	—	—	—	—
Purchase of treasury stock	(632,796)	—	(4,201)	—	—	—	(4,201)
Share-based compensation	—	—	—	1,685	—	—	1,685
Dividends ($0.06 per share)	—	—	—	—	(2,254)	—	(2,254)
Foreign currency translation adjustment	—	—	—	—	—	4,846	4,846
BALANCE—March 31, 2019	37,371,333	$ —	$(124,717)	$ 244,901	$ 173,875	$ (24,564)	$ 269,495

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

GAIN CAPITAL HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 77,344	$ (28,354)
Adjustments to reconcile net income/(loss) to cash provided by/(used in) operating activities		
Loss/(gain) on foreign currency exchange rates	674	(964)
Depreciation and amortization	6,112	7,579
Deferred tax expense/(benefit)	8,131	(6,695)
Amortization of deferred financing costs	149	149
Bad debt provision	4,213	427
Convertible senior notes discount amortization	1,547	1,422
Share-based compensation	1,996	1,685
Interest earned on investments	—	(629)
Amortization of right of use asset	987	524
Changes in operating assets and liabilities:		
Receivables from brokers	57,655	(11,932)
Other assets	(2,480)	4,676
Payables to customers	(119,590)	17,826
Payables to brokers	6,243	(1,635)
Accrued compensation and benefits	1,188	(7,990)
Accrued expenses and other liabilities	3,965	(4,641)
Income tax payable	10,837	(4,025)
Long term securities	1,043	10,363
Lease liabilities	(605)	(705)
Net cash provided by/(used in) operating activities	59,409	(22,919)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,238)	(3,126)
Purchase of minority interest	—	(2,422)
Net cash used in investing activities	(4,238)	(5,548)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Maturity and repurchase of convertible notes	(58,540)	—
Purchase of treasury stock	—	(4,201)
Dividend payments	(2,271)	(2,254)
Net cash used in financing activities	(60,811)	(6,455)
Effect of exchange rate changes on cash and cash equivalents	(34,127)	11,068
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(39,767)	(23,854)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	1,112,793	1,016,616
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	$ 1,073,026	$ 992,762
Cash and cash equivalents	293,302	218,019
Cash and cash equivalents held for customers (see Note 1)	779,724	774,743
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	$ 1,073,026	$ 992,762
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 3,913	$ 2,856
Income taxes	$ 553	$ 5,507

The accompanying notes are an integral part of these unaudited Condensed Consolidated Financial Statements.

GAIN CAPITAL HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

GAIN Capital Holdings, Inc. (together with its subsidiaries, the "Company"), is a Delaware corporation formed and incorporated on March 24, 2006. The Company is a global provider of trading services and solutions, specializing in over-the-counter ("OTC"), and exchange-traded markets. The Company operates its business in two segments: retail and futures. The retail segment provides customers around the world with access to global financial markets, including spot forex, precious metals, spread bets, and contracts for difference ("CFDs") on currencies, commodities, indices, individual equities, cryptocurrencies, bonds and interest rate products, as well as OTC options. The futures segment offers execution and risk management services for exchange-traded products on major U.S. and European exchanges, including Bitcoin. For more information about the Company's segments, please see Note 17.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments that, in management's opinion, are necessary to fairly present the financial statements for the interim periods. The Condensed Consolidated Financial Statements are presented in accordance with generally accepted accounting principles in the United States of America ("GAAP") and have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. In accordance with SEC rules, interim financial statements omit or condense certain information and footnote disclosures. Results for the interim periods are not necessarily indicative of results to be expected for any other interim period or full year. These financial statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2019, filed with the SEC on March 16, 2020.

Preparing consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements, as well as the reported amounts of revenue and expenses during the reporting period. Estimates, by their nature, are based on judgment and available information about current events and expectations about actions undertaken in the future. Actual results could differ materially from estimates.

Cash and Securities Held for Customers

Cash and securities held for customers represents cash and highly liquid assets held to fund customer liabilities in connection with trading positions and customer cash balances. Included in this balance are funds deposited by customers and funds accruing to customers as a result of trades or contracts. The Company records a corresponding liability in connection with this amount in *Payables to customers* on the Condensed Consolidated Balance Sheets. As of March 31, 2020 and December 31, 2019, $5.5 million and $6.5 million, respectively, of total *Cash and securities held for customers* are invested in U.S. government and agency securities. Such securities are carried at fair value, with unrealized and realized gains and losses included in *Interest revenue* and *Other revenue* in the Condensed Consolidated Statement of Operations and Comprehensive Income/(Loss), as appropriate. In addition, the Company holds certain customer funds in segregated or secured broker accounts. Legally segregated balances are not available for general use, in accordance with certain jurisdictional regulatory requirements.

The table below further breaks out the *Cash and securities held for customers* on the Condensed Consolidated Balance Sheets (amounts in thousands):

	March 31,	
	2020	2019
Cash and cash equivalents held for customers	$ 779,724	$ 774,743
Marketable securities held for customers	5,499	94,945
Cash and securities held for customers	$ 785,223	$ 869,688

Non-Controlling Interest

In December 2018, the minority owners of Top Third Ag Marketing, LLC ("TT") notified the Company that they were exercising their put option with respect to their combined 21% ownership of TT. The purchase of the minority ownership interest closed on February 1, 2019 for approximately $2.4 million.

Sale to INTL FCStone, Inc.

On February 26, 2020, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with INTL FCStone Inc., a Delaware corporation ("INTL") and Golf Merger Sub I, Inc., a Delaware corporation and a wholly owned subsidiary of INTL ("Merger Sub"), pursuant to which, among other things and subject to the satisfaction or waiver of specified conditions, Merger Sub will merge with and into the Company (the "Merger"). As a result of the Merger, Merger Sub will cease to exist, and the Company will survive as a wholly owned subsidiary of INTL. Subject to the terms and conditions of the Merger Agreement at the effective time of the Merger (the "Effective Time"), each share of the Company's common stock issued and outstanding immediately prior to the Effective Time (other than dissenting shares) will be converted into the right to receive $6.00 per share in cash, without interest. During the three months ended March 31, 2020, the Company incurred $1.0 million of transaction costs associated with the Merger Agreement. They are recorded in *Transaction costs* in the Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss).

COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. Concern over the economic impact this would cause drove volatility to extraordinary levels, resulting in significant increases to average daily retail trading volumes and retail revenue capture. These led to standout financial results during the first quarter, including record levels of both net revenue and net income. The Company does not believe that there is any significant negative impact of the COVID-19 pandemic to the Condensed Consolidated Financial Statements as of March 31, 2020. The Company is continuing to monitor developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organizations, relevant governments, and general pandemic response best practices.

CARES Act

On March 27, 2020, President Trump signed into law P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

2. ACCOUNTING PRONOUNCEMENTS

Recently Adopted

In August 2018, the FASB issued ASU No. 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements (Topic 820)*, which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The Company adopted the new standard effective January 1, 2020 with no impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The ASU sets forth a "current expected credit loss" (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. In February 2020, the FASB issued ASU 2020-02, *Financial Instruments - Credit Losses (Topic 326)*, which amends the effective date of the original pronouncement for smaller reporting companies. ASU 2016-13 and its amendments will be effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2022. The Company is currently assessing the impact of the adoption of this ASU on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

3. LEASES

The Company leases office space under agreements classified as operating leases, with periods expiring between 2020 and 2029. The Company's leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Company's leases include renewal options and escalation clauses. Renewal options have not been included in the calculation of lease liabilities and right of use assets as the Company is not reasonably certain to exercise the options. The Company does not act as a lessor or have any leases classified as financing leases.

As of March 31, 2020, the Company had operating lease liabilities of $16.6 million and right of use assets of $13.5 million, which were included in *Accrued expenses and other liabilities* and *Other assets*, respectively, on the Condensed Consolidated Balance Sheet.

The following summarizes quantitative information about the Company's operating leases (amounts in thousands, except lease term and discount rate):

	Three Months Ended March 31,	
	2020	**2019**
Lease cost		
Operating lease cost	$ 1,302	$ 796
Total lease cost	$ 1,302	$ 796
Other information		
Operating cash flows from operating leases	$ 909	$ 866
Weighted-average remaining lease term - operating leases	4.3 years	
Weighted-average discount rate - operating leases	7.5%	

Maturities of the Company's operating leases, excluding short-term leases, are as follows (amounts in thousands):

For the nine months ending at December 31, 2020	$ 3,316
For the year ended December 31, 2021	3,031
For the year ended December 31, 2022	2,565
For the year ended December 31, 2023	2,670
For the year ended December 31, 2024	2,064
For the year ended December 31, 2025	2,205
Thereafter	5,213
Total	21,064
Less: imputed interest	(4,507)
Operating lease liabilities at March 31, 2020	$ 16,557

4. REVENUE RECOGNITION

Futures Revenue

Futures revenue consists primarily of commissions and fees earned on futures and futures options trades that the Company executes on behalf of its customers. The Company is not exposed to any market risk from this activity. The Company's performance obligation related to futures revenue is trade execution, which is satisfied on trade date. Accordingly, commission revenues are recorded on trade date.

Disaggregation of Futures Revenues

The following table presents the Company's futures revenue from contracts with customers disaggregated by customer and service type for the services described above, as it relates to the futures segment for the three months ended March 31, 2020 and 2019 (amounts in thousands):

	Three Months Ended March 31,	
	2020	2019
Futures		
Direct Customers (1)	$ 3,526	$ 2,556
Indirect Customers (2)	5,860	5,434
Other (3)	764	1,420
Net Futures Revenue	$ 10,150	$ 9,410

(1) Direct customers are all customers not classified as indirect
(2) Indirect customers are referred to the Company by introducing brokers
(3) Other revenue comprises interest and fees

Futures Contract Assets and Futures Contract Liabilities

The timing of revenue recognition may differ from the timing of payment. The Company records an accrual when revenue is recognized prior to payment and when the Company has an unconditional right to payment. The Company records a contract liability when payment is received prior to the time at which the service obligation is satisfied.

5. FAIR VALUE INFORMATION

GAAP defines fair value as the price that would be received in exchange for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three level hierarchy that ranks the quality and reliability of information used in developing fair value estimates for financial instruments. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In cases where two or more levels of inputs are used to determine fair value, a financial instrument's level is determined based on the lowest level input that is considered significant to the fair value measurement in its entirety. The three levels of fair value hierarchy are summarized below:

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 in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 - Valuations that require inputs that are both unobservable to a market participant and significant to the fair value measurement.

For assets and liabilities that are transferred between levels during the period, fair values are ascribed as if the assets or liabilities had been transferred as of the beginning of the period.

The following table presents the Company's assets and liabilities that were measured at fair value on a recurring basis during the reporting period and the related hierarchy levels (amounts in thousands):

	Fair Value Measurements on a Recurring Basis as of March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial Assets/(Liabilities):				
Cash and securities held for customers:				
US treasury bills	$ 5,499	$ —	$ —	$ 5,499
Receivable from brokers:				
Broker derivative contracts	—	(9,478)	—	(9,478)
Other assets:				
Customer derivative contracts	—	2,698	—	2,698

Certificates of deposit	178	—	—	178
Other	158	—	—	158
Payables to customers:				
Customer derivative contracts	—	146,446	—	146,446
Payables to brokers:				
Broker derivative contracts	—	(9,561)	—	(9,561)
Total	$ 5,835	$ 130,105	$ —	$ 135,940

	Fair Value Measurements on a Recurring Basis as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets/(Liabilities):				
Cash and securities held for customers:				
US treasury bills	$ 6,542	$ —	$ —	$ 6,542
Receivable from brokers:				
Broker derivative contracts	—	(5,949)	—	(5,949)
Other assets:				
Certificates of deposit	178	—	—	178
Other	152	—	—	152
Payables to customers:				
Customer derivative contracts	—	116,007	—	116,007
Total	$ 6,872	$ 110,058	$ —	$ 116,930

The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the three months ended March 31, 2020, nor has there been any movement between levels during the period.

Level 1 Financial Assets

The Company has U.S. Treasury bills and certificates of deposit that are Level 1 financial instruments that are recorded based upon listed or quoted market rates. The U.S. Treasury bills are recorded in *Cash and cash equivalents* and *Cash and securities held for customers* and the certificates of deposit are recorded in *Other assets*.

Level 2 Financial Assets and Liabilities

The Company has customer derivative contracts that are Level 2 financial instruments recorded in *Payables to customers* and *Other assets*.

The Company has broker derivative contracts that are Level 2 financial instruments recorded in *Receivables from brokers* and *Payables to brokers*.

The fair values of these Level 2 financial instruments are based upon directly observable values for underlying instruments.

Level 3 Financial Liabilities

The Company did not have any Level 3 Financial Assets or Liabilities as of March 31, 2020 or December 31, 2019.

Financial Instruments Not Measured at Fair Value

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value on the Condensed Consolidated Balance Sheets (amounts in thousands).

Receivables from brokers comprise open trades, which are measured at fair value, and the Company's posted funds with brokers that are required as collateral for holding trading positions, which are not measured at fair value but approximate fair value, because they are cash balances that the Company may withdraw at its discretion. Settlement would be expected to occur within a relatively short period of time once a withdrawal is initiated.

Other assets includes receivables from certain customers. Some of these customers maintain open trades, which are measured at fair value, along with accumulated losses that result in the receivable balances. These accumulated losses are not measured at fair value, but approximate fair value, because they are balances that the Company expects its customers to recover through their trading activities or by funding activities in a relatively short period of time.

Payables to customers comprise open trades, which are measured at fair value, and customer deposits that the Company holds for its role as clearing broker. These deposits are not measured at fair value, but approximate fair value, because they are cash balances that the Company or its customers can settle at either party's discretion. Such settlement would occur within a relatively short period of time once a withdrawal is initiated.

Payables to brokers comprise open trades, which are measured at fair value and the cash due to brokers. The cash within this balance is not measured at fair value but does approximate fair value, because it is immediately payable to the brokers. Settlement with brokers generally occurs as soon as a broker initiates a margin call.

