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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2023
OR

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

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

StoneX Group Inc.
(Exact name of registrant as specified in its charter)

Delaware	**59-2921318**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

230 Park Ave, 10th Floor
New York, NY 10169
(Address of principal executive offices) (Zip Code)

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

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

As of May 1, 2023, there were 20,743,910 shares of the registrant's common stock outstanding.

StoneX Group Inc.

Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2023

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

StoneX Group Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions, except par value and share amounts)	March 31, 2023	September 30, 2022
ASSETS		
Cash and cash equivalents	$ 1,263.9	$ 1,108.5
Cash, securities and other assets segregated under federal and other regulations (including $25.8 million and $805.7 million at fair value at March 31, 2023 and September 30, 2022, respectively)	2,512.3	3,267.2
Collateralized transactions:		
Securities purchased under agreements to resell	2,623.2	1,672.0
Securities borrowed	753.7	1,209.8
Deposits with and receivables from broker-dealers, clearing organizations and counterparties, net (including $4,655.7 million and $2,817.2 million at fair value at March 31, 2023 and September 30, 2022, respectively)	7,616.3	6,842.6
Receivable from clients, net (including $2.3 million and $(0.5) million at fair value at March 31, 2023 and September 30, 2022, respectively)	978.7	566.2
Notes receivable, net	5.1	5.1
Income taxes receivable	15.5	16.8
Financial instruments owned, at fair value (includes securities pledged as collateral that can be sold or repledged of $1,593.1 million and $2,372.3 million at March 31, 2023 and September 30, 2022, respectively)	5,049.1	4,167.3
Physical commodities inventory, net (including $351.6 million and $359.8 million at fair value at March 31, 2023 and September 30, 2022, respectively)	572.1	513.5
Deferred income taxes, net	35.5	52.0
Property and equipment, net	117.7	112.9
Operating right of use assets	117.7	121.8
Goodwill and intangible assets, net	88.9	86.2
Other assets	169.2	117.7
Total assets	$ 21,918.9	$ 19,859.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other accrued liabilities (including $1.3 million and $0 at fair value at March 31, 2023 and September 30, 2022, respectively)	$ 513.8	$ 400.6
Operating lease liabilities	144.1	143.0
Payables to:		
Clients (including $669.5 million and $(1,392.4) million at fair value at March 31, 2023 and September 30, 2022, respectively)	10,168.7	9,891.0
Broker-dealers, clearing organizations and counterparties (including $34.1 million and $55.8 million at fair value at March 31, 2023 and September 30, 2022, respectively)	558.4	659.8
Lenders under loans	561.3	485.1
Senior secured borrowings, net	340.6	339.1
Income taxes payable	26.2	16.2
Collateralized transactions:		
Securities sold under agreements to repurchase	5,023.1	3,195.6
Securities loaned	764.5	1,189.5
Financial instruments sold, not yet purchased, at fair value	2,570.9	2,469.6
Total liabilities	20,671.6	18,789.5
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, $0.01 par value. Authorized 30,000,000 shares; 23,286,021 issued and 20,678,698 outstanding at March 31, 2023 and 22,911,227 issued and 20,303,904 outstanding at September 30, 2022	0.2	0.2
Common stock in treasury, at cost. 2,607,323 shares at March 31, 2023 and September 30, 2022	(69.3)	(69.3)
Additional paid-in-capital	358.7	340.2
Retained earnings	1,007.9	889.6
Accumulated other comprehensive loss, net	(50.2)	(90.6)
Total equity	1,247.3	1,070.1
Total liabilities and stockholders' equity	$ 21,918.9	$ 19,859.6

See accompanying notes to the condensed consolidated financial statements.

StoneX Group Inc.
Condensed Consolidated Income Statements
(Unaudited)

(in millions, except share and per share amounts)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022
Revenues:				
Sales of physical commodities	$ 15,506.2	$ 15,864.2	$ 27,909.6	$ 29,783.1
Principal gains, net	256.6	323.5	510.8	574.6
Commission and clearing fees	130.7	138.4	248.7	254.7
Consulting, management, and account fees	40.7	25.4	80.5	49.5
Interest income	226.8	31.2	423.0	62.2
Total revenues	16,161.0	16,382.7	29,172.6	30,724.1
Cost of sales of physical commodities	15,456.6	15,838.0	27,813.4	29,728.9
Operating revenues	704.4	544.7	1,359.2	995.2
Transaction-based clearing expenses	69.2	76.5	136.5	147.4
Introducing broker commissions	42.2	43.2	79.0	81.5
Interest expense	178.7	14.1	333.0	29.8
Interest expense on corporate funding	14.9	10.6	29.3	22.4
Net operating revenues	399.4	400.3	781.4	714.1
Compensation and other expenses:				
Compensation and benefits	232.5	207.1	431.5	382.1
Trading systems and market information	17.8	16.9	35.5	33.0
Professional fees	11.3	13.8	27.2	25.7
Non-trading technology and support	16.2	12.8	31.0	25.8
Occupancy and equipment rental	10.6	8.8	19.5	17.5
Selling and marketing	14.2	14.3	27.1	25.3
Travel and business development	5.8	3.0	11.5	5.9
Communications	2.1	2.1	4.3	4.0
Depreciation and amortization	13.1	11.3	25.8	20.4
Bad debts, net of recoveries	3.0	12.3	3.7	12.1
Other	15.3	16.9	34.7	28.8
Total compensation and other expenses	341.9	319.3	651.8	580.6
Gain on acquisition and other gain	—	6.4	23.5	6.4
Income before tax	57.5	87.4	153.1	139.9
Income tax expense	15.8	23.4	34.8	34.2
Net income	$ 41.7	$ 64.0	$ 118.3	$ 105.7
Earnings per share:				
Basic	$ 2.02	$ 3.18	$ 5.77	$ 5.27
Diluted	$ 1.95	$ 3.11	$ 5.57	$ 5.15
Weighted-average number of common shares outstanding:				
Basic	19,930,027	19,573,871	19,850,052	19,477,540
Diluted	20,621,194	20,012,709	20,553,913	19,930,047

See accompanying notes to the condensed consolidated financial statements.

StoneX Group Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Net income	$ 41.7	$ 64.0	$ 118.3	$ 105.7
Other comprehensive gain/(loss), net of tax:				
Foreign currency translation adjustment	3.2	1.2	11.4	(0.1)
Cash flow hedges	14.3	(18.1)	29.0	(18.2)
Total other comprehensive gain/(loss), net of tax	17.5	(16.9)	40.4	(18.3)
Comprehensive income	$ 59.2	$ 47.1	$ 158.7	$ 87.4

See accompanying notes to the condensed consolidated financial statements.

StoneX Group Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Six Months Ended March 31, 2023	2022
Cash flows from operating activities:		
Net income	$ 118.3	$ 105.7
Adjustments to reconcile net income to net cash provided (used in)/provided by operating activities:		
Depreciation and amortization	25.8	20.4
Amortization of right of use assets	5.7	7.8
Bad debts, net of recoveries	3.7	12.1
Deferred income taxes	1.8	(0.4)
Amortization of debt issuance costs	2.8	2.2
Amortization of share-based compensation	14.9	8.3
Gain on acquisition	(23.5)	—
Changes in operating assets and liabilities, net:		
Securities and other assets segregated under federal and other regulations	579.6	(11.5)
Securities purchased under agreements to resell	(951.2)	(290.7)
Securities borrowed	456.1	78.3
Deposits with and receivables from broker-dealers, clearing organizations, and counterparties, net	(1,314.1)	202.3
Receivables from clients, net	(363.3)	(126.7)
Notes receivable, net	—	1.0
Income taxes receivable	3.7	10.6
Financial instruments owned, at fair value	(859.3)	198.4
Physical commodities inventory, net	(36.1)	(134.5)
Other assets	(45.2)	6.8
Accounts payable and other accrued liabilities	60.1	31.6
Operating lease liabilities	(0.5)	(6.8)
Payables to clients	274.1	1,661.9
Payables to broker-dealers, clearing organizations, and counterparties	(101.8)	(93.6)
Income taxes payable	9.2	15.4
Securities sold under agreements to repurchase	1,827.5	(533.0)
Securities loaned	(425.0)	(49.9)
Financial instruments sold, not yet purchased, at fair value	134.0	986.3
Net cash (used in)/provided by operating activities	(602.7)	2,102.0
Cash flows from investing activities:		
Acquisition of businesses and assets, net of cash received	(6.1)	—
Sale of exchange memberships and common stock	—	0.2
Purchases of property and equipment	(22.5)	(24.3)
Net cash used in investing activities	(28.6)	(24.1)
Cash flows from financing activities:		
Net change in payables to lenders under loans with maturities 90 days or less	67.0	232.7
Proceeds from payables to lenders under loans with maturities greater than 90 days	150.0	430.0
Repayments of payables to lenders under loans with maturities greater than 90 days	(151.0)	(440.0)
Repayments of senior secured term loan	—	(4.9)
Deferred payments on acquisitions	(17.2)	(1.5)
Exercise of stock options	3.6	5.9
Net cash provided by financing activities	52.4	222.2
Effect of exchange rates on cash, segregated cash, cash equivalents, and segregated cash equivalents	11.1	(0.1)
Net (decrease)/increase in cash, segregated cash, cash equivalents, and segregated cash equivalents	(567.8)	2,300.0
Cash, segregated cash, cash equivalents, and segregated cash equivalents at beginning of period	6,285.1	6,509.5
Cash, segregated cash, cash equivalents, and segregated cash equivalents at end of period	$ 5,717.3	$ 8,809.5
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 337.5	$ 43.9
Income taxes paid, net of cash refunds	$ 19.5	$ 7.8
Supplemental disclosure of non-cash investing and financing activities:		
Identified intangible assets and goodwill on acquisitions	$ 10.3	$ —
Additional consideration payable related to acquisitions, net	$ 28.7	$ —
Acquisition of business:		
Assets acquired	$ 143.0	$ —
Liabilities assumed	84.1	—
Total net assets acquired	$ 58.9	$ —

See accompanying notes to the condensed consolidated financial statements.

StoneX Group Inc.
Condensed Consolidated Statements of Cash Flows - Continued
(Unaudited)

The following table provides a reconciliation of cash, segregated cash, cash equivalents, and segregated cash equivalents reported within the Condensed Consolidated Balance Sheets.

(in millions)	March 31, 2023	March 31, 2022
Cash and cash equivalents	$ 1,263.9	$ 1,299.7
Cash segregated under federal and other regulations[1]	2,486.4	2,740.9
Securities segregated under federal and other regulations[1]	0.2	—
Cash segregated and deposited with or pledged to exchange-clearing organizations and other futures commission merchants (“FCMs”)[2]	1,032.5	4,294.1
Securities segregated and pledged to exchange-clearing organizations[2]	934.3	474.8
Total cash, segregated cash, cash equivalents, and segregated cash equivalents shown in the condensed consolidated statements of cash flows	$ 5,717.3	$ 8,809.5

[1] Represents segregated client cash held at third-party banks. Excludes segregated commodity warehouse receipts, segregated U.S. Treasury obligations with original or acquired maturities of greater than 90 days, and other assets of $25.7 million and $25.6 million as of March 31, 2023 and 2022, respectively, included within *Cash, securities and other assets segregated under federal and other regulations* on the Condensed Consolidated Balance Sheets.

[2] Represents segregated client cash and U.S. Treasury obligations on deposit with, or pledged to, exchange clearing organizations and other FCMs. Excludes non-segregated cash, segregated U.S. Treasury obligations pledged to exchange-clearing organizations with original or acquired maturities greater than 90 days, and other assets of $5,649.5 million and $1,951.0 million as of March 31, 2023 and 2022, respectively, included within *Deposits with and receivables from broker-dealers, clearing organizations, and counterparties, net* on the Condensed Consolidated Balance Sheets.

See accompanying notes to the condensed consolidated financial statements.