The carrying value of *Convertible senior notes* represents the notes' principal amounts net of unamortized discount (please refer to Note 12). The Company assessed the notes' fair value as determined by current Company-specific and risk free interest rates as of the balance sheet date.

	As of March 31, 2020		**Fair Value Measurements using:**		
	Carrying Value	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets:					
Receivables from brokers	$ 62,531	$ 62,531	$ —	$ 62,531	$ —
Receivables from customers	$ 703	$ 703	$ —	$ 703	$ —
Financial Liabilities:					
Payables to customers	$ 931,669	$ 931,669	$ —	$ 931,669	$ —
Payables to brokers	$ (3,666)	$ (3,666)	$ —	$ (3,666)	$ —
Convertible senior notes	$ 80,334	$ 89,240	$ —	$ 89,240	$ —

	As of December 31, 2019		**Fair Value Measurements using:**		
	Carrying Value	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets:					
Receivables from brokers	$ 118,245	$ 118,245	$ —	$ 118,245	$ —
Financial Liabilities:					
Payables to customers	$ 1,045,270	$ 1,045,270	$ —	$ 1,045,270	$ —
Convertible senior notes	$ 137,148	$ 141,501	$ —	$ 141,501	$ —

6. DERIVATIVES

The Company's contracts with its customers and its liquidity providers are deemed to be derivative instruments. The table below represents the fair values of the Company's derivative instruments reported within *Receivables from brokers, Other assets, Payables to customers*, and *Payables to brokers* on the accompanying Condensed Consolidated Balance Sheets (amounts in thousands):

	March 31, 2020		
	Gross amounts of assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
Derivative Instruments:			
Foreign currency exchange contracts	$ 100,068	$ (43,099)	$ 56,969
CFD contracts	119,344	(50,475)	68,869
Metals contracts	6,483	(2,216)	4,267
Total	$ 225,895	$ (95,790)	$ 130,105

	March 31, 2020		
	Cash Collateral	Net amounts of assets/(liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) presented in the balance sheet
Derivative Assets/(Liabilities):			
Receivables from brokers	$ 62,531	$ (9,478)	$ 53,053
Receivables from customers	$ 703	$ 2,698	$ 3,401
Payables to customers	$ (931,669)	$ 146,446	$ (785,223)
Payables to brokers	$ 3,666	$ (9,561)	$ (5,895)

	December 31, 2019		
	Gross amounts of assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
Derivative Instruments:			
Foreign currency exchange contracts	$ 97,075	$ (40,704)	$ 56,371
CFD contracts	90,666	(43,642)	47,024
Metals contracts	11,058	(4,395)	6,663
Total	$ 198,799	$ (88,741)	$ 110,058

	December 31, 2019		
	Cash Collateral	Net amounts of assets/(liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) presented in the balance sheet
Derivative Assets/(Liabilities):			
Receivables from brokers	$ 118,245	$ (5,949)	$ 112,296
Payables to customers	$ (1,045,270)	$ 116,007	$ (929,263)

The Company's derivatives include different underlyings, which vary in price. Foreign exchange contracts typically have prices less than two dollars, while certain metals contracts and CFDs can have considerably higher prices. The amounts reported within *Receivables from brokers*, *Other assets*, *Payables to customers*, and *Payables to brokers* on the Condensed Consolidated Balance Sheets are derived from the number of contracts below (amounts in thousands):

	March 31, 2020	
	Total contracts in long positions	Total contracts in short positions
Derivative Instruments:		
Foreign currency exchange contracts	3,193,529	2,980,498
CFD contracts	75,807	54,415
Metals contracts	187	126
Total	3,269,523	3,035,039

	December 31, 2019	
	Total contracts in long positions	Total contracts in short positions
Derivative Instruments:		
Foreign currency exchange contracts	3,418,117	3,342,201
CFD contracts	115,527	23,320
Metals contracts	471	233
Total	3,534,115	3,365,754

The Company did not designate any of its derivatives as hedging instruments. Net gains with respect to derivative instruments reflected in *Retail revenue* in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) for the three months ended March 31, 2020 and 2019 were as follows (amounts in thousands):

	Three Months Ended March 31,	
	2020	2019
Derivative Instruments:		
Foreign currency exchange contracts	$ 76,677	$ 16,137
CFD contracts	83,543	5,938
Metals contracts	12,850	2,204
Total	$ 173,070	$ 24,279

7. RECEIVABLES FROM BROKERS

The Company has posted funds with brokers as collateral required by agreements for holding trading positions. These amounts are reflected as *Receivables from brokers* on the Condensed Consolidated Balance Sheets.

Amounts receivable from brokers consisted of the following as of (amounts in thousands):

	March 31, 2020	December 31, 2019
Required collateral	$ 62,531	$ 118,245
Open foreign exchange positions	(9,478)	(5,949)
Total	$ 53,053	$ 112,296

8. INTANGIBLE ASSETS

The Company's various intangible assets consisted of the following as of (amounts in thousands):

	March 31, 2020				December 31, 2019		
Intangibles	**Weighted average remaining useful lives**	**Gross**	**Accumulated Amortization**	**Net**	**Gross**	**Accumulated Amortization**	**Net**
Customer lists	4.7 years	$ 44,617	$ (31,977)	$ 12,640	$ 46,576	$ (32,510)	$ 14,066
Technology	2.0 years	23,208	(16,649)	6,559	24,626	(16,800)	7,826
Trademarks	2.0 years	5,932	(4,341)	1,591	6,298	(4,390)	1,908
Total finite lived intangibles		73,757	(52,967)	20,790	77,500	(53,700)	23,800
Trademark not subject to amortization (1)		363	—	363	363	—	363
Total intangibles		$ 74,120	$ (52,967)	$ 21,153	$ 77,863	$ (53,700)	$ 24,163

(1) These indefinite-lived trademarks relate to the forex.com and foreignexchange.com domain names, which have no legal, regulatory or technological limitation on their useful lives. The Company compares the recorded value of the indefinite-life intangible assets to their fair value on an annual basis and whenever circumstances arise that indicate that impairment may have occurred.

As of March 31, 2020, future annual estimated amortization expense for the unamortized intangible assets is as follows (amounts in thousands):

For the nine months ending at December 31, 2020	$ 5,068
For the year ended December 31, 2021	6,758
For the year ended December 31, 2022	3,774
For the year ended December 31, 2023	2,653
For the year ended December 31, 2024	2,075
For the year ended December 31, 2025	462
Total	$ 20,790

9. RELATED PARTY TRANSACTIONS

Certain officers and directors of the Company have personal funds on deposit in separate customer accounts with the Company. These accounts are recorded in *Payables to customers* on the Condensed Consolidated Balance Sheets. The aggregate amount of these funds was $0.4 million and $0.4 million as of March 31, 2020 and December 31, 2019, respectively.

IPGL Limited, the majority selling shareholder in the acquisition of City Index, has a trading account with the Company which is recorded in *Payables to customers* on the Condensed Consolidated Balance Sheets. The aggregate amount of these funds was $19.9 million and $19.9 million as of March 31, 2020 and December 31, 2019, respectively.

The net revenue generated by any single individual related party was not deemed to be material in any period.

At March 31, 2020, the Company had receivables of $0.2 million in the aggregate due from certain officers of the Company for taxes paid on equity vestings. The Company recorded these receivables in *Other assets* on the Condensed Consolidated Balance Sheets. There were no receivables due from the Company's officers as of December 31, 2019.

10. RESTRUCTURING

The Company incurred $1.4 million of restructuring expenses for the three months ended March 31, 2020. These expenses reflected the cost of reducing global headcount following strategic decisions in 2019. They are recorded in *Restructuring expenses* in the Consolidated Statements of Operations and Comprehensive Income/(Loss). All restructuring liabilities have been paid as of March 31, 2020. The Company did not incur any restructuring expenses for the three months ended March 31, 2019.

11. REVOLVING CREDIT ARRANGEMENT

On August 3, 2017, the Company entered into a Credit Agreement, dated as of August 2, 2017, for a three year $50.0 million senior secured first lien revolving credit facility that was maturing in August 2020.

On January 2, 2020, the Company delivered written notice to terminate the Credit Agreement effective as of January 13, 2020 ("termination date"). There were no amounts outstanding under the revolving line of credit as of the termination date nor as of December 31, 2019. The Company did not incur any material early termination penalties as a result of the termination.

12. CONVERTIBLE SENIOR NOTES

On August 22, 2017, the Company issued $92.0 million aggregate principal amount of its 5.00% Convertible Senior Notes, due August 15, 2022 (the "2022 Notes"), and on April 1, 2015, the Company issued $60.0 million aggregate principal amount of its 4.125% Convertible Senior Notes, due April 1, 2020 (collectively the "Convertible Senior Notes"). During the first quarter of 2020, the Company settled all remaining $58.5 million in principal amount of the convertible senior notes due in 2020, for an aggregate purchase price of $58.5 million. The balances of the liability and equity components of the Convertible Senior Notes as of March 31, 2020 and December 31, 2019 were as follows (amounts in thousands):

	March 31, 2020	December 31, 2019
Liability component - principal	$ 92,000	$ 150,540
Deferred bond discount	(11,412)	(13,081)
Deferred financing cost	(254)	(281)
Liability component - net carrying value	$ 80,334	$ 137,178
Additional paid in capital	$ 39,554	$ 39,554
Discount attributable to equity	(826)	(826)
Equity component	$ 38,728	$ 38,728

Interest expense related to the Convertible Senior Notes, included in *Interest expense on long term borrowings* in the Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss), was as follows (amounts in thousands):

	For the Three Months Ended March 31,	
	2020	2019
Interest expense - stated coupon rate	$ 1,746	$ 1,761
Interest expense - amortization of deferred bond discount and costs	1,696	1,571
Total interest expense - convertible senior notes	$ 3,442	$ 3,332

13. EARNINGS PER COMMON SHARE

Basic and diluted earnings/(loss) per common share are computed by dividing net income/(loss) by the weighted average number of common shares outstanding during the period. Diluted earnings/(loss) per share includes the determinants of basic net income per share and, in addition, gives effect to the potential dilution that would occur if securities or other contracts to issue common stock were exercised, vested or converted into common stock, unless they are anti-dilutive. Diluted weighted average common shares include vested and unvested stock options and unvested restricted stock units.

Diluted earnings/(loss) per share excludes any shares of Company common stock potentially issuable under the Company's convertible senior notes, which are discussed in Note 12. Based upon an assumed trading price of $10 for each share of the Company's common stock, and if the relevant conditions under the indenture governing the 2022 Notes were satisfied, there would be 2.0 million dilutive shares as of March 31, 2020, for the 2022 Notes.

The following table sets forth the computation of earnings/(loss) per share (amounts in thousands except share and per share data):

	For the Three Months Ended March 31,	
	2020	2019
Net income/(loss)	$ 77,344	$ (28,354)
Weighted average common shares outstanding:		
Basic weighted average common shares outstanding	37,554,579	37,525,073
Effect of dilutive securities:		
Stock options	25,108	—
RSUs	6,119	—
Diluted weighted average common shares outstanding	37,585,806	37,525,073
Basic earnings/(loss) per share	$ 2.06	$ (0.76)
Diluted earnings/(loss) per share	$ 2.06	$ (0.76)

For the three months ended March 31, 2019, all common stock equivalents are excluded from the computation of diluted loss per share, because the Company's net loss during the period, resulting in those being anti-dilutive. The table below shows securities excluded from the dilution calculation, under the treasury stock method, during the three months ended March 31, 2019.

	Three months ended March 31, 2019
Stock options (1)	169,981
RSUs	90,520
Total securities excluded from diluted loss per share calculation	260,501

(1) During the three months ended March 31, 2020 and 2019, 0.4 million stock options were out of the money and excluded from the computation of diluted loss or earnings per share.

14. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company records accruals for loss contingencies associated with legal matters when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. If the Company determines that a loss is reasonably possible, the Company discloses the matter, and, if estimable, the amount or range of the possible loss in the Condensed Consolidated Financial Statements or notes.

From time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of business. Although the results of such litigation and claims cannot be predicted with certainty, the Company believes that the final outcome of these ordinary course matters will not have a material adverse effect on the Company's business, operating results, financial condition or cash flows.

15. INCOME TAXES

The Company recorded an expense/(benefit) for income taxes of approximately $25.1 million and $(6.1) million for the three months ended March 31, 2020 and 2019. These amounts reflect the Company's estimate of the annual effective tax rates of 24.5% and 17.6%, for the three months ended March 31, 2020 and 2019, respectively, reflect the Company's estimate of the annual effective tax rate adjusted for certain discrete items, primarily the tax benefit resulting from the CARES Act in 2020. Changes in the Company's effective tax rate arise primarily from changes in the geographic mix of revenues and expenses, as well as changes to statutory tax rates.

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse. Certain net deferred tax assets of the Company are included in *Other assets* on the Condensed Consolidated Balance Sheets.

16. REGULATORY REQUIREMENTS

The following table illustrates the minimum regulatory capital the Company's subsidiaries were required to maintain as of March 31, 2020 and the actual amounts of capital that were maintained (amounts in millions):

Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital	Percent of Requirement Maintained
GAIN Capital Group, LLC	$ 30.9	$ 61.9	$ 31.0	200%
GAIN Capital Securities, Inc.	0.1	0.3	0.2	300%
GAIN Capital U.K., Ltd.	50.4	167.0	116.6	331%
GAIN Capital Japan Co., Ltd.	1.2	9.1	7.9	758%
GAIN Capital Australia, Pty. Ltd.	0.9	5.5	4.6	611%
GAIN Global Markets, Inc.	0.7	3.3	2.6	471%
GAIN Capital-Forex.com Canada, Ltd.	0.2	2.0	1.8	1,000%
GAIN Capital Singapore Pte., Ltd.	3.5	6.8	3.3	194%
Trade Facts, Ltd.	0.5	3.6	3.1	720%
Global Asset Advisors, LLC (1)	0.0	1.8	1.8	3,907%
Total	$ 88.4	$ 261.3	$ 172.9	296%

(1) The Global Asset Advisors, LLC minimum regulatory capital requirement is $45 thousand.