StoneX Group Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net	Total
	Three Months Ended March 31, 2022					
Balances as of December 31, 2021	$ 0.2	$ (69.3)	$ 324.4	$ 724.2	$ (26.5)	$ 953.0
Net income	—	—	—	64.0	—	64.0
Other comprehensive loss, net of tax	—	—	—	—	(16.9)	(16.9)
Exercise of stock options	—	—	1.3	—	—	1.3
Share-based compensation	—	—	4.2	—	—	4.2
Balances as of March 31, 2022	$ 0.2	$ (69.3)	$ 329.9	$ 788.2	$ (43.4)	$ 1,005.6

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net	Total
	Three Months Ended March 31, 2023					
Balances as of December 31, 2022	$ 0.2	$ (69.3)	$ 347.2	$ 966.2	$ (67.7)	$ 1,176.6
Net income	—	—	—	41.7	—	41.7
Other comprehensive gain, net of tax	—	—	—	—	17.5	17.5
Exercise of stock options	—	—	2.1	—	—	2.1
Share-based compensation	—	—	9.4	—	—	9.4
Balances as of March 31, 2023	$ 0.2	$ (69.3)	$ 358.7	$ 1,007.9	$ (50.2)	$ 1,247.3

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net	Total
	Six Months Ended March 31, 2022					
Balances as of September 30, 2021	$ 0.2	$ (69.3)	$ 315.7	$ 682.5	$ (25.1)	$ 904.0
Net income	—	—	—	105.7	—	105.7
Other comprehensive loss, net of tax	—	—	—	—	(18.3)	(18.3)
Exercise of stock options	—	—	5.9	—	—	5.9
Share-based compensation	—	—	8.3	—	—	8.3
Balances as of March 31, 2022	$ 0.2	$ (69.3)	$ 329.9	$ 788.2	$ (43.4)	$ 1,005.6

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net	Total
	Six Months Ended March 31, 2023					
Balances as of September 30, 2022	$ 0.2	$ (69.3)	$ 340.2	$ 889.6	$ (90.6)	$ 1,070.1
Net income	—	—	—	118.3	—	118.3
Other comprehensive gain, net of tax	—	—	—	—	40.4	40.4
Exercise of stock options	—	—	3.6	—	—	3.6
Share-based compensation	—	—	14.9	—	—	14.9
Balances as of March 31, 2023	$ 0.2	$ (69.3)	$ 358.7	$ 1,007.9	$ (50.2)	$ 1,247.3

See accompanying notes to the condensed consolidated financial statements.

StoneX Group Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Basis of Presentation and Consolidation and Accounting Standards Adopted

StoneX Group Inc., a Delaware corporation, and its consolidated subsidiaries (collectively “StoneX” or “the Company”), is a global financial services network that connects companies, organizations, traders and investors to the global market ecosystem through a unique blend of digital platforms, end-to-end clearing and execution services, high touch service, and deep expertise. The Company strives to be the one trusted partner to its clients, providing its network, products and services to allow them to pursue trading opportunities, manage their market risks, make investments and improve their business performance. The Company offers a vertically integrated product suite, beginning with high-touch and electronic access to nearly all major financial markets worldwide, as well as numerous liquidity venues. The Company delivers access and services through the entire lifecycle of a trade, by delivering deep market expertise and on-the-ground intelligence, best execution, and finally post-trade clearing, custody, as well as settlement services. The Company has created revenue streams, diversified by asset class, client type and geography, that earn commissions and spreads as clients execute transactions across its financial network, while monetizing non-trading client activity including interest and fee earnings on client balances as well as earning consulting fees for market intelligence and risk management services.

The Company provides its services to a diverse group of clients in more than 180 countries. These clients include more than 54,000 commercial, institutional, and global payments clients and over 400,000 retail clients. The Company’s clients include commercial entities, asset managers, regional, national and introducing broker-dealers, insurance companies, brokers, institutional investors and professional traders, commercial and investment banks and government and non-governmental organizations (“NGOs”).

The Company’s common stock trades on The NASDAQ Global Select Market under the symbol “SNEX”.

Basis of Presentation and Consolidation

The accompanying unaudited Condensed Consolidated Balance Sheet as of September 30, 2022, which has been derived from the audited consolidated balance sheet of September 30, 2022, and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to those rules and regulations. The Company believes that the included disclosures clearly and fairly present the information within. In management’s opinion, all adjustments, generally consisting of normal accruals, considered necessary to fairly present the condensed consolidated financial statements for the interim periods presented have been reflected as required by Rule 10-01 of Regulation S-X.

Operating results for interim periods are not necessarily indicative of the results that may be expected for the related full year. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2022, as filed with the SEC.

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

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

Preparing condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to fair value measurement for financial instruments, revenue recognition, valuation of inventories, and income taxes. These estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. The Company reviews all significant estimates affecting the financial statements on a recurring basis and records the effect of any necessary adjustments prior to financial statement issuance. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates. Estimates and assumptions were considered and made in context with the information reasonably available to the Company as of March 31, 2023 and through the date of this Form 10-Q.

In the Condensed Consolidated Income Statements, the total revenues reported combine gross revenues for the physical commodities business and net revenues for all other businesses. The subtotal *Operating revenues* in the Condensed

Consolidated Income Statements is calculated by deducting *Cost of sales of physical commodities* from *Total revenues*. The subtotal *Net operating revenues* in the Condensed Consolidated Income Statements is calculated as *Operating revenues* less *Transaction-based clearing expenses*, *Introducing broker commissions*, *Interest expense,* and *Interest expense on corporate funding*. *Transaction-based clearing expenses* represent variable expenses paid to executing brokers, exchanges, clearing organizations and banks in relation to transactional volumes. *Introducing broker commissions* include commission paid to certain non-employee third parties that have introduced clients to the Company. *Net operating revenues* represent revenues available to pay variable compensation to risk management consultants and traders, direct non-variable expenses, as well as variable and non-variable expenses to operational and administrative employees.

Gain on acquisition and other gain

Gain on acquisition contains the value that the Company acquired in excess of consideration paid for business combinations. More details can be found in Note 17.

Accounting Standards

The Company did not adopt any new accounting standards during the three and six months ended March 31, 2023.

Note 2 – Earnings per Share

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions, except share amounts)	**2023**	**2022**	**2023**	**2022**
Numerator:				
Net income	$ 41.7	$ 64.0	$ 118.3	$ 105.7
Less: Allocation to participating securities	(1.5)	(1.8)	(4.0)	(3.1)
Net income allocated to common stockholders	$ 40.2	$ 62.2	$ 114.3	$ 102.6
Denominator:				
Weighted average number of:				
Common shares outstanding	19,930,027	19,573,871	19,850,052	19,477,540
Dilutive potential common shares outstanding:				
Share-based awards	691,167	438,838	703,861	452,507
Diluted weighted-average common shares	20,621,194	20,012,709	20,553,913	19,930,047

The dilutive effect of share-based awards is reflected in diluted net income per share by applying the treasury stock method, which includes consideration of unamortized share-based compensation expense.

Options to purchase 123,372 and 468,763 shares of common stock for the three months ended March 31, 2023 and 2022, respectively, were excluded from the calculation of diluted earnings per share as they would have been anti-dilutive. Options to purchase 181,396 and 411,145 shares of common stock for the six months ended March 31, 2023 and 2022, respectively, were excluded from the calculation of diluted earnings per share as they would have been anti-dilutive.

Note 3 – Assets and Liabilities, at Fair Value

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

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

The Company has designed independent price verification controls and periodically performs such controls to ensure the reasonableness of such values.

Financial and nonfinancial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A market is active if there are sufficient transactions on an ongoing basis to provide current pricing information for the asset or liability, pricing information is released publicly, and price quotations do not vary substantially either over time or among market participants. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity.

Relevant guidance requires the Company to consider counterparty credit risk of all parties to outstanding derivative instruments that would be considered by a market participant in the transfer or settlement of such contracts (exit price). The Company's exposure to credit risk on derivative financial instruments principally relates to the portfolio of Over-the-counter ("OTC") derivative contracts as all exchange-traded contracts held can be settled on an active market with a credit guarantee from the respective exchange. The Company requires each counterparty to deposit margin collateral for all OTC instruments and is also required to deposit margin collateral with counterparties. The Company has assessed the nature of these deposits and used its discretion to adjust each based on the underlying credit considerations for the counterparty and determined that the collateral deposits minimize the exposure to counterparty credit risk in the evaluation of the fair value of OTC instruments as determined by a market participant.

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

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

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

Level 3 - Valuation is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). Level 3 comprises financial assets and liabilities whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are not readily observable from objective sources. Level 3 includes contingent liabilities that have been valued using an income approach based upon management developed discounted cash flow projections, which are an unobservable input.

The Company had no contingent liabilities as of March 31, 2023 and September 30, 2022, respectively. The Company had certain options related to business combinations and certain deferred acquisition consideration classified as Level 3 assets as of March 31, 2023 and no Level 3 assets as of September 30, 2022.

Fair value of financial and nonfinancial assets and liabilities that are carried on the Condensed Consolidated Balance Sheets at fair value on a recurring basis

Cash and cash equivalents reported at fair value on a recurring basis includes certificates of deposit and money market mutual funds, which are stated at cost plus accrued interest, which approximates fair value.

Cash, securities and other assets segregated under federal and other regulations reported at fair value on a recurring basis include the value of pledged investments, primarily U.S. Treasury obligations and commodities warehouse receipts.

Deposits with and receivables from broker-dealers, clearing organizations and counterparties and payable to clients and broker-dealers, clearing organizations and counterparties includes the fair value of pledged investments, primarily U.S. Treasury obligations and foreign government obligations. These balances also include the fair value of exchange-traded options on futures and OTC forwards, swaps and options.

Financial instruments owned and sold, not yet purchased include the fair value of equity securities, which includes common, preferred, and foreign ordinary shares, American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs"), and exchange-traded funds ("ETFs"), corporate and municipal bonds, U.S. Treasury obligations, U.S. government agency obligations, foreign government obligations, agency mortgage-backed obligations, asset-backed obligations, derivative financial

instruments, commodities warehouse receipts, exchange firm common stock, and investments in managed funds. The fair value of exchange firm common stock is determined by quoted market prices.

Cash equivalents, debt and equity securities, commodities warehouse receipts, physical commodities inventory, derivative financial instruments and contingent liabilities are carried at fair value, on a recurring basis, and are classified and disclosed into three levels in the fair value hierarchy.

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

The Company uses quoted prices in active markets, where available, and classifies instruments with such quotes within Level 1 of the fair value hierarchy. Examples include U.S. Treasury obligations, foreign government obligations, commodities warehouse receipts, certain equity securities traded in active markets, physical precious metals inventory held by a regulated broker-dealer subsidiary, exchange firm common stock, investments in managed funds, as well as options on futures contracts traded on national exchanges. The fair value of exchange firm common stock is determined by recent sale transactions and is included within Level 1.

When instruments are traded in secondary markets and observable prices are not available for substantially the full term, the Company generally relies on internal valuation techniques based upon observable inputs for comparable financial instruments, or prices obtained from third-party pricing services or brokers or a combination thereof, and accordingly, classified these instruments as Level 2. Examples include corporate and municipal bonds, U.S. government agency obligations, agency-mortgage backed obligations, asset-backed obligations, certain equity securities traded in less active markets, and OTC derivative contracts, which include purchase and sale commitments related to the Company's foreign exchange, agricultural, and energy commodities.

Certain derivatives without a quoted price in an active market and derivatives executed OTC are valued using internal valuation techniques, including pricing models which utilize significant inputs observable to market participants. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest yield curves, foreign exchange rates, commodity prices, volatilities and correlation. These derivative instruments are included within Level 2 of the fair value hierarchy.

Physical commodities inventory includes precious metals that are a part of the trading activities of a regulated broker-dealer subsidiary and is recorded at fair value using exchange-quoted prices. Physical commodities inventory also includes agricultural commodities that are a part of the trading activities of a non-broker dealer subsidiary and are recorded at net realizable value using exchange-quoted prices. The fair value of precious metals physical commodities inventory is based upon unadjusted exchange-quoted prices and is, therefore, classified within Level 1 of the fair value hierarchy. The fair value of agricultural physical commodities inventory and the related OTC firm sale and purchase commitments are generally based upon exchange-quoted prices, adjusted for basis or differences in local markets, broker or dealer quotations or market transactions in either listed or OTC markets. Exchange-quoted prices are adjusted for location and quality because the exchange-quoted prices for agricultural and energy related products represent contracts that have standardized terms for commodity, quantity, future delivery period, delivery location, and commodity quality or grade. The basis or local market adjustments are observable inputs or have an insignificant impact on the measurement of fair value and, therefore, the agricultural physical commodities inventory, as well as the related OTC forward firm sale and purchase commitments have been included within Level 2 of the fair value hierarchy.