17. SEGMENT INFORMATION

ASC Topic 280, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise which engage in business activities from which they may earn revenues and incur expenses and about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision making group, in deciding how to allocate resources and in assessing performance. Reportable segments are defined as operating segments that either (a) exceed 10% of revenue, or (b) the reported profit or loss in absolute amount of which exceed 10% of profit of all operating segments that did not report a loss or (c) exceed 10% of the combined assets of all operating segments.

Retail Segment

Business in the retail segment is conducted primarily through the Company's FOREX.com and City Index brands. The Company provides its retail customers around the world with access to over 15,000 global financial markets, including spot forex, precious metals, and CFDs on commodities, indices, individual equities, cryptocurrencies, bonds and interest rate products, as well as OTC options on forex. In the U.K., the Company also offers spread bets, which are investment products similar to CFDs, but with more favorable tax treatment for U.K. residents.

Futures Segment

The futures segment offers execution and related services for exchange-traded futures and futures options on major U.S and European exchanges. The Company offers futures services through its subsidiaries, GAIN Capital Group, LLC and Global Asset Advisors, LLC, under various brands.

Corporate and other

Corporate and other provides general corporate services to the Company's segments. Corporate and other revenue primarily comprises foreign currency transaction gains and losses.

Selected financial information by segment is presented in the following tables (amounts in thousands):

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Retail segment:		
Net revenue	$ 176,279	$ 28,159
Employee compensation and benefits	14,385	12,992
Selling and marketing	6,876	9,953
Referral fees	9,450	4,390
Other operating expenses	22,123	18,228
Segment profit/(loss)	$ 123,445	$ (17,404)
Futures segment:		
Net revenue	$ 10,150	$ 9,410
Employee compensation and benefits	2,864	2,164
Selling and marketing	236	260
Referral fees	3,047	2,708
Other operating expenses	3,149	3,221
Segment profit	$ 854	$ 1,057
Corporate and other:		
Other revenue	$ (731)	$ 866
Employee compensation and benefits	6,917	5,099
Selling and marketing	—	11
Other operating expenses	2,238	2,905
Loss	$ (9,886)	$ (7,149)
TOTAL SEGMENT PROFIT/(LOSS)	**$ 114,413**	**$ (23,496)**
Depreciation and amortization	$ 4,304	$ 4,250
Purchased intangible amortization	1,808	3,329
Restructuring expenses	1,420	—
Transaction costs	1,043	—
OPERATING PROFIT/(LOSS)	$ 105,838	$ (31,075)
Interest expense on long term borrowings	3,442	3,332
INCOME/(LOSS) BEFORE INCOME TAX	$ 102,396	$ (34,407)

18. SUBSEQUENT EVENTS

On April 23, 2020, the Company declared a $0.06 dividend per share of Common Stock payable on June 26, 2020 to stockholders of record on June 23, 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

In this Quarterly Report on Form 10-Q, the words "GAIN," the "Company," "our," "we" and "us" refer to GAIN Capital Holdings, Inc. and, except as otherwise specified herein, to GAIN's subsidiaries. GAIN's fiscal quarter ended on March 31, 2020.

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission on March 16, 2020, and the Condensed Consolidated Financial Statements and Notes thereto contained in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains a number of forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which GAIN operates, as well as management's current beliefs and assumptions. Any statements contained herein (including, without limitation, statements to the effect that management or GAIN "believes," "expects," "anticipates," "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements and should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this report and the discussion below. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth in the section entitled "Item 1A – Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, and discussed elsewhere herein. The risks and uncertainties described therein and herein are not the only ones we face. We expressly disclaim any obligation to update any forward-looking statements, except as may be required by law.

OVERVIEW

We are a global provider of trading services and solutions, specializing in over-the-counter ("OTC") and exchange-traded markets. We serve customers in more than 180 countries worldwide, and we conduct business from our offices in Bedminster, New Jersey; New York, New York; Chicago, Illinois; Powell, Ohio; London, England; Tokyo, Japan; Sydney, Australia; Shanghai, China; Hong Kong; Dubai, U.A.E.; Krakow, Poland and Singapore. We operate our business in two segments: retail and futures. Our retail segment provides customers around the world access to over 15,000 global financial markets, including spot foreign exchange ("forex"), precious metals trading, as well as contracts for difference ("CFDs"), which are investment products with returns linked to the performance of underlying assets. We offer CFDs on currencies, commodities, indices, individual equities, cryptocurrencies, bonds, options and interest rate products. In the United Kingdom ("U.K."), we offer spread bets, which are investment products similar to CFDs, but with more favorable tax treatment for residents of the U.K.

Our futures segment offers execution and risk management services for exchange-traded futures and futures options on major U.S. and European futures and options exchanges. Each of our operating segments is discussed in more detail below. For financial information regarding our segments, please refer to Note 17 to our Condensed Consolidated Financial Statements.

As a global provider of online trading services, our results are influenced by a number of external market factors, including market volatility and transaction volumes, competition, the regulatory environment in the various jurisdictions and markets in which we operate and the financial condition of the retail customers to whom we provide our services. Additional factors may impact our results of operations for the most recent fiscal period, as well as future periods. Please refer to "Part II - Item 1A. Risk Factors" for a discussion of other factors that may impact our business.

Market Environment and Trading Volatility

Our revenue and operating results may vary significantly from period to period because of movements and trends in global financial markets and fluctuations in market volatility, which are driven by external factors, some of which are market specific and some of which are correlated to general macroeconomic conditions. As a general rule, our businesses typically benefit from volatility in the prices of the products that we offer, as periods of increased volatility often coincide with higher levels of trading by our clients and higher transaction volume. Periods of extreme volatility, however, may result in significant market dislocations that can instead lead clients to reduce their trading activity. In addition, volatility that results in market prices moving within a relatively narrow band of prices may lead to less profitable trading activity. Low or extremely high market volatility can adversely affect our ability to profitably manage our net exposure, which is the unhedged portion of the trading positions we enter into with customers in our retail segment.

For the three months ended March 31, 2020, significantly greater volatility than that in the comparative period resulted in higher volumes, which positively impacted our financial results, relative to the comparative period. The higher volatility resulted from the various effects of the COVID-19 global pandemic.

Competition

The products we offer have generally been accessible to retail investors for a significantly shorter period than many other securities products, such as cash equities. Our industry is rapidly evolving and characterized by intense competition. Entering new markets often requires us to lower our pricing in order to attract customers and compete with other companies that have already established customer bases in such markets. In addition, in existing markets, we occasionally make short-term decisions to be more aggressive regarding pricing, or we may decide to offer additional services at reduced rates, or free of charge, in order to attract customers and take market share from our competitors.

Regulatory Environment

In March 2018, the European Securities and Markets Authority ("ESMA") announced product intervention measures to further regulate the marketing, distribution or sale of CFDs to retail investors in the European Union ("E.U.") These measures include leverage limits which vary based on the underlying asset, a margin close out rule on a per account basis, negative balance protection on a per account basis, a restriction on incentives offered to trade CFDs and a required standardized risk warning. These measures have now been published in the Official Journal of the E.U., and became effective on August 1, 2018, and have since been extended several times. The expectation was that in time the various E.U. regulators would introduce similar, permanent measures in their own jurisdictions. In July 2019, ESMA announced that it would cease renewal of the measures. In August 2019, the U.K.'s Financial Conduct Authority ("FCA") implemented regulations similar to ESMA's existing temporary restrictions, but extended the restrictions to closely substitutable products, including knock-out products and turbo certificates. Since then almost all E.U. countries have introduced permanent national measures that are similar to the ESMA measures. These measures are not expected to have a material adverse impact on the Company's results of operations or financial condition. Furthermore, the FCA released a consultation paper (CP 19/22) in early 2019 regarding a potential ban on the sale of CFDs referencing cryptocurrencies to retail consumers. The consultation period is now closed and final rules are expected to be released in the second quarter of 2020.

The Australian Securities and Investments Commission ("ASIC") recently announced proposed regulations for comment (CP322 Product Intervention measures) that may result in new regulations that restrict the available leverage that may be offered to customers and provide for margin close-out protection, additional risk warnings, prohibition on certain types of inducements, real-time disclosures and further transparency regarding the cost of trading.

As a result of historical and/or future regulatory changes, we may be required to change our business strategy, including the nature of the products that we offer, the target market for our products, or our overall strategy toward one or more geographic markets.

Part of our growth strategy is to enter new markets, and as we do so we will become subject to regulation in those markets. Complying with different regulatory regimes in multiple markets is expensive, and in many markets the regulatory environment is unclear and evolving.

Sale to INTL FCStone Inc.

On February 26, 2020, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with INTL FCStone Inc., a Delaware corporation ("INTL") and Golf Merger Sub I, Inc., a Delaware corporation and a wholly owned subsidiary of INTL ("Merger Sub"), pursuant to which, among other things and subject to the satisfaction or waiver of specified conditions, Merger Sub will merge with and into the Company (the "Merger"). As a result of the Merger, Merger Sub will cease to exist, and we will survive as a wholly owned subsidiary of INTL. Subject to the terms and conditions of the Merger Agreement at the effective time of the Merger (the "Effective Time"), each share of the Company's common stock issued and outstanding immediately prior to the Effective Time (other than dissenting shares) will be converted into the right to receive $6.00 per share in cash, without interest.

Business Environment

In early March 2020, COVID-19, a disease caused by a novel strain of the coronavirus, was characterized as a pandemic by the World Health Organization. Since December 2019, most countries and territories worldwide have confirmed cases of COVID-19, including the U.S. and many other countries in which we operate. Authorities around the world implemented numerous measures to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders and business shutdowns. The pandemic and these containment measures have had, and are expected to continue to have, a substantial negative impact on businesses around the world and on global, regional and national economies. We do not believe that there is any significant negative impact of the COVID-19 pandemic to the Condensed Consolidated Financial Statements as of March 31, 2020. We are continuing to monitor developments relating to COVID-19 and are coordinating our operational response based on existing business continuity plans and on guidance from global health organizations, relevant governments, and general pandemic response best practices.

Key Income Statement Line Items and Key Operating Metrics

The following section briefly describes the key components of our revenues and expenses, our use of non-GAAP financial measures, and the key operating metrics that we use to evaluate the performance of our business.

Revenue

We categorize our revenue as retail revenue, futures revenue, other revenue, and net interest revenue.

Retail Revenue

Retail revenue is our largest revenue type. It consists primarily of retail segment trading revenue, which comes from a variety of products, including spot forex, precious metals, spread bets and CFDs on currencies, commodities, indices, individual equities, cryptocurrencies, bonds, options and interest rate products, as well as OTC options on forex.

We generate retail revenue in two ways: transaction based revenue and market value based revenue. Transaction based revenue comes principally from the bid/offer spread we provide our customers, financing charges for positions held overnight, commissions on equity CFD trades, and other account related fees. Market value based revenue comes from net gains and losses generated through changes in the market value of the currencies and other products held in our net exposure or realized during the period.

For the three months ended March 31, 2020 and 2019, retail revenue represented 93.2% and 63.2% of our total net revenue, respectively.

For each of the three months ended March 31, 2020 and 2019, approximately 98% and 96% of our average daily retail trading volume was either naturally hedged or hedged by us with one of our liquidity providers, and the remaining 2% and 4% of our average daily retail trading volume consisted of our net exposure.

We manage our net exposure by applying position and exposure limits established under our risk-management policies and by continuous, active monitoring by our trading and risk teams. Based on our risk management policies and procedures, over time a portion of our net exposure will be hedged with our liquidity providers. Although we do not actively initiate proprietary market positions in anticipation of future movements in the relative prices of the products we offer, through our net exposure we are likely to have open positions in various products at any given time. In the event of unfavorable market movements, we may experience losses on such positions. Please refer to "Our Retail Segment - Sophisticated risk management" in Item 1. Business, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 for further details regarding our risk management policies for the retail segment.

Futures Revenue

Futures revenue consists primarily of commissions and fees earned on futures and futures options trades that we execute for our customers, who use our connections to clearers, data feeds, and trading tools. We are not exposed to any market risk in connection with this activity, though we do experience credit risk with our counterparties.

Other Revenue

Other revenue primarily comprises foreign currency translation gains and losses, as well as inactivity fees.

Net Interest Revenue

Net interest revenue consists primarily of the revenue generated by our cash and customer cash held at banks and on deposit as collateral with our liquidity providers as well as U.S. Treasury bills, less interest paid to our customers.

Our cash and customer cash is generally invested in highly liquid securities, like U.S Treasury bills, or money market instruments. Interest paid to customers is determined by a variety of factors, including net account value, which equals cash on deposit plus the mark-to-market of open positions as of the measurement date. Interest income and interest expense are recorded when earned and incurred, respectively.

Expenses

Our expenses principally comprise the following:

Employee Compensation and Benefits

Employee compensation and benefits includes salaries, bonuses, commissions, stock-based compensation, contributions to benefit programs and other related employee costs.

Selling and Marketing

Our marketing strategy employs a combination of direct online marketing and focused branding programs, with the goal of raising awareness, cost-effectively acquiring customers for our products and services, as well as client engagement and retention.

Referral Fees

Introducing brokers direct customers to us in return for referral fees on each referred customer's trading volume or a share of net revenue generated by each referred customer's trading activity. White label partners offer our trading services to their customers under their own brand. Like introducing brokers, White label partners charge referral fees for the trade flow they bring to us. Referral fees also includes payments made to affiliates for referring customer to us.

Referral fees are largely variable and change principally based on the level of customer trading volume directed to us from our white label partners and introducing brokers, the terms of our specific agreements with white label partners and introducing brokers and the relative percentage of trading volume generated from particular relationships in any given period. The majority of our white label and introducing broker partners are paid for the trading volume generated by the customers they introduce, directly or indirectly, to us, rather than on a revenue sharing basis. During periods in which referred customer trading activity is not profitable for us, if the associated trading volume remains high, we may be required to make large payments despite generating lower revenue from customers introduced. Our retail indirect business accounted for 20.9% and 21.8% of retail trading volume in the three months ended March 31, 2020 and 2019, respectively.

Trading Expenses

Trading expenses consist of clearing costs, fees paid for market data that we provide to our customers or use to create our own derived data products, as well as fees for news services.

General and Administrative

General and administrative expenses consist of bank fees, professional fees, occupancy and equipment and other miscellaneous expenses.

Depreciation and Amortization

Depreciation and amortization is expense for physical assets and software purchased for use over a period of several years, as well as amortization of internally developed software, which forms the majority of the expense.

Purchased Intangible Amortization

Purchased intangible amortization consists of amortization related to intangible assets connected with our acquisitions. The principal intangible assets acquired are technology, customer relationships, and trademarks. These intangible assets have initial useful lives ranging from one year to ten years.

Communications and Technology

Communications and technology consists of communication fees, data fees, non-capitalized product development, software and maintenance expenses. These costs serve a number of purposes, including general maintenance for our trading platforms and global communications.

Bad Debt Provision

Bad debt provision represents the amounts estimated for the uncollectibility of certain outstanding balances during the period.

Restructuring Expenses

During the three months ended March 31, 2020 we incurred restructuring expenses, which reflected costs arising from headcount reductions and other exit costs, measured and disclosed in accordance with FASB ASC 420 *Exit or Disposal Cost Obligations* and ASC 712 *Compensation - Nonretirement Postemployment Benefits.*

Transaction Costs

During the three months ended March 31, 2020 we incurred transaction related expenses with respect to the sale to INTL, which include legal, accounting and investment banking fees.

Interest Expense on Long Term Borrowings

Interest expense on long term borrowings consists of interest expense, both cash and non-cash on our 4.125% Convertible Senior Notes due 2020 and interest expense on our 5.00% Convertible Senior Notes due 2022.

Operating Metrics

We review various key operating metrics, which are described below, to evaluate our business's performance.

	For the Three Months Ended March 31,	
	2020	2019
Retail		
OTC Trading Volume (billions) (1)	$ 748.7	$ 487.3
OTC Average Daily Volume (billions)	$ 11.7	$ 7.7
12 Month Trailing Active OTC Accounts (2)	132,841	120,641
3 Month Trailing Active OTC Accounts (2)	87,349	70,051
Client Assets (millions)	$ 597.1	$ 652.6
Futures		
Number of Futures Contracts (3)	2,042,824	1,755,873
Futures Average Daily Contracts	32,949	28,785
12 Month Trailing Active Futures Accounts (2)	7,146	7,387
Client Assets (millions)	$ 188.1	$ 217.1

(1) US dollar equivalent of notional amounts traded
(2) Accounts that executed a transaction during the relevant period
(3) Futures contracts represent the total number of contracts transacted by customers of our futures business

OTC Trading Volume

OTC trading volume is the U.S. dollar equivalent of the aggregate notional value of OTC trades executed by customers in our retail segment.

OTC Average Daily Volume

Average daily volume is the U.S. dollar equivalent of the aggregate notional value of trades executed by our customers in a given period divided by the number of trading days in the given period.

Active OTC Accounts

Active OTC accounts represents retail segment customers who executed at least one trade during the relevant period. We believe active OTC accounts is an important operating metric because it correlates to trading volume and revenue in our retail segment.

Client Assets

Client assets represent amounts due to clients in our retail and futures segments, including customer deposits and unrealized gains or losses arising from open positions.

Number of Futures Contracts

Number of futures contracts represents the total number of contracts transacted by customers in our futures segment.

Futures Average Daily Contracts

Average daily futures contracts is the number of futures contracts transacted by our futures customers in a given period divided by the number of trading days in the given period.

Active Futures Accounts

Active futures accounts represent customers who executed at least one futures trade during the relevant period.

We believe that our customer trading volumes are driven by eight main factors. Four of these factors are broad external factors outside of our control that generally impact customer trading volumes, and include:

- overall economic conditions and outlook;
- volatility of financial markets;
- legislative changes; and
- regulatory changes.

The volatility of financial markets has generally been positively correlated with customer trading volume. Our customer trading volume is also affected by the following four additional factors:

- the effectiveness of our sales activities;
- the competitiveness of our products and services;
- the effectiveness of our customer service team; and
- the effectiveness of our marketing activities.

In order to increase customer trading volume, we focus our marketing and our customer service and education activities on attracting new customers and extending the duration and scope of the relationship our customers have with us.

RESULTS OF OPERATIONS

The following period to period comparisons of our financial results and our interim results are not necessarily indicative of future results.

Condensed Consolidated Statements of Operations
(Dollars in thousands)

	Three Months Ended March 31,			
	2020	2019	$ Change	% Change
REVENUE:				
Retail revenue	$ 173,070	$ 24,279	$ 148,791	612.8 %
Futures revenue	9,386	7,990	1,396	17.5 %
Other revenue	986	2,485	(1,499)	(60.3)%
Total non-interest revenue	183,442	34,754	148,688	427.8 %
Interest revenue	2,740	4,294	(1,554)	(36.2)%
Interest expense	484	613	(129)	(21.0)%
Total net interest revenue	2,256	3,681	(1,425)	(38.7)%
Net revenue	$ 185,698	$ 38,435	$ 147,263	383.1 %
EXPENSES:				
Employee compensation and benefits	$ 24,166	$ 20,255	$ 3,911	19.3 %
Selling and marketing	7,112	10,224	(3,112)	(30.4)%
Referral fees	12,497	7,098	5,399	76.1 %
Trading expenses	4,928	5,480	(552)	(10.1)%
General and administrative	13,846	12,756	1,090	8.5 %
Depreciation and amortization	4,304	4,250	54	1.3 %
Purchased intangible amortization	1,808	3,329	(1,521)	(45.7)%
Communications and technology	4,523	5,691	(1,168)	(20.5)%
Bad debt provision	4,213	427	3,786	n/m
Restructuring expenses	1,420	—	1,420	100.0 %
Transaction costs	1,043	—	1,043	100.0 %
Total operating expenses	$ 79,860	$ 69,510	$ 10,350	14.9 %
OPERATING PROFIT/(LOSS)	105,838	(31,075)	136,913	440.6 %
Interest expense on long term borrowings	3,442	3,332	110	3.3 %
INCOME/(LOSS) BEFORE INCOME TAX	$ 102,396	$ (34,407)	$ 136,803	397.6 %
Income tax expense/(benefit)	25,052	(6,053)	31,105	513.9 %
NET INCOME/(LOSS)	$ 77,344	$ (28,354)	$ 105,698	372.8 %

n/m - not material or not meaningful

Revenues

	Three Months Ended March 31, (amounts in thousands)			
	2020	2019	$ Change	% Change
Net Revenue:				
Retail segment	$ 176,279	$ 28,159	$ 148,120	526.0 %
Futures segment	10,150	9,410	740	7.9 %
Corporate and other	(731)	866	(1,597)	(184.4)%
Net revenue	**$ 185,698**	**$ 38,435**	**$ 147,263**	**383.1 %**

The increase in retail segment revenue for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to an increase in volume and in revenue capture, both of which resulted from unusually high volatility during the three months ended March 31, 2020. The volatility experienced within the quarter resulted in records in both currency and equity volatility indices, resulting from concerns over the global economy arising from the COVID-19 situation.

The increase in futures revenue for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to increased contracts traded, reflecting slightly improved volatility, for equity products, offset by decreased net interest revenue and a slight reduction in agricultural product revenue.

The decrease in corporate and other revenue for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to the impact of foreign currency revaluation.

Net revenue from each segment includes applicable net interest revenue, which decreased for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, primarily due to a general decrease in interest rates over the past year.

Expenses

	Three Months Ended March 31, (amounts in thousands)			
	2020	**2019**	**$ Change**	**% Change**
Employee compensation and benefits	$ 24,166	$ 20,255	$ 3,911	19.3 %
Selling and marketing	7,112	10,224	(3,112)	(30.4)%
Referral fees	12,497	7,098	5,399	76.1 %
Trading expenses	4,928	5,480	(552)	(10.1)%
General and administrative	13,846	12,756	1,090	8.5 %
Depreciation and amortization	4,304	4,250	54	1.3 %
Purchased intangible amortization	1,808	3,329	(1,521)	(45.7)%
Communications and technology	4,523	5,691	(1,168)	(20.5)%
Bad debt provision	4,213	427	3,786	NM
Restructuring expenses	1,420	—	1,420	100.0 %
Transaction costs	1,043	—	1,043	100.0 %
Total operating expenses	**$ 79,860**	**$ 69,510**	**$ 10,350**	**14.9 %**

The increase in employee compensation and benefits for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to an increase in expense from accrued incentive compensation, driven by significantly better results, during the three months ended March 31, 2020.

The decrease in selling and marketing expense for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to a planned reduction in spend for the three months ended March 31, 2020.

The increase in referral fees for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to the increase in indirect volume during the three months ended March 31, 2020.

The decrease in trading expenses for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to our cost optimization efforts, primarily in our retail segment.

The increase in general and administrative expenses for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to higher bank fees, which are driven by customer funding volume, higher spreadbet duty in the U.K., and costs related to relocating the U.K. office as part of our ongoing cost rationalization strategy.

Depreciation and amortization for the three months ended March 31, 2020 remained fairly consistent compared to the three months ended March 31, 2019.

The decrease in purchased intangible amortization for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 resulted from certain assets being fully amortized between the periods.

The decrease in communication and technology for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 resulted from our cost optimization efforts which decreased software maintenance costs and related services.

The increase in bad debt provision for the three months ended March 31, 2020 resulted from an increase in customer positions becoming negative, as compared to the prior period. These negative positions were caused by the greater volatility experienced in the quarter.

The restructuring expenses for the three months ended March 31, 2020 resulted from the strategic decision to reduce global headcount during the period.

The transaction costs for the three months ended March 31, 2020 were related to the sale to INTL FCStone, Inc. and included legal, accounting, and investment banking fees.

Segment Results - Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

Retail Segment (amounts in thousands)

	Three Months Ended March 31,			
	2020	**2019**	**$ Change**	**% Change**
Net revenue	$ 176,279	$ 28,159	$ 148,120	526.0 %
Employee compensation and benefits	14,385	12,992	1,393	10.7 %
Selling and marketing	6,876	9,953	(3,077)	(30.9)%
Referral fees	9,450	4,390	5,060	115.3 %
Other operating expenses	22,123	18,228	3,895	21.4 %
Segment profit	**$ 123,445**	**$ (17,404)**	**$ 140,849**	**(809.3)%**

The increase in employee compensation and benefits expenses for the retail segment for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to an increase in expense from accrued incentive compensation, driven by better results, during the three months ended March 31, 2020.

The decrease in selling and marketing expense for three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to a planned reduction in spend for the three months ended March 31, 2020.

The increase in referral fees for the retail segment for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to the increase in indirect volume during the three months ended March 31, 2020.

The increase in other operating expenses for the retail segment for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to higher bank fees, which are driven by customer funding volume, higher spreadbet duty in the U.K., and increased costs relating to the exit of the U.K. office lease as part of our ongoing cost rationalization strategy, offset by lower trading costs and lower communications and technology costs.

Other operating expenses for the retail segment include general and administrative expenses, communication and technology expenses, trading expenses and bad debt.

Futures Segment (amounts in thousands)

	Three Months Ended March 31,			
	2020	**2019**	**$ Change**	**% Change**
Net revenue	$ 10,150	$ 9,410	$ 740	7.9 %
Employee compensation and benefits	2,864	2,164	700	32.3 %
Selling and marketing	236	260	(24)	(9.2)%
Referral fees	3,047	2,708	339	12.5 %
Other operating expenses	3,149	3,221	(72)	(2.2)%
Segment profit	**$ 854**	**$ 1,057**	**$ (203)**	**(19.2)%**

The increase in employee compensation and benefits expense for the futures segment for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to an increase in expense from accrued incentive compensation and commissions, driven by better consolidated results during the three months ended March 31, 2020.

The increase in referral fees for the futures segment for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to an increase in trading volumes for the three months ended March 31, 2020.

Both other operating expenses and selling and marketing for the futures segment were relatively consistent for the three months ended March 31, 2020 compared to the three months ended March 31, 2019.

Other operating expenses from the futures segment include general and administrative expenses, communication and technology expenses, trading expenses and bad debt.

Corporate and Other (amounts in thousands)

	Three Months Ended March 31,						
	2020		2019		$ Change		% Change
Other loss	$	(731)	$	866	$	(1,597)	(184.4)%
Employee compensation and benefits		6,917		5,099		1,818	35.7 %
Selling and marketing		—		11		(11)	(100.0)%
Other operating expenses		2,238		2,905		(667)	(23.0)%
Loss	**$**	**(9,886)**	**$**	**(7,149)**	**$**	**(2,737)**	**(38.3)%**

The increase in employee compensation and benefits expenses for employees not attributed to any of our operating segments, for the three months ended March 31, 2020 compared to the three months ended March 31, 2019, was primarily due to an increase in expense from accrued incentive compensation and commissions, driven by better results during the three months ended March 31, 2020.

The decrease in other operating expenses not attributed to any of our operating segments for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to a reduction in professional fees related to non-recurring legal and other professional services.

Liquidity and Capital Resources

We have historically financed our liquidity and capital needs primarily with funds generated from our subsidiaries' operations, issuing debt and equity securities, including the 5.00% Convertible Senior Notes due 2022 that were issued in the third quarter of 2017, and access to secured lines of credit, though we have terminated our most recent credit line. We plan to finance our future operating liquidity and regulatory capital needs in a manner consistent with our past practice. We expect that our capital expenditures for the next 12 months will be similar to our expenditures in the comparative period.