With the exception of certain derivative instruments where the valuation approach is disclosed above, financial instruments owned and sold are primarily valued using third-party pricing sources. Third-party pricing vendors compile prices from various sources and often apply matrix pricing for similar securities when market-observable transactions for the instruments are not observable for substantially the full term. The Company reviews the pricing methodologies used by third-party pricing vendors in order to evaluate the fair value hierarchy classification of vendor-priced financial instruments and the accuracy of vendor pricing, which typically involves comparing of primary vendor prices to internal trader prices or secondary vendor prices. When evaluating the propriety of vendor-priced financial instruments using secondary prices, considerations include the range and quality of vendor prices, level of observable transactions for identical and similar instruments, and judgments based upon knowledge of a particular market and asset class. If the primary vendor price does not represent fair value, justification for using a secondary price, including source data used to make the determination, is subject to review and approval by authorized personnel prior to using a secondary price. Financial instruments owned and sold that are valued using third party pricing sources are included within either Level 1 or Level 2 of the fair value hierarchy based upon the observability of the inputs used and the level of activity in the market.

The fair value estimates presented herein are based on pertinent information available to management as of March 31, 2023 and September 30, 2022. Although management is not aware of any factors that would significantly affect the estimated fair value

amounts, such amounts have not been comprehensively revalued for purposes of these condensed consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

The following tables set forth the Company’s financial and nonfinancial assets and liabilities accounted for at fair value, on a recurring basis, as of March 31, 2023 and September 30, 2022 by level in the fair value hierarchy. All fair value measurements were performed on a recurring basis as of March 31, 2023 and September 30, 2022.

	March 31, 2023				
(in millions)	**Level 1**	**Level 2**	**Level 3**	**Netting (1)**	**Total**
Assets:					
Certificates of deposit	$ 15.8	$ —	$ —	$ —	$ 15.8
Money market mutual funds	66.1	—	—	—	66.1
Cash and cash equivalents	81.9	—	—	—	81.9
Commodities warehouse receipts	25.7	—	—	—	25.7
U.S. Treasury obligations	0.1	—	—	—	0.1
Securities and other assets segregated under federal and other regulations	25.8	—	—	—	25.8
U.S. Treasury obligations	4,153.3	—	—	—	4,153.3
To be announced and forward settling securities	—	55.4	—	(41.1)	14.3
Foreign government obligations	16.4	—	—	—	16.4
Derivatives	6,505.1	1,261.5	—	(7,294.9)	471.7
Deposits with and receivables from broker-dealers, clearing organizations and counterparties, net	10,674.8	1,316.9	—	(7,336.0)	4,655.7
Receivables from clients, net - Derivatives	50.8	495.4	—	(543.9)	2.3
Equity securities	372.4	18.5	—	—	390.9
Corporate and municipal bonds	—	196.8	—	—	196.8
U.S. Treasury obligations	641.0	—	—	—	641.0
U.S. government agency obligations	—	334.1	—	—	334.1
Foreign government obligations	4.1	—	—	—	4.1
Agency mortgage-backed obligations	—	3,021.4	—	—	3,021.4
Asset-backed obligations	—	75.8	—	—	75.8
Derivatives	0.6	901.5	—	(616.7)	285.4
Commodities leases	—	23.9	—	—	23.9
Commodities warehouse receipts	33.1	—	—	—	33.1
Exchange firm common stock	11.5	—	—	—	11.5
Cash flow hedges	—	4.7	—	—	4.7
Mutual funds and other	25.8	—	0.6	—	26.4
Financial instruments owned	1,088.5	4,576.7	0.6	(616.7)	5,049.1
Physical commodities inventory	111.5	240.1	—	—	351.6
Total assets at fair value	$ 12,033.3	$ 6,629.1	$ 0.6	$ (8,496.6)	$ 10,166.4
Liabilities:					
Accounts payable and other accrued liabilities	$ —	$ —	$ 1.3	$ —	$ 1.3
Payables to clients - Derivatives	6,435.2	207.0	—	(5,972.7)	669.5
TBA and forward settling securities	—	72.5	—	(37.5)	35.0
Derivatives	109.9	1,505.4	—	(1,616.2)	(0.9)
Payable to broker-dealers, clearing organizations and counterparties	109.9	1,577.9	—	(1,653.7)	34.1
Equity securities	318.0	13.0	—	—	331.0
Foreign government obligations	5.9	—	—	—	5.9
Corporate and municipal bonds	—	98.6	—	—	98.6
U.S. Treasury obligations	1,830.6	—	—	—	1,830.6
U.S. government agency obligations	—	13.8	—	—	13.8
Agency mortgage-backed obligations	—	40.8	—	—	40.8
Derivatives	2.5	762.7	—	(555.5)	209.7
Cash flow hedges	—	38.5	—	—	38.5
Other	—	0.8	1.2	—	2.0
Financial instruments sold, not yet purchased	2,157.0	968.2	1.2	(555.5)	2,570.9
Total liabilities at fair value	$ 8,702.1	$ 2,753.1	$ 2.5	$ (8,181.9)	$ 3,275.8

(1) Represents cash collateral and the impact of netting across at each level of the fair value hierarchy.