Our cash and cash equivalents and customer cash and securities held for customers are held at banks, deposits at liquidity providers, investments in money market funds that invest in highly liquid investment grade securities including U.S. treasury bills, as well as investments in U.S. treasury bills. In general, we believe all of our investments and deposits are of high credit quality and we have more than adequate liquidity to conduct our businesses.

Several of our operating subsidiaries are subject to requirements of the regulatory bodies discussed below, including the CFTC and NFA in the U.S., the FCA in the U.K., the FSA in Japan, IIROC and the OSC in Canada, MAS in Singapore, ASIC in Australia, and CIMA in the Cayman Islands. Certain regulations limit funds available for dividends to GAIN Capital Holdings, Inc. As a result, we may be unable to access funds which are generated by our operating subsidiaries when we need them.

Regulatory Capital Requirements

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of March 31, 2020 and the actual amounts of capital that were maintained on that date (amounts in millions):

Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital
GAIN Capital Group, LLC	$ 30.9	$ 61.9	$ 31.0
GAIN Capital Securities, Inc.	0.1	0.3	0.2
GAIN Capital U.K., Ltd.	50.4	167.0	116.6
GAIN Capital Japan Co., Ltd.	1.2	9.1	7.9
GAIN Capital Australia, Pty. Ltd.	0.9	5.5	4.6
GAIN Global Markets, Inc.	0.7	3.3	2.6
GAIN Capital-Forex.com Canada, Ltd.	0.2	2.0	1.8
GAIN Capital Singapore Pte., Ltd.	3.5	6.8	3.3
Trade Facts, Ltd.	0.5	3.6	3.1
Global Asset Advisors, LLC (1)	0.0	1.8	1.8
Total	$ 88.4	$ 261.3	$ 172.9

(1) The Global Asset Advisors, LLC minimum regulatory capital requirement is $45 thousand.

Our futures commission merchant and forex dealer subsidiary, GAIN Capital Group, LLC ("GCGL"), is subject to the Commodity Futures Trading Commission ("CFTC") Net Capital Rule (Rule 1.17) and National Futures Association ("NFA") Financial Requirements, Sections 1 and 11. Under applicable provisions of these regulations, GCGL is required to maintain adjusted net capital of the greater of $1.0 million or 8% of Customer and Non-Customer Risk Maintenance Margin, or $20.0 million plus 5% of all liabilities owed to retail customers exceeding $10.0 million, plus 10% of all liabilities owed to eligible contract participant counterparties acting as a dealer that are not an affiliate. Net capital represents current assets less total liabilities as defined by CFTC Rule 1.17. GCGL's current assets primarily consist of cash and cash equivalents reported on its balance sheet as cash, receivables from brokers and trading securities, which are generally short-term U.S. government securities. GCGL's total liabilities include payables to customers, accrued expenses, accounts payable, sales and marketing expense payable, introducing broker fees payable and other liabilities. From net capital we take certain percentage deductions or haircuts against assets held based on factors required by the Commodity Exchange Act to calculate adjusted net capital. GCGL's net capital and adjusted net capital changes from day to day. As of March 31, 2020, GCGL had net capital of approximately $61.9 million and net capital requirements and haircut charges of $30.9 million. As of March 31, 2020, excess net capital was $31.0 million. We believe that we currently have sufficient capital to satisfy these on-going minimum net capital requirements. In accordance with CFTC regulation 1.12 and NFA Financial Requirements Section 1, a 20.0% decrease in GCGL's net capital and a 30.0% decrease in excess net capital due to a planned equity withdrawal requires regulatory notification and/or approval.

GAIN Capital Securities, Inc. ("GCSI") is a broker-dealer registered with the SEC under the Securities Exchange Act of 1934, as amended. GCSI is a member of the Financial Industry Regulatory Authority ("FINRA"), and Securities Investor Protection Corporation ("SIPC"). Pursuant to the SEC's Uniform Net Capital Rule 15c3-1, GCSI is required to maintain a minimum net capital balance (as defined) of $0.1 million. GCSI must also maintain a ratio of aggregate indebtedness (as defined) to net capital of not more than 15 to 1. At March 31, 2020, GCSI maintained $0.2 million more than the minimum required regulatory capital for a total of 3.0 times the required capital.

GAIN Capital U.K. Ltd. ("GCUK") is regulated by the FCA as a full scope €730k IFPRU Investment Firm. GCUK is required to maintain the greater of approximately $0.8 million (€730,000) and the Pillar 1 requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration and market risk. At March 31, 2020, GCUK maintained $116.6 million more than the minimum required regulatory capital for a total of 3.3 times the required capital. Effective from 2016, the FCA began transitioning in additional capital requirements in the form of a capital conservation buffer and a countercyclical capital buffer as set out in Capital Requirements Directive, or CRD IV, Article 160 Transitional Provisions for Capital Buffers. The transitional period began on January 1, 2016 and ended on December 31, 2018. The minimum common equity tier 1 capital ratio requirement, from January 1, 2019 is 7%. The firm maintained a common equity tier 1 capital ratio of 26.5% as of March 31, 2020. The effect of the countercyclical buffer on the firm's existing capital requirements is negligible.

GAIN Capital Japan Co., Ltd. ("GCJP") is a registered Type I financial instruments business firm regulated by the Japan Financial Services Agency ("FSA") in accordance with Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended). GCJP is a member of the Financial Futures Association of Japan. GCJP is subject to a minimum capital adequacy ratio of 140%, which is derived by dividing Net Capital (as defined in Law No. 25) by the sum of GC Japan's market, counterparty credit risk and operational risk. At March 31, 2020, GCJP maintained $7.9 million more than the minimum required regulatory capital for a total of 7.6 times the required capital.

GAIN Capital Australia, Pty. Ltd. ("GCAU") is regulated under the laws of Australia, including the *Corporations Act 2001* (Commonwealth of Australia). GCAU holds an Australian Financial Services License that has been issued by ASIC. GCAU is required to maintain a minimum capital requirement of $0.9 million (1.0 million AUD) or 10% of average revenues. The regulatory capital held is required to be in excess of 110% of its requirements at all times. At March 31, 2020, GCAU maintained $4.6 million more than the minimum required regulatory capital for a total of 6.1 times the required capital.

GAIN Global Markets, Inc. ("GGMI") the Company's Cayman Island subsidiary, is a registered securities arranger and market maker with the Cayman Islands Monetary Authority ("CIMA"). GGMI is required to maintain a capital level that is the greater of one quarter of relevant annual expenditure, or the financial resources requirement which is the sum of the Base Requirement, counterparty and position risk requirement, or $0.7 million. At March 31, 2020, GGMI maintained $2.6 million more than the minimum required regulatory capital for a total of 4.7 times the required capital.

GAIN Capital-Forex.com Canada, Ltd. ("GCCA") is a Dealer Member of the Investment Industry Regulatory Organization of Canada ("IIROC") and regulated under the laws of Canada, including the Canadian Investor Protection Fund. In Canada, the securities industry is governed by provincial or territorial legislation, and there is no national regulator. Local legislation differs from province to province and territory to territory, but generally requires that forex dealing representatives register with applicable regulators and self-regulatory organizations in order to offer forex and/or CFD products to retail clients. GCCA's principal provincial regulator is the Ontario Securities Commission ("OSC"). GCCA is required to maintain risk-adjusted capital in excess of the minimum capital requirement. At March 31, 2020, GCCA maintained $1.8 million more than the minimum required regulatory capital for a total of 10.0 times the required capital.

GAIN Capital Singapore Pte., Ltd. ("GCS") is registered by the Monetary Authority of Singapore ("MAS") and operates as an approved holder of Capital Market Services License. GCS is subject to the requirements of MAS and pursuant to the Securities and Futures Act (Cap 289). Under these rules GCS is required to maintain a minimum base capital of approximately $3.5 million (5.0 million SGD) and Financial Resources in excess of 120% of the total risk requirements at all times, which is calculated as the sum of operational, counterparty, large exposure and market risk at all times. At March 31, 2020, GCS maintained $3.3 million more than the required minimum regulatory capital for a total of 1.9 times the required capital.

Trade Facts, Ltd. ("Trade Facts") is regulated by the FCA as a BIPRU Limited License Firm. Trade Facts is required to maintain the greater of a base financial resources requirement of approximately $0.1 million (€0.05 million) and a capital requirement of the higher of either credit risk plus market risk or a fixed overhead requirement. At March 31, 2020, Trade Facts maintained $3.1 million more than the minimum required regulatory capital for a total of 7.2 times the required capital.

Global Asset Advisors, LLC ("GAA") is a registered Introducing Broker and is subject to the CFTC Net Capital Rule (Rule 1.17). Under applicable provisions of these rules, GAA is required to maintain adjusted net capital of less than $0.1 million. At March 31, 2020, GAA maintained $1.8 million more than the minimum required regulatory capital.

Effective February 27, 2013, GAIN GTX, LLC became provisionally registered with the CFTC and NFA as a swap dealer. During 2016, GTX SEF, LLC became permanently registered with the CFTC as a swap execution facility, although it withdrew its registration with the CFTC as a swap execution facility on December 30, 2018. Certain of our other subsidiaries may be required to register, or may register voluntarily, as swap dealers and/or swap execution facilities.

Swap dealers are subject to a comprehensive regulatory regime with new obligations for the swaps activities for which they are registered, including adherence to risk management policies, supervisory procedures, trade record and real time reporting requirements, as well as proposed rules for new minimum capital requirements. GAIN GTX, LLC has faced, and may continue to face, increased costs due to the registration and regulatory requirements listed above, as may any other of our subsidiaries that register as a swap dealer and/or swap execution facility. In particular, the CFTC has proposed rules that would require a swap-dealer to maintain regulatory capital of at least $20.0 million. Compliance with this or other swap-related regulatory capital requirements may require us to devote more capital to our GTX business or otherwise restructure our operations, such as by combining our GTX business with other regulated subsidiaries that must also satisfy regulatory capital requirements.

Convertible Senior Notes

On April 1, 2015, as part of the consideration for our acquisition of City Index, we issued $60.0 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2020. These notes bear interest at a fixed rate of 4.125% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2015. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election, subject to certain limitations. During the first quarter of 2020, the Company settled all remaining 2020 notes, $58.5 million in principal, for an aggregate purchase price of $58.5 million.

On August 22, 2017, we issued $92.0 million aggregate principal amount of our 5.00% Convertible Senior Notes due 2022, which includes the exercise in full of the over-allotment option granted to the initial purchasers of the notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The notes bear interest at a fixed rate of 5.00% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2018. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election. The notes will mature on August 15, 2022, unless earlier converted, redeemed or repurchased. We may not redeem the notes prior to August 15, 2020.

An entity must separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash in a manner that reflects the issuer's economic interest cost for non-convertible debt. The liability component of the notes is initially valued at the fair value of a similar debt instrument that does not have an associated equity component. The liability is reflected in our Condensed Consolidated Balance Sheets in an amount equal to the carrying value, which, as of March 31, 2020 and December 31, 2019, was $80.3 million and $137.2 million, respectively. The equity component of the notes is included in the additional paid-in capital section of our shareholders' equity on our Condensed Consolidated Balance Sheets, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The equity component for our Convertible Senior Notes was $38.7 million as of both March 31, 2020 and December 31, 2019. This original issue discount is amortized to non-cash interest expense over the term of the notes, and, as a result, we record a greater amount of interest expense in current periods. Accordingly, we reported lower net income in our financial results than would have been recorded had we reflected only cash interest expense in our Condensed Consolidated Income Statement and Comprehensive Income/(Loss) because GAAP requires the interest expense associated with the notes to include both the current period's amortization of the original issue discount and the notes' cash coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as our 5.00% Convertible Senior Notes due 2022) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, were issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings/(loss) per share could be adversely affected.

Credit Facility

On August 3, 2017, the Company entered into a Credit Agreement, dated as of August 2, 2017, for a three year U.S. $50.0 million senior secured first lien revolving credit facility that was scheduled to mature in August 2020. On January 2, 2020, the Company delivered written notice to terminate the Credit Agreement effective as of January 13, 2020 ("Termination Date"). There were no amounts outstanding under the revolving line of credit as of the Termination Date and the Company did not incur any material early termination penalties as a result of the termination.

Cash Flow

The following table sets forth a summary of our cash flow for the three months ended March 31, 2020 and 2019 (amounts in thousands):

	For the Three Months Ended March 31,	
	2020	2019
Net cash provided by/(used in) operating activities	$ 59,409	$ (22,919)
Net cash used in investing activities	(4,238)	(5,548)
Net cash used in financing activities	(60,811)	(6,455)
Effect of exchange rate changes on cash and cash equivalents	(34,127)	11,068
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ (39,767)	$ (23,854)

The primary drivers of our operating cash flows are net earnings or losses, adjustments for non-cash gains and losses, such as depreciation and amortization, as well as the normal movement of funds to and from our customers or to and from our liquidity providers.

Gains and losses related to customer activities, whether realized when a position closes or marked to market while still open, have no direct impact on cash flows from operations. Cash flows related to customer activities arise from deposits and withdrawals only, which may disconnect cash flows from operational results. To some extent, the amount of net deposits made by our customers in any given period is influenced by the impact of realized and unrealized gains and losses on their balances, such that customers may be required to post additional funds to open new positions or maintain existing open positions or may choose to withdraw excess funds on open positions.

Operating Activities

Cash provided by operating activities was $59.4 million for the three months ended March 31, 2020, compared to cash used in operating activities of $22.9 million for the three months ended March 31, 2019. There were no specific items outside the normal course of business that impacted our cash provided by operating activities for the three months ended March 31, 2020 or cash used in operating activities for the three months ended March 31, 2019.

Investing Activities

Cash used in investing activities was $4.2 million for the three months ended March 31, 2020 compared to cash used in investing activities of $5.5 million for the three months ended March 31, 2019. During the three months ended March 31, 2020, cash used in investing activities consisted of cash used for capital expenditures of $4.2 million. During the three months ended March 31, 2019, cash used in investing activities consisted of $3.1 million in cash used for capital expenditures and $2.4 million used for the purchase of a minority interest in Top Third Ag Marketing, LLC.

The cash used for capital expenditures is primarily the result of our ongoing efforts to optimize our retail trading platform in a cost effective manner, which we expect to improve our customer experience.

Financing Activities

Cash used in financing activities was $60.8 million for the three months ended March 31, 2020 compared to cash used in financing activities of $6.5 million for the three months ended March 31, 2019. During the three months ended March 31, 2020, significant uses of cash were $58.5 million used to settle the 2020 convertible notes and $2.3 million used to pay cash dividends. During the three months ended March 31, 2019, significant uses of cash were $4.2 million to purchase treasury stock and $2.3 million used to pay cash dividends.

Off-Balance Sheet Arrangements

At March 31, 2020 and December 31, 2019, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

There were no material changes to our critical accounting policies and estimates from those disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will impact our Condensed Consolidated Financial Statements. Our net interest revenue is directly affected by the short-term interest rates we earn from re-investing our cash and our customers' cash. As a result, a portion of our interest income will decline if interest rates fall. Short-term interest rates are highly sensitive to factors that are beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities. Our cash and cash equivalents and customer cash and cash equivalents are held in cash and cash equivalents including cash at banks, deposits at liquidity providers, in money market funds that invest in highly liquid investment grade securities including short-term U.S. treasury bills, as well as directly in U.S. treasury bills. The interest rates earned on these deposits and investments affects our interest revenue. We estimate that as of March 31, 2020, an immediate 100 basis point decrease in short-term interest rates would result in approximately $7.3 million less in annual pretax income.

Foreign Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of our earnings and assets. Entities that have assets and liabilities denominated in currencies other than the primary economic environment in which the entity operates are subject to remeasurement. The majority of our sales and related operating costs are denominated in the currency of the local country and translated into USD for consolidated reporting purposes. Although the majority of the assets and liabilities of these subsidiaries are denominated in the functional currency of the subsidiary, they may also hold assets or liabilities denominated in other currencies. As a result, our results of operations and financial position are exposed to changing currency rates. We may consider entering into hedging transactions to mitigate our exposure to foreign currency exchange rates. These hedging transactions may not be successful.

Credit Risk

Our trading operations require a commitment of our capital and involve risk of loss because of the potential that a customer's losses may exceed the amount of cash in their account. While we are able to closely monitor each customer's exposure, it does not guarantee our ability to eliminate negative customer account balances prior to an adverse currency price change or other market events, such as the extreme volatility in the Swiss franc following the SNB market event in January 2015. Changes in market conditions or unforeseen extreme market events mean that we may not be able to recover negative client equity from our customers. This could materially adversely affect our results of operations. In addition, if we cannot recover funds from our customers, we may nonetheless be required to fund positions we hold with our liquidity providers or other third parties and, in such an event, our available funds may not be sufficient to meet our obligations to these third parties, which could materially adversely affect our business, financial condition, results of operations and cash flows.

In order to help mitigate this risk, we require that each trade must be collateralized in accordance with our margin policies described below. Each customer is required to have minimum funds in their account for opening positions, which we refer to as the initial margin, and for maintaining positions, which we refer to as maintenance margin, depending on the product being traded. Margin requirements are expressed as a percentage of the customer's total position in that product, and the customer's total margin requirement is based on the aggregate margin requirement across all of the positions that a customer holds at any one moment in time. Each net position in a particular product is margined separately, which is generally a conservative margin policy. Our systems automatically monitor each customer's margin requirements in real time, and we confirm that each of our customers has sufficient cash collateral in his or her account before we execute their trades. We may also adjust required customer margins (both initial and maintenance) from time to time based on our monitoring of various factors, including volatility and liquidity. If at any point in time a customer's trading position does not comply with the applicable margin requirement, the position may be automatically liquidated, partially or entirely, in accordance with our margin policies and procedures, which protect both us and the customer. Our margin and liquidation policies are set forth in our customer agreements.

We are also exposed to potential credit risk relating to the counterparties with which we hedge our trades and the financial institutions with which we deposit cash. We mitigate these risks by transacting with several of the largest financial institutions in the world, with limits on our exposure to any single financial institution. In the event that our access to one or more financial institutions becomes limited, our ability to hedge may be impaired.

Market Risk

We are exposed to market risk in connection with our retail trading activities. Because we act as counterparty to our retail customers' transactions, we are exposed to risk on each trade that the value of our position will decline. Accordingly, accurate and efficient management of our net exposure is a high priority, and we have developed policies addressing both our automated and manual procedures to manage our exposure. These risk-management policies and procedures are established and reviewed regularly by the Risk Committee of our Board of Directors. Our risk-management policies require quantitative analyses by instrument, as well as assessment of a range of market inputs, including trade size, dealing rate, customer margin and market liquidity. Our risk-management procedures require our team of senior traders to monitor risk exposure on a continuous basis and update senior management both informally over the course of the trading day and formally through intraday and end of day reporting. A key component of our approach to managing market risk is that we do not initiate market positions for our own account in anticipation of future movements in the relative prices of products we offer. To facilitate our risk-management activities, we maintain levels of capital in excess of those currently required under applicable regulations. As of March 31, 2020, we maintained regulatory capital levels of $261.3 million, which represented approximately 3.0 times the capital we were required to hold under applicable regulations.

Cash Liquidity Risk

In normal conditions, our market making business and related services are self-financing as we generate sufficient cash flows to pay our expenses as they become due. As a result, we generally do not face the risk that we will have insufficient cash to meet our payment obligations as they arise. Our cash flows, however, are influenced by customer trading volume, currency volatility and liquidity in markets in which we have positions. These factors are directly impacted by domestic and international market and economic conditions that are beyond our control. In an effort to manage this risk, we have secured a substantial liquidity pool by establishing trading relationships with several financial institutions. These relationships provide us with sufficient access to liquidity to allow us to consistently execute significant trades in varying market conditions at the notional amounts our customers desire. We generally maintain collateral on deposit, which includes our funds and our customers' funds, with our liquidity providers. For the three months ended March 31, 2020, collateral on deposit was $62.5 million.

Our trading operations further involve the risk of losses due to the potential failure of our customers to perform their obligations under the transactions we enter into with them, which increases our exposure to cash liquidity risk. To reduce this risk, our margin policy requires that we mark our customers' accounts to market each time the market price of a position in their portfolio changes and provides for automatic liquidation of positions, as described above.

Operational Risk

Our operations are subject to broad and various risks resulting from technological interruptions, failures or capacity constraints in addition to risks involving human error or misconduct. We are heavily dependent on the capacity and reliability of the computer and communications systems supporting our operations. Our computer infrastructure is potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. We have established robust programs to monitor our computer systems, platforms, and related technologies to promptly address issues that arise. We have established disaster recovery facilities in strategic locations to ensure that we can continue to operate with limited interruptions in the event that our primary systems are damaged. As with our technological systems, we have established policies and procedures designed to monitor and prevent both human errors, such as clerical mistakes or incorrectly placed trades, as well as human misconduct, such as unauthorized trading, fraud, or negligence. In addition, we seek to mitigate the impact of any operational issues by maintaining insurance coverage for various contingencies.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") as appropriate, to allow timely decisions regarding required disclosure.

Management of the Company, with the participation of its CEO and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on their evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's CEO and CFO have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective.

(b) Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For the three months ended March 31, 2020, we incorporate herein by reference the discussions set forth under "Legal Proceedings" in Part I, Item 3 of our Form 10-K for the year ended December 31, 2019.

ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 describes the various important risk factors facing our business in Part I, Item 1A under the heading "Risk Factors." There have been no material changes to the risk factors disclosed in that section of our Annual Report on Form 10-K, which is incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Unregistered Sales of Equity Securities

None.

(b) Purchase of Equity Securities by the Issuer

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
2.1	Agreement and Plan of Merger by and among GAIN Capital Holdings, Inc., INTL FCStone Inc. and Golf Merger Sub I Inc., dated as of February 26, 2020 (incorporated herein by reference to Exhibit 2.1 of the registrants Current Report on Form 8-K filed on February 27, 2020, No. 001-35008)
4.1	Amendment No. 3 to Rights Agreement by and between GAIN Capital Holdings, Inc. and Broadridge Corporate Issuer Solutions, Inc., dated as of February 26, 2020 (incorporated herein by reference to Exhibit 4.1 of the registrants Current Report on form 8-K filed on February 27, 2020, No. 001-35008).
31.1	Certification of Chief Executive Officer pursuant to rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Chief Financial Officer pursuant to rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Chief Executive Officer as required by section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer as required by section 906 of the Sarbanes-Oxley Act of 2002.*
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

* Filed herewith.

† Compensation related contract.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GAIN Capital Holding, Inc.

Date: May 13, 2020

/s/ Glenn H. Stevens

Glenn H. Stevens
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 13, 2020

/s/ Nigel Rose

Nigel Rose
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Glenn H. Stevens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GAIN Capital Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2020

/s/ Glenn H. Stevens

Glenn H. Stevens
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Nigel Rose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GAIN Capital Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2020

/s/ Nigel Rose

Nigel Rose
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER,
AS REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Glenn H. Stevens, the undersigned Chief Executive Officer and President of GAIN Capital Holdings, Inc., a Delaware corporation (the "Company") hereby certify pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

1. The accompanying quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2020

/s/ Glenn H. Stevens

Glenn H. Stevens
Chief Executive Officer and President
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER,
AS REQUIRED BY SECTION 906 THE SARBANES-OXLEY ACT OF 2002**

I, Nigel Rose, the undersigned Chief Financial Officer of GAIN Capital Holdings, Inc., a Delaware corporation (the "Company") hereby certify pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

1. The accompanying quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2020

/s/ Nigel Rose
Nigel Rose
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Unaudited Pro Forma Condensed Combined Financial Information

The accompanying unaudited pro forma condensed combined financial information furnished in this Exhibit 99.2 was prepared in accordance with Article 11 of Securities and Exchange Commission ("SEC") Regulation S-X and gives effect to the July 31, 2020 (the "GAIN acquisition date") merger of Golf Merger Sub I Inc. ("Merger Sub"), a Delaware corporation and wholly-owned subsidiary of StoneX Group Inc. (formerly INTL FCStone Inc. and referred to herein as (the "Company")) , with and into GAIN Capital Holdings, Inc., a Delaware corporation ("GAIN"), with GAIN surviving as a wholly-owned subsidiary of the Company (the "Merger"), pursuant to the Agreement and Plan of Merger, dated as of February 26, 2020, by and among the Company, Merger Sub and GAIN (the "Merger Agreement").

On June 11, 2020, the Company completed the issuance and sale of $350 million in aggregate principal amount of its 8.625% Senior Secured Notes due 2025 (the "Notes"). The Notes were issued at the offering price of 98.5% of the aggregate principal amount thereof. The Notes were issued pursuant to an Indenture, dated June 11, 2020 (the "Indenture"), by and among the Company, the guarantors party thereto from time to time and The Bank of New York Mellon, as trustee (in such capacity, the "Trustee") and collateral agent (in such capacity, the "Collateral Agent"). The gross proceeds from the sale of the Notes were placed into a segregated escrow account and released pursuant to the satisfaction of certain escrow release conditions, including the consummation of the Merger on July 31, 2020. On July 31, 2020, the Company used the net proceeds from the sale of the Notes, together with cash on hand, to (1) fund the cash merger consideration due to GAIN shareholders who did not dissent to the Merger and (2) pay certain related transaction fees and expenses. The remaining proceeds were utilized to fund the repayment of substantially all of GAIN's 5.00% Convertible Senior Notes due 2022 ("the "GAIN Convertible Notes") on September 1, 2020.

The unaudited pro forma condensed combined financial information gives effect to the Merger with acquisition accounting applied to GAIN as the accounting acquiree and the related issuance of the Notes and use of net proceeds therefrom as described above.

The unaudited pro forma condensed combined financial information does not give effect to any cost savings, operating synergies or revenue synergies that may result from the Merger. The unaudited pro forma condensed combined financial information also does not give effect to the repurchase of the GAIN Convertible Notes which the Company does not believe is directly attributable to the Merger.

The historical consolidated financial information in the unaudited pro forma condensed combined financial information furnished in this Exhibit 99.2 has been adjusted to give effect to pro forma events that are (1) directly attributable to the Merger, (2) factually supportable and (3) with respect to the unaudited pro forma condensed combined statements of income, expected to have a continuing impact on the combined results of the Company and GAIN following the Merger.

The unaudited pro forma condensed combined financial information furnished in this Exhibit 99.2 has been presented for informational purposes only and is not necessarily indicative of what the combined company's financial position or results of operations would have been had the transactions been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company.

The unaudited pro forma condensed combined financial information contains estimated adjustments based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The assumptions underlying the pro forma adjustments are described in greater detail in the accompanying notes to the unaudited pro forma condensed combined financial information. In many cases, these assumptions are based upon preliminary information and estimates. Differences between these preliminary estimates and the final acquisition accounting will occur, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future results of operations and financial position.

The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Merger and the issuance of the Notes and use of net proceeds therefrom as described above as follows:

- The unaudited pro forma condensed combined balance sheet as of March 31, 2020 was prepared based on:
  1. The historical unaudited condensed consolidated balance sheet of the Company as of March 31, 2020; and
  2. The historical unaudited condensed consolidated balance sheet of GAIN as of March 31, 2020.
- The unaudited pro forma condensed combined income statement for the year ended September 30, 2019 was prepared based on:
  1. The historical audited consolidated income statement of the Company for the year ended September 30, 2019; and
  2. The historical audited consolidated statement of operations of GAIN for the year ended December 31, 2019.
- The unaudited pro forma condensed combined income statement for the six months ended March 31, 2020 was derived based on:
  1. The historical unaudited condensed consolidated income statement of the Company for the six months ended March 31, 2020; and
  2. The historical audited consolidated statement of operations of GAIN for the year ended December 31, 2019; plus

     (a) the historical unaudited condensed consolidated statement of operations of GAIN for the three months ended March 31, 2020; less

     (b) the historical unaudited condensed consolidated statement of operations of GAIN for the nine months ended September 30, 2019.