(in millions)	September 30, 2022 Level 1	Level 2	Level 3	Netting (1)	Total
Assets:					
Certificates of deposit	$ 4.0	$ —	$ —	$ —	$ 4.0
Money market mutual funds	39.5	—	—	—	39.5
Cash and cash equivalents	43.5	—	—	—	43.5
Commodities warehouse receipts	19.7	—	—	—	19.7
U.S. Treasury obligations	786.0	—	—	—	786.0
Securities and other assets segregated under federal and other regulations	805.7	—	—	—	805.7
U.S. Treasury obligations	4,258.5	—	—	—	4,258.5
TBA and forward settling securities	—	207.6	—	(91.4)	116.2
Foreign government obligations	14.4	—	—	—	14.4
Derivatives	7,714.4	461.4	—	(9,747.7)	(1,571.9)
Deposits with and receivables from broker-dealers, clearing organizations and counterparties, net	11,987.3	669.0	—	(9,839.1)	2,817.2
Receivables from clients, net - Derivatives	67.2	511.6		(579.3)	(0.5)
Equity securities	367.9	11.8	—	—	379.7
Corporate and municipal bonds	—	156.8	—	—	156.8
U.S. Treasury obligations	347.6	—	—	—	347.6
U.S. government agency obligations	—	343.0	—	—	343.0
Foreign government obligations	4.8	—	—	—	4.8
Agency mortgage-backed obligations	—	2,588.7	—	—	2,588.7
Asset-backed obligations	—	70.7	—	—	70.7
Derivatives	0.7	694.3	—	(502.4)	192.6
Commodities leases	—	26.4	—	—	26.4
Commodities warehouse receipts	24.9	—	—	—	24.9
Exchange firm common stock	10.6	—	—	—	10.6
Mutual funds and other	17.4	4.1	—	—	21.5
Financial instruments owned	773.9	3,895.8	—	(502.4)	4,167.3
Physical commodities inventory	136.3	223.5	—	—	359.8
Total assets at fair value	$ 13,813.9	$ 5,299.9	$ —	$ (10,920.8)	$ 8,193.0
Liabilities:					
Payables to clients - Derivatives	7,722.5	175.4		(9,290.3)	(1,392.4)
TBA and forward settling securities	—	154.9	—	(96.9)	58.0
Derivatives	58.7	590.6	—	(651.5)	(2.2)
Payable to broker-dealers, clearing organizations and counterparties	58.7	745.5	—	(748.4)	55.8
Equity securities	299.9	5.7	—	—	305.6
Foreign government obligations	0.5	—	—	—	0.5
Corporate and municipal bonds	—	63.2	—	—	63.2
U.S. Treasury obligations	1,686.5	—	—	—	1,686.5
U.S. government agency obligations	—	24.3	—	—	24.3
Agency mortgage-backed obligations	—	5.4	—	—	5.4
Derivatives	—	779.7	—	(466.3)	313.4
Cash flow hedges	—	70.6	—	—	70.6
Other	—	0.1	—	—	0.1
Financial instruments sold, not yet purchased	1,986.9	949.0	—	(466.3)	2,469.6
Total liabilities at fair value	$ 9,768.1	$ 1,869.9	$ —	$ (10,505.0)	$ 1,133.0

(1) Represents cash collateral and the impact of netting across at each level of the fair value hierarchy.

Realized and unrealized gains and losses are included in *Principal gains, net*, *Interest income*, and *Cost of sales of physical commodities* in the Condensed Consolidated Income Statements.

Additional disclosures about the fair value of financial instruments that are not carried on the Condensed Consolidated Balance Sheets at fair value

Many, but not all, of the financial instruments that the Company holds are recorded at fair value in the Condensed Consolidated Balance Sheets. The following represents financial instruments in which the ending balance at March 31, 2023 and September 30, 2022 was not carried at fair value in accordance with U.S. GAAP on the Condensed Consolidated Balance Sheets:

Short-term financial instruments: The carrying value of short-term financial instruments, including cash and cash equivalents, cash segregated under federal and other regulations, securities purchased under agreements to resell and securities sold under agreements to repurchase, and securities borrowed and loaned are recorded at amounts that approximate the fair value of these instruments due to their short-term nature and level of collateralization. These financial instruments generally expose the Company to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market rates. Under the fair value hierarchy, cash and cash equivalents and cash segregated under federal and other regulations are classified as Level 1. Securities purchased under agreements to resell and securities sold under agreements to repurchase, and securities borrowed and loaned are classified as Level 2 under the fair value hierarchy as they are generally overnight or short-term in nature and are collateralized by equity securities, U.S. Treasury obligations, U.S. government agency obligations, agency mortgage-backed obligations, and asset-backed obligations.

Receivables and other assets: Receivables from broker-dealers, clearing organizations, and counterparties, receivables from clients, net, notes receivables, and certain other assets are recorded at amounts that approximate fair value due to their short-term nature and are classified as Level 2 under the fair value hierarchy.

Payables: Payables to clients and payables to broker-dealers, clearing organizations, and counterparties are recorded at amounts that approximate fair value due to their short-term nature and are classified as Level 2 under the fair value hierarchy.

Lenders under loans: Payables to lenders under loans carry variable rates of interest and thus approximate fair value and are classified as Level 2 under the fair value hierarchy.

Senior secured borrowings, net: Senior secured borrowings, net includes the Company's 8.625% Senior Secured Notes due 2025 (the “Senior Secured Notes”), as further described in Note 9, with a carrying value of $340.6 million as of March 31, 2023. The carrying value of the Senior Secured Notes represent their principal amount net of unamortized deferred financing costs and original issue discount. As of March 31, 2023, the Senior Secured Notes had a fair value of $351.9 million and are classified as Level 2 under the fair value hierarchy.

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

The Company is party to certain financial instruments with off-balance sheet risk in the normal course of its business. The Company has sold financial instruments that it does not currently own and will therefore be obliged to purchase such financial instruments at a future date. The Company has recorded these obligations in the condensed consolidated financial statements as of March 31, 2023 and September 30, 2022 at the fair values of the related financial instruments. The Company will incur losses if the fair value of the underlying financial instruments increases subsequent to March 31, 2023. The total financial instruments sold, not yet purchased of $2,570.9 million and $2,469.6 million as of March 31, 2023 and September 30, 2022, respectively, includes $209.7 million and $313.4 million for derivative contracts not designated as hedges, respectively, which represented a liability to the Company based on their fair values as of March 31, 2023 and September 30, 2022.

Derivatives

The Company utilizes derivative products in its trading capacity as a dealer in order to satisfy client needs and mitigate risk. The Company manages risks from both derivatives and non-derivative cash instruments on a consolidated basis. The risks of derivatives should not be viewed in isolation, but in aggregate with the Company’s other trading activities. The Company’s derivative positions are included in the Condensed Consolidated Balance Sheets in *Deposits with and receivables from broker-dealers, clearing organizations and counterparties*, *Receivables from clients, net*, *Financial instruments owned and sold, not yet purchased, at fair value*, *Payable to clients* and *Payables to broker-dealers, clearing organizations and counterparties*.

Listed below are the fair values of the Company's derivative assets and liabilities as of March 31, 2023 and September 30, 2022. Assets represent net unrealized gains and liabilities represent net unrealized losses.