As the GAIN unaudited pro forma condensed consolidated income statement information for the six months ended March 31, 2020 was derived from the historical audited consolidated statement of operations for the year ended December 31, 2019, plus (a) the historical unaudited condensed consolidated statement of operations for the three months ended March 31, 2020, less (b) the historical unaudited condensed consolidated statement of operations for the nine months ended September 30, 2019, GAIN's results for the fourth quarter of its fiscal year ended December 31, 2019 are included in the unaudited pro forma condensed combined income statement for the year ended September 30, 2019 and the unaudited pro forma condensed combined income statement for the six months ended March 31, 2020.

PRO FORMA FINANCIAL INFORMATION
Unaudited Pro Forma Condensed Combined Income Statement
For the Year Ended September 30, 2019

(Unaudited) (in millions, except share and per share amounts)	Historical Company Year Ended September 30, 2019 (Unaudited)	Historical Gain After Reclassifications Year Ended December 31, 2019 (Unaudited) (Note 4)	Pro Forma Adjustments (Note 5)		Pro Forma Condensed Combined Income Statement
Revenues:					
Sales of physical commodities	$ 31,830.3	$ —	$ —		$ 31,830.3
Principal gains, net	415.8	178.8	—		594.6
Commission and clearing fees	372.4	37.6	—		410.0
Consulting, management, and account fees	79.6	3.2	—		82.8
Interest income	198.9	16.6	—		215.5
Total revenues	32,897.0	236.2	—		33,133.2
Cost of sales of physical commodities	31,790.9	—	—		31,790.9
Operating revenues	1,106.1	236.2	—		1,342.3
Transaction-based clearing expenses	183.5	18.9	—		202.4
Introducing broker commissions	114.7	29.3	—		144.0
Interest expense	154.7	15.8	32.5	**A,B**	203.0
Net operating revenues	653.2	172.2	(32.5)		792.9
Compensation and other expenses:					
Compensation and benefits	393.1	78.1	—		471.2
Selling and marketing	5.2	38.4	—		43.6
Trading systems and market information	38.8	16.5	—		55.3
Occupancy and equipment rental	19.4	9.5	—		28.9
Professional fees	21.0	11.8	—		32.8
Travel and business development	16.2	2.0	—		18.2
Non-trading technology and support	20.1	12.3	—		32.4
Depreciation and amortization	14.0	25.9	(8.8)	**C**	31.1
Communications	6.6	2.9	—		9.5
Bad debts	2.5	2.0	—		4.5
Recovery on physical coal	(12.4)	—	—		(12.4)
Goodwill impairment	—	28.1	—		28.1
Other	23.2	18.3	—		41.5
Total compensation and other expenses	547.7	245.8	(8.8)		784.7
Other gains	5.5	—	—		5.5
Income (loss) before tax	111.0	(73.6)	(23.7)		13.7
Income tax expense (benefit)	25.9	(12.8)	(6.7)	**D**	6.4
Net income (loss)	$ 85.1	$ (60.8)	$ (17.0)		$ 7.3
Earnings per share:					
Basic	$ 4.46				$ 0.38
Diluted	$ 4.39				$ 0.38
Weighted-average number of common shares outstanding:					
Basic	18,738,905				18,738,905
Diluted	19,014,395				19,014,395

See notes to the unaudited pro forma financial information.

PRO FORMA FINANCIAL INFORMATION
Unaudited Pro Forma Condensed Combined Income Statement
For the Six Months Ended March 31, 2020

(Unaudited) (in millions, except share and per share amounts)	Historical Company (Unaudited)	Historical Gain After Reclassifications (Unaudited) (Note 4)	Pro Forma Adjustments (Note 5)		Pro Forma Condensed Combined Income Statement
Revenues:					
Sales of physical commodities	$ 30,994.9	$ —	$ —		$ 30,994.9
Principal gains, net	281.0	213.9	—		494.9
Commission and clearing fees	203.8	18.1	—		221.9
Consulting, management, and account fees	43.9	1.6	—		45.5
Interest income	87.7	6.3	—		94.0
Total revenues	31,611.3	239.9	—		31,851.2
Cost of sales of physical commodities	30,967.7	—	—		30,967.7
Operating revenues	643.6	239.9	—		883.5
Transaction-based clearing expenses	110.1	9.4	—		119.5
Introducing broker commissions	55.8	19.6	—		75.4
Interest expense	63.8	7.8	16.2	**A, B**	87.8
Net operating revenues	413.9	203.1	(16.2)		600.8
Compensation and other expenses:					
Compensation and benefits	240.7	40.1	—		280.8
Selling and marketing	5.6	14.9	—		20.5
Trading systems and market information	21.6	9.9	—		31.5
Occupancy and equipment rental	9.9	5.5	—		15.4
Professional fees	10.7	6.3	(1.8)	**C**	15.2
Travel and business development	7.7	0.8	—		8.5
Non-trading technology and support	11.9	3.5	—		15.4
Depreciation and amortization	8.1	12.2	(3.6)	**D**	16.7
Communications	3.1	1.4	—		4.5
Bad debts	4.4	4.8	—		9.2
Goodwill impairment	—	28.1	—		28.1
Other	12.5	12.3	—		24.8
Total compensation and other expenses	336.2	139.8	(5.4)		470.6
Other gains	0.1	—	—		0.1
Income (loss) before tax	77.8	63.3	(10.8)		130.3
Income tax expense (benefit)	22.2	17.3	(2.7)	**E**	36.8
Net income (loss)	$ 55.6	$ 46.0	$ (8.1)		$ 93.5
Earnings per share:					
Basic	$ 2.88				$ 4.86
Diluted	$ 2.84				$ 4.78
Weighted-average number of common shares: outstanding:					
Basic	18,811,268				18,811,268
Diluted	19,132,497				19,132,497

See notes to the unaudited pro forma financial information.

PRO FORMA FINANCIAL INFORMATION
Unaudited Pro Forma Condensed Combined Balance Sheet
March 31, 2020

(in millions)	Historical Company (Unaudited)	Historical Gain After Reclassifications (Unaudited) (Note 4)	Pro Forma Adjustments (Note 5)		Pro Forma Condensed Combined Balance Sheet
ASSETS					
Cash and cash equivalents	$ 519.5	$ 470.2	$ 103.9	**A, B,C,D**	$ 1,093.6
Cash, securities and other assets segregated under federal and other regulations	1,176.1	496.4	—		1,672.5
Collateralized transactions:					
Securities purchased under agreements to resell	1,260.0	—	—		1,260.0
Securities borrowed	1,063.8	—	—		1,063.8
Deposits with and receivables from broker-dealers, clearing organizations, and counterparties, net	3,359.5	164.9	—		3,524.4
Receivables from clients, net	481.1	3.4	—		484.5
Notes receivable, net	3.9	—	—		3.9
Income taxes receivable	1.5	—	—		1.5
Financial instruments owned, at fair value	2,525.7	—	—		2,525.7
Physical commodities inventory, net	255.2	—	—		255.2
Deferred income taxes, net	14.0	16.6	—		30.6
Property and equipment, net	43.0	29.1	—		72.1
Operating right of use assets	31.6	13.5	3.1	**E**	48.2
Goodwill and intangible assets, net	73.1	21.2	(21.2)	**F**	73.1
Other assets	62.9	16.5	—		79.4
Total assets	$ 10,870.9	$ 1,231.8	$ 85.8		$ 12,188.5
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Accounts payable and other accrued liabilities	$ 184.8	$ 34.9	$ 21.6	**G**	$ 241.3
Operating lease liabilities	34.2	16.6	—		50.8
Payables to:					
Clients	4,531.5	785.2	—		5,316.7
Broker-dealers, clearing organizations and counterparties	429.2	5.9	—		435.1
Lenders under loans	275.0	—	—		275.0
Senior secured borrowings, net	184.3	—	335.4	**H**	519.7
Convertible senior notes	—	80.3	11.7	**I**	92.0
Income taxes payable	10.6	11.8	—		22.4
Collateralized transactions:					
Securities sold under agreements to repurchase	2,800.3	—	—		2,800.3
Securities loaned	1,068.8	—	—		1,068.8
Financial instruments sold, not yet purchased, at fair value	703.6	—	—		703.6
Total liabilities	10,222.3	934.7	368.7		11,525.7
Commitments and contingencies					
Stockholders' Equity:					
Preferred stock	—	—	—		—
Common stock	0.2	—	—		0.2
Common stock in treasury, at cost	(57.6)	(127.5)	127.5	**J**	(57.6)
Additional paid-in capital	285.8	251.1	(251.1)	**J**	285.8
Retained earnings	458.4	209.8	(195.6)	**J,K,L,M**	472.6
Accumulated other comprehensive loss, net	(38.2)	(36.3)	36.3	**J**	(38.2)
Total stockholders' equity	648.6	297.1	(282.9)		662.8
Total liabilities and stockholders' equity	$ 10,870.9	$ 1,231.8	$ 85.8		$ 12,188.5

See notes to the unaudited pro forma financial information.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Securities and Exchange Commission ("SEC") Regulation S-X. The accompanying unaudited pro forma condensed combined income statement for the year ended September 30, 2019 reflects the Merger and the related issuance of the Notes and the use of net proceeds therefrom as described above, as if such transactions had occurred on October 1, 2018, combining the results of the Company for its fiscal year ended September 30, 2019 and of GAIN for its fiscal year ended December 31, 2019. The accompanying unaudited pro forma condensed combined income statement for the six months ended March 31, 2020 reflects the Merger and the related issuance of the Notes and the use of net proceeds therefrom as described above, as if such transactions had occurred on October 1, 2019, combining the results of the Company and GAIN for the respective periods.

The accompanying unaudited pro forma condensed combined balance sheet as of March 31, 2020 reflects the Merger and related issuance of the Notes and the use of net proceeds therefrom as described above, as if such transactions had occurred on March 31, 2020, combining the unaudited condensed consolidated balance sheets of the Company and GAIN as of March 31, 2020.

The unaudited pro forma condensed combined financial information reflects the issuance of the Notes and the use of net proceeds therefrom as described above and also reflects the Merger under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. The Company is the acquiror for financial accounting purposes. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values. To prepare the unaudited pro forma condensed combined financial information, the Company adjusted GAIN's assets and liabilities to their estimated fair values based upon a preliminary allocation. As of the date of this Form 8-K, the Company has not completed the detailed valuations necessary to finalize the required estimated fair values of GAIN's assets acquired and liabilities assumed and the related allocation of the purchase price. Accordingly, the final acquisition accounting adjustments may be materially different from the unaudited pro forma adjustments.

Certain financial information of GAIN as presented in its historical consolidated and condensed consolidated financial statements has been reclassified to conform to the historical presentation of the Company's consolidated and condensed consolidated financial statements for the purposes of preparing the unaudited pro forma condensed combined financial information as further detailed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by the Company, which are materially consistent with those adopted by GAIN. As such, the unaudited pro forma condensed financial information does not reflect any adjustments to conform GAIN's results and financial position to the Company's accounting policies.

3. PURCHASE PRICE ACCOUNTING AND ESTIMATED MERGER CONSIDERATION

The unaudited pro forma condensed combined balance sheet has been adjusted to reflect a preliminary allocation of the preliminary cash consideration to the fair value of GAIN's identifiable assets acquired and liabilities assumed. The preliminary purchase price allocation in this unaudited pro forma condensed combined financial information is based upon the terms of the Merger Agreement, pursuant to which each share of GAIN's common stock issued and outstanding was converted into the right to receive $6.00 in cash, without interest. Based upon GAIN's fully diluted shares outstanding, the total cash consideration required to be paid to GAIN's shareholders pursuant to the Merger Agreement is $236.6 million.

Information regarding the preliminary cash consideration to be paid for the Merger is as follows (in millions, except per share amount):

Cash price per share established in Merger Agreement	$	6.00
Fully diluted shares		39.4
Total Merger consideration	$	236.6

Aggregate cash consideration paid upon the Merger	$	215.0
Accrual for merger cash consideration		21.6
Total Merger consideration	$	236.6

Subsequent to the GAIN acquisition date, holders of 3.6 million shares of GAIN common stock outstanding at the GAIN acquisition date who did not vote to approve the merger ("Dissenting Holders", and the shares held by such Dissenting Holders, the "Dissenting Shares") purportedly demanded appraisal rights pursuant to Section 262 of the Delaware General Corporation Law in the Court of Chancery of the State of Delaware. The $21.6 million accrual for merger consideration included in the total merger consideration was based upon 3.6 million Dissenting Shares assuming a right to receive $6.00 per share at the Gain acquisition date. Any subsequent settlement with the Dissenting Holders will be considered the settlement of a post-acquisition contingency to be included in the Company's post-acquisition consolidated income statements.

The following table summarizes the preliminary purchase price allocation assuming the acquisition date for the Merger was March 31, 2020 (in millions):

Cash and cash equivalents	$	470.2
Cash, securities and other assets segregated under federal and other regulations		496.4
Deposits with and receivables from broker-dealers, clearing organizations, and counterparties		164.9
Receivables from clients, net		3.4
Deferred income taxes		16.6
Property and equipment, net		29.1
Right of use assets, net		16.6
Other assets		16.5
Total tangible assets acquired	$	1,213.7
Accounts payable and other accrued liabilities	$	34.9
Operating lease liabilities		16.6
Payable to clients		785.2
Payable to broker-dealers, clearing organizations, and counterparties		5.9
Income taxes payable		11.8
Convertible senior notes		92.0
Total tangible liabilities assumed	$	946.4
Tangible net assets acquired		267.3
Total Merger consideration		236.6
Bargain purchase gain	$	30.7

Assuming the Merger had occurred on March 31, 2020, management has made an initial fair value estimate of the assets acquired and liabilities assumed as of that date. All purchase accounting estimates are subject to revision upon finalizing its purchase accounting estimates; a process in which the Company has sought the assistance of a third-party valuation expert.

For the purposes of the preliminary allocation, the Company has assumed that the carrying value of GAIN's property and equipment approximates its fair value. Additionally, the Company has assumed that no purchase price is assigned to GAIN's intangible assets. These assumptions could change materially upon the completion of the final valuation analysis.

The Merger included the acquisition of certain derivative financial instruments that are carried at fair value in GAIN's historical condensed consolidated balance sheet as of March 31, 2020. For assets and liabilities not carried at fair value in GAIN's historical condensed consolidated balance sheet as of March 31, 2020, with the exception of deferred income taxes, property and equipment, and right of use assets, the Company believes that due to the short-term nature of the tangible assets acquired and liabilities assumed and GAIN's ability to initiate the withdrawal and settlement of client related trading balances, that their carrying values approximate their fair values. On September 1, 2020, the Company redeemed substantially all of the GAIN Convertible Notes with the proceeds from the issuance of the Notes in connection with the transactions and, thus, the fair value of the GAIN Convertible Notes was assumed to be equivalent to the redemption value.

Based upon the excess of the net tangible assets acquired in comparison to the total Merger consideration detailed above and assuming that the final purchase price allocation results in no purchase price being assigned to GAIN's intangible assets and results in a fair value being assigned to GAIN's property and equipment that approximates its carrying value, the Company would have recorded a bargain purchase gain related to the Merger of approximately $30.7 million assuming the Merger had occurred on March 31, 2020.

4. RECLASSIFICATION ADJUSTMENTS

Certain reclassifications have been made to the historical presentation of GAIN’s consolidated financial statements to conform to the financial statement presentation of the Company. The reclassifications result in consistency of reporting between the Company and GAIN with no impact on total assets, total liabilities, total stockholders’ equity, and net (loss) income.

Additionally, the Company has reclassified $5.2 million and $5.6 million for the year ended September 30, 2019, and the six months ended March 31, 2020, respectively, of marketing related costs to ‘Selling and marketing’ on the unaudited pro forma condensed combined income statements that were historically included within ‘Other’ expenses to conform to the financial presentation of Gain.

Reclassifications to GAIN’s condensed consolidated balance sheet as of March 31, 2020 are as follows:

(in millions)	**Before Reclassifications**	**Reclassifications**	**After Reclassifications**
ASSETS			
Cash and cash equivalents	$ 293.3	$ 176.9	$ 470.2
Cash, securities and other assets segregated under federal and other regulations	—	496.4	496.4
Cash and securities held for customers	785.2	(785.2)	—
Receivables from brokers	53.0	111.9	164.9
Receivables from clients, net	—	3.4	3.4
Deferred income taxes	—	16.6	16.6
Property and equipment, net	29.1	—	29.1
Operating right of use assets	—	13.5	13.5
Intangible assets, net	21.2	—	21.2
Other assets	50.0	(33.5)	16.5
Total assets	$ 1,231.8	$ —	$ 1,231.8
LIABILITIES AND STOCKHOLDERS’ EQUITY			
Liabilities:			
Accounts payable and other accrued liabilities	$ —	$ 34.9	$ 34.9
Operating lease liabilities	—	16.6	16.6
Payables to clients	785.2	—	785.2
Payables to brokers	5.9	—	5.9
Accrued compensation and benefits	6.5	(6.5)	—
Accrued expense and other liabilities	45.0	(45.0)	—
Income taxes payable	11.8	—	11.8
Convertible senior notes	80.3	—	80.3
Total liabilities	934.7	—	934.7
Commitments and contingencies			
Stockholders’ Equity:			
Common stock	—	—	—
Common stock in treasury, at cost	(127.5)	—	(127.5)
Additional paid-in capital	251.1	—	251.1
Retained earnings	209.8	—	209.8
Accumulated other comprehensive loss, net	(36.3)	—	(36.3)
Total stockholders’ equity	297.1	—	297.1
Total liabilities and stockholders’ equity	$ 1,231.8	$ —	$ 1,231.8

Reclassifications to GAIN's consolidated statement of operations for the year ended December 31, 2019, are as follows:

(in millions)	Before Reclassifications	Reclassifications	After Reclassifications
Revenues:			
Retail revenue	$ 177.7	$ (177.7)	$ —
Futures revenue	34.8	(34.8)	—
Other revenue	7.1	(7.1)	—
Principal gains, net	—	178.8	178.8
Commission and clearing fees	—	37.6	37.6
Consulting, management, and account fees	—	3.2	3.2
Total non-interest revenue	219.6	—	219.6
Interest revenue	16.6	—	16.6
Interest expense	2.3	13.5	15.8
Total net interest revenue	14.3	(13.5)	0.8
Transaction-based clearing expenses	—	18.9	18.9
Introducing broker commissions	—	29.3	29.3
Net operating revenues	233.9	(61.7)	172.2
Compensation and other expenses:			
Employee compensation and benefits	78.1	—	78.1
Selling and marketing	38.4	—	38.4
Trading systems and market information	—	16.5	16.5
Referral fees	29.3	(29.3)	—
Trading expenses	20.8	(20.8)	—
Occupancy and equipment rental	—	9.5	9.5
Professional fees	—	11.8	11.8
Travel and business development	—	2.0	2.0
Non-trading technology and support	—	12.3	12.3
General and administrative	50.6	(50.6)	—
Depreciation and amortization	17.1	8.8	25.9
Purchased intangible amortization	8.8	(8.8)	—
Communications	—	2.9	2.9
Communications and technology	19.5	(19.5)	—
Bad debts	2.0	—	2.0
Restructuring expenses	1.3	(1.3)	—
Goodwill impairment	28.1	—	28.1
Other expenses	—	18.3	18.3
Total compensation and other expenses	294.0	(48.2)	245.8
Operating loss	(60.1)	(13.5)	(73.6)
Interest expense on long term borrowings	13.5	(13.5)	—
Loss before income tax benefit	(73.6)	—	(73.6)
Income tax benefit	(12.8)	—	(12.8)
Net loss	$ (60.8)	$ —	$ (60.8)

Reclassifications to GAIN's consolidated statement of operations for the six months ended March 31, 2020, are as follows:

(in millions)	Before Reclassifications	Reclassifications	After Reclassifications
Revenues:			
Retail revenue	$ 213.3	$ (213.3)	$ —
Futures revenue	16.6	(16.6)	—
Other revenue	3.7	(3.7)	—
Principal gains, net	—	213.9	213.9
Commission and clearing fees	—	18.1	18.1
Consulting, management, and account fees	—	1.6	1.6
Total non-interest revenue	233.6	—	233.6
Interest revenue	6.3	—	6.3
Interest expense	1.0	6.8	7.8
Total net interest expense	5.3	(6.8)	(1.5)
Transaction-based clearing expenses	—	9.4	9.4
Introducing broker commissions	—	19.6	19.6
Net operating revenues	238.9	(35.8)	203.1
Compensation and other expenses:			
Employee compensation and benefits	40.1	—	40.1
Selling and marketing	14.9	—	14.9
Trading systems and market information	—	9.9	9.9
Referral fees	19.6	(19.6)	—
Trading expenses	9.6	(9.6)	—
Occupancy and equipment rental	—	5.5	5.5
Professional fees	—	6.3	6.3
Travel and business development	—	0.8	0.8
Non-trading technology and support	—	3.5	3.5
General and administrative	26.7	(26.7)	—
Depreciation and amortization	8.6	3.6	12.2
Purchased intangible amortization	3.6	(3.6)	—
Communications	—	1.4	1.4
Communications and technology	9.1	(9.1)	—
Bad debts	4.8	—	4.8
Restructuring expenses	2.7	(2.7)	—
Goodwill impairment	28.1	—	28.1
Transaction costs	1.0	(1.0)	—
Other expenses	—	12.3	12.3
Total compensation and other expenses	168.8	(29.0)	139.8
Operating income	70.1	(6.8)	63.3
Interest expense on long term borrowings	6.8	(6.8)	—
Income before income tax expense	63.3	—	63.3
Income tax expense	17.3	—	17.3
Net income	$ 46.0	$ —	$ 46.0

5. PRO FORMA ADJUSTMENTS

The unaudited pro forma condensed combined financial information is based upon the historical consolidated and condensed consolidated financial statements of the Company and of GAIN and certain adjustments which the Company believes are reasonable to give effect to the Merger and the issuance of the Notes and use of the net proceeds therefrom as described above. These adjustments are based upon currently available information and certain assumptions, and therefore, the actual adjustments will likely differ from the pro forma adjustments. In particular, such adjustments include information based upon our preliminary allocation of the Merger consideration, which is subject to adjustment based upon the completion of our valuation analysis.

The unaudited pro forma condensed combined financial information included herein was prepared using the acquisition method of accounting for the Merger. As discussed above, the purchase price allocation is considered preliminary at this time. However, the Company believes that the preliminary purchase price allocation and other related assumptions utilized in preparing the unaudited pro forma condensed combined financial information provide a reasonable basis for presenting the pro forma effects of the Merger and the issuance of the Notes and use of the net proceeds therefrom as described above. Other than those pro forma adjustments described below, the Company believes there are no adjustments, in any material respects, that need to be made to present GAIN's financial information in accordance with U.S. GAAP, or to align GAIN's historical accounting policies with the Company's.

The adjustments made in preparing the unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2020 are as follows:

A. To record the cash proceeds from the issuance of the Notes, net of original issue discount and deferred financing costs, of $335.4 million.

B. To record the payment of the Merger cash consideration to GAIN's non-dissenting shareholders on the acquisition date of $215.0 million.

C. To adjust for the quarterly cash dividend of $2.4 million equal to $0.06 per share of GAIN's common stock declared by the GAIN Board of Directors subsequent to March 31, 2020.

D. To record the usage of cash of $14.1 million from the balance sheet to pay acquisition related costs of the Merger.

E. To adjust GAIN's operating right of use assets to fair value in connection with the Company's preliminary allocation of the Merger consideration.

F. To adjust GAIN's intangible assets as a result of the preliminary allocation of the Merger consideration to the fair value of the net assets acquired.

G. To accrue for the Merger consideration related to the Dissenting Shares of $21.6 million.

H. To record the issuance and proceeds of the Notes in the aggregate principal amount of $350.0 million, less original issue discount of $5.3 million and deferred financing costs of $9.3 million.

I. To adjust GAIN's Convertible Notes to fair value in connection with the Company's preliminary allocation of the Merger consideration.

J. To record the elimination of GAIN's equity of $297.1 million.

K. To accrue for directly attributable, factually supportable, and nonrecurring acquisition related costs related to the Merger of $14.1 million.

L. To record a bargain purchase gain upon the Merger of $30.7 million based upon the preliminary allocation of the Merger consideration.

M. To adjust for the quarterly cash dividend of $2.4 million equal to $0.06 per share of GAIN's common stock declared by the GAIN Board of Directors subsequent to March 31, 2020.

The adjustments made in preparing the unaudited Pro Forma Condensed Combined Income Statement for the year ended September 30, 2019 are as follows:

A. To adjust for the directly attributable and recurring interest expense of $30.1 million that will be incurred by the Company as a result of the issuance of the Notes.

B. To adjust for the directly attributable, factually supportable, and recurring amortization of $2.4 million in original issue discount and deferred financing costs that were incurred by the Company upon the issuance of the Notes.

C. To reverse the amortization expense of $8.8 million incurred on GAIN's previously acquired intangible assets based upon the preliminary allocation of the Merger consideration to the fair value of the net assets acquired.

D. To record the tax effects of the pro forma adjustments. The pro forma adjustments attributable to GAIN were tax effected at the applicable blended statutory tax rate of 19.8%, and the pro forma adjustments attributable to the Company were tax effected at the applicable blended statutory tax rate of 26%. The Company's effective tax rate may be materially different after conclusion of final acquisition accounting, removal of non-recurring items reflected in historical amounts, analysis of the post-closing geographical mix of income, and other factors. Adjustments to tax assets and liabilities will occur in conjunction with the finalization of the purchase accounting, and these adjustments could be material.

The adjustments made in preparing the unaudited Pro Forma Condensed Combined Income Statement for the six months ended March 31, 2020 are as follows:

A. To adjust for the directly attributable and recurring interest expense of $15.1 million that will be incurred by the Company following the issuance of the Notes.

B. To adjust for the directly attributable, factually supportable, and recurring amortization of $1.1 million in deferred financing costs that will be incurred by the Company following the issuance of the Notes.

C. To adjust for directly attributable, factually supportable, and nonrecurring acquisition related costs related to the Merger of $1.8 million included in the results for the six months ended March 31, 2020.

D. To reverse the amortization expense of $3.6 million incurred on GAIN's previously acquired intangible assets based upon the preliminary allocation of the Merger consideration to the fair value of the net assets acquired.

E. To record the tax effects of the pro forma adjustments. The pro forma adjustments attributable to GAIN were tax effected at the applicable blended statutory tax rate of 28.2%, and the pro forma adjustments attributable to the Company were tax effected at the applicable blended statutory tax rate of 26%. The Company's effective tax rate may be materially different after conclusion of final acquisition accounting, removal of non-recurring items reflected in historical amounts, analysis of the post-closing geographical mix of income, and other factors. Adjustments to tax assets and liabilities will occur in conjunction with the finalization of the purchase accounting, and these adjustments could be material.

6. NONRECURRING CHARGES

As a result of the Merger, GAIN recorded a goodwill impairment charge of $28.1 million based on the agreed-upon Merger consideration of $6.00 per share in their audited consolidated statement of operations for the year ended December 31, 2019. The goodwill impairment charge is not reflected as a pro forma adjustment on the unaudited Pro Forma Condensed Combined Income Statements for the year ended September 30, 2019 and the six months ended March 31, 2020 as it is nonrecurring in nature.