	March 31, 2023		September 30, 2022	
(in millions)	**Assets** [1]	**Liabilities** [1]	**Assets** [1]	**Liabilities** [1]
Derivative contracts not accounted for as hedges:				
Exchange-traded commodity derivatives	$ 2,052.1	$ 2,040.6	$ 4,520.4	$ 4,519.3
OTC commodity derivatives	1,476.1	1,395.6	756.9	695.6
Exchange-traded foreign exchange derivatives	213.0	213.0	25.6	25.7
OTC foreign exchange derivatives	762.5	716.0	577.1	549.3
Exchange-traded interest rate derivatives	2,097.1	2,099.7	2,626.8	2,626.7
OTC interest rate derivatives	287.3	287.3	168.9	205.1
Exchange-traded equity index derivatives	2,194.3	2,194.3	609.5	609.5
OTC equity and indices derivatives	132.5	76.2	164.4	95.7
TBA and forward settling securities	55.4	72.5	207.6	154.9
Subtotal	9,270.3	9,095.2	9,657.2	9,481.8
Derivative contracts designated as hedging instruments:				
Interest rate contracts	1.8	38.4	—	48.8
Foreign currency forward contracts	2.9	0.1	—	21.8
Subtotal	4.7	38.5	—	70.6
Gross fair value of derivative contracts	$ 9,275.0	$ 9,133.7	$ 9,657.2	$ 9,552.4
Impact of netting and collateral	(8,496.6)	(8,181.9)	(10,920.8)	(10,505.0)
Total fair value included in *Deposits with and receivables from broker-dealers, clearing organizations, and counterparties, net*	$ 486.0		$ (1,455.7)	
Total fair value included in *Receivables from clients, net*	$ 2.3		$ (0.5)	
Total fair value included in *Financial instruments owned, at fair value*	$ 290.1		$ 192.6	
Total fair value included in *Payables to clients*		$ 669.5		$ (1,392.4)
Total fair value included in *Payables to broker-dealers, clearing organizations and counterparties*		$ 34.1		$ 55.8
Total fair value included in *Financial instruments sold, not yet purchased, at fair value*		$ 248.2		$ 384.0

(1) As of March 31, 2023 and September 30, 2022, the Company's derivative contract volume for open positions was approximately 16.4 million and 13.3 million contracts, respectively.

The Company's derivative contracts are principally held in its Commercial and Retail segments. The Company assists its Commercial segment clients in protecting the value of their future production by entering into option or forward agreements with them on an OTC basis. The Company also provides its Commercial segment clients with option products, including combinations of buying and selling puts and calls. In its Retail segment, the Company provides its retail clients with access to spot foreign exchange, precious metals trading, as well as contracts for a difference ("CFDs") and spread bets, where permitted. The Company mitigates its risk by generally offsetting the client's transaction simultaneously with one of the Company's trading counterparties or will offset that transaction with a similar but not identical position on the exchange. The risk mitigation of these offsetting trades is not within the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC. These derivative contracts are traded along with cash transactions because of the integrated nature of the markets for these products. The Company manages the risks associated with derivatives on an aggregate basis along with the risks associated with its proprietary trading and market-making activities in cash instruments as part of its firm-wide risk management policies. In particular, the risks related to derivative positions may be partially offset by inventory, unrealized gains in inventory or cash collateral paid or received.

Hedging Activities

The Company uses interest rate derivatives, in the form of swaps, to hedge risk related to variability in overnight rates. These hedges are designated cash flow hedges, through which the Company mitigates uncertainty in its interest income by converting floating-rate interest income to fixed-rate interest income. While the swaps mitigate interest rate risk, they do introduce credit risk, which is the possibility that the Company's trading counterparty fails to meet its obligation. The Company minimizes this risk by entering into its swaps with highly-rated, multi-national institutions. In addition to credit risk, there is market risk associated with the swap positions. The Company's market risk is limited, because any amounts the Company must pay from

having exchanged variable interest will be funded by the variable interest the Company receives on its deposits. As of March 31, 2023, the Company's hedges will all have matured by approximately 2 years from the end of the current period.

The Company also uses foreign currency derivatives, in the form of forward contracts, to hedge risk related to the variability in exchange rates relative to certain of the Company's non-USD expenditures. These hedges are designated cash flow hedges, through which the Company mitigates variability in exchange rates by exchanging foreign currency for USD at fixed exchange rates at a pre-determined future date, or several cash flows at several pre-determined future dates. While the forward contracts mitigate exchange rate variability risk, they do introduce credit risk, which is the possibility that the Company's trading counterparty fails to meet its obligation. The Company minimizes this risk by entering into its forward contracts with highly-rated, multi-national institutions. These hedges will all mature within 2 years from the end of the current period.

The Company assesses the effectiveness of its hedges at each reporting period to identify any required reclassifications into current earnings. During the three months ended March 31, 2023 and 2022, the Company did not designate any portion of its hedges as ineffective and thus did not have any values in current earnings related to ineffective hedges. The fair values of derivative instruments designated for hedging held as of March 31, 2023 and September 30, 2022 are as follow:

		March 31, 2023		September 30, 2022	
(in millions)	**Balance Sheet Location**	**Fair Value**		**Fair Value**	
Asset Derivatives					
Derivatives designated as hedging instruments:					
Interest rate contracts	Financial instruments owned, net	$	1.8	$	—
Foreign currency forward contracts	Financial instruments owned, net		2.9		—
Total derivatives designated as hedging instruments		$	4.7	$	—
Derivative assets expected to be released from *Other comprehensive income* into current earnings:					
Foreign currency forward contracts		$	0.5	$	—
Total expected to be released from *Other comprehensive income* into earnings		$	0.5	$	—
Liability Derivatives					
Derivatives designated as hedging instruments:					
Interest rate contracts	Financial instruments sold, not yet purchased	$	38.4	$	48.8
Foreign currency forward contracts	Financial instruments sold, not yet purchased		0.1		21.8
Total derivatives designated as hedging instruments		$	38.5	$	70.6
Derivative liabilities expected to be released from *Other comprehensive income* into current earnings:					
Interest rate contracts		$	32.7	$	9.7
Foreign currency forward contracts			—		8.9
Total expected to be released from *Other comprehensive income* into earnings		$	32.7	$	18.6

The notional values of derivative instruments designated for hedging held as of March 31, 2023 and September 30, 2022 are as follow:

	March 31, 2023		September 30, 2022	
(in millions)	**Notional Value**		**Notional Value**	
Derivatives designated as hedging instruments:				
Interest rate contracts	$	2,000.0	$	1,500.0
Foreign currency forward contracts:				
Foreign currency forward contracts to purchase Polish Zloty:				
Local currency	zł	156.1	zł	—
USD	$	33.2	$	—
Foreign currency forward contracts to purchase British Pound Sterling:				
Local currency	£	168.0	£	168.0
USD	$	206.8	$	207.3

The Condensed Consolidated Income Statement effects of derivative instruments designated for hedging held for the three and six months ended March 31, 2023 and 2022 are as follows:

(in millions)	Income Statement Location	Three Months Ended March 31, 2023	Six Months Ended March 31, 2023
Total amounts in income related to hedges			
Interest rate contracts	Interest income	$ (11.6)	$ (17.0)
Foreign currency forward contracts	Compensation and benefits	0.7	0.5
Total derivatives designated as hedging instruments		$ (10.9)	$ (16.5)
Loss on cash flow hedging relationships:			
Amount of loss reclassified from accumulated other comprehensive income into income		$ (10.9)	$ (16.5)
Amount of gain reclassified from accumulated other comprehensive income into income as a result of a forecasted transaction that is no longer probable of occurring		$ —	$ —

(in millions)	Income Statement Location	Three Months Ended March 31, 2022	Six Months Ended March 31, 2022
Total amounts in income related to hedges			
Interest rate contracts	Interest Income	$ 1.6	$ 1.7
Total derivatives designated as hedging instruments		$ 1.6	$ 1.7
Gain on cash flow hedging relationships:			
Amount of gain reclassified from accumulated other comprehensive income into income		$ 1.6	$ 1.7
Amount of gain reclassified from accumulated other comprehensive income into income as a result of a forecasted transaction that is no longer probable of occurring		$ —	$ —

The accumulated other comprehensive income effects of derivative instruments designated for hedging held for three and six months ended March 31, 2023 and 2022 are as follow:

	Three Months Ended March 31, 2023		
(in millions)	Amount of Gain Recognized in Other Comprehensive Income on Derivatives, net of tax	Location of amount Reclassified from Accumulated Other Comprehensive Income into Income	Amount Reclassified from Accumulated Other Comprehensive Income into Income
Derivatives in Cash Flow Hedging Relationships:			
Interest rate contracts	$ 10.6	Interest Income	$ (11.6)
Foreign currency forward contracts	3.7	Compensation and benefits	0.7
Total	$ 14.3		$ (10.9)

	Six Months Ended March 31, 2023		
(in millions)	Amount of Gain Recognized in Other Comprehensive Income on Derivatives, net of tax	Location of Gain Reclassified from Accumulated Other Comprehensive Income into Income	Amount Reclassified from Accumulated Other Comprehensive Income into Income
Derivatives in Cash Flow Hedging Relationships:			
Interest rate contracts	$ 9.2	Interest Income	$ (17.0)
Foreign currency forward contracts	19.8	Compensation and benefits	0.5
Total	$ 29.0		$ (16.5)

	Three Months Ended March 31, 2022		
(in millions)	Amount of Gain/(loss) Recognized in Other Comprehensive Income on Derivatives, net of tax	Location of amount Reclassified from Accumulated Other Comprehensive Income into Income	Amount Reclassified from Accumulated Other Comprehensive Income into Income
Derivatives in Cash Flow Hedging Relationships:			
Interest rate contracts	$ 18.1	Interest Income	$ 1.6
Total	$ 18.1		$ 1.6

(in millions)	Six Months Ended March 31, 2022				
	Amount of Loss Recognized in Other Comprehensive Income on Derivatives, net of tax		Location of Gain Reclassified from Accumulated Other Comprehensive Income into Income	Amount of Gain Reclassified from Accumulated Other Comprehensive Income into Income	
Derivatives in Cash Flow Hedging Relationships:					
Interest rate contracts	$	18.2	Interest Income	$	1.7
Total	$	18.2		$	1.7

The following table sets forth the Company's net gains/(losses) related to derivative financial instruments for the three and six months ended March 31, 2023 and 2022 in accordance with the Derivatives and Hedging Topic of the ASC. The net gains/(losses) set forth below are included in *Principal gains, net* and *Cost of sales of physical commodities* in the Condensed Consolidated Income Statements.

(in millions)	Three Months Ended March 31,				Six Months Ended March 31,			
	2023		2022		2023		2022	
Commodities	$	147.8	$	135.2	$	202.0	$	182.9
Foreign exchange		(72.8)		56.7		(24.0)		92.5
Interest rate, equities, and indices		25.6		27.4		33.9		52.8
TBA and forward settling securities		(14.1)		94.1		(37.1)		92.0
Net gains from derivative contracts	$	86.5	$	313.4	$	174.8	$	420.2

Credit Risk

In the normal course of business, the Company purchases and sells financial instruments, commodities and foreign currencies as either a principal or agent on behalf of its clients. If either the client or counterparty fails to perform, the Company may be required to discharge the obligations of the nonperforming party. In such circumstances, the Company may sustain a loss if the fair value of the financial instrument, commodity, or foreign currency is different from the contract value of the transaction.

The majority of the Company's transactions and, consequently, the concentration of its credit exposure are with commodity exchanges, clients, broker-dealers and other financial institutions. These activities primarily involve collateralized and uncollateralized arrangements and may result in credit exposure in the event that a counterparty fails to meet its contractual obligations. The Company's exposure to credit risk can be directly impacted by volatile financial markets, which may impair counterparties' ability to satisfy contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit and/or position limits based upon a review of the counterparties' financial condition and credit ratings. The Company monitors collateral levels on a daily basis for compliance with regulatory and internal guidelines and requests changes in collateral levels as appropriate.

The Company is a party to financial instruments in the normal course of its business through client and proprietary trading accounts in exchange-traded and OTC derivative instruments. These instruments are primarily the result of the execution of orders for commodity futures, options on futures, OTC swaps and options and spot and forward foreign currency contracts on behalf of its clients, substantially all of which are transacted on a margin basis. Such transactions may expose the Company to significant credit risk in the event that margin requirements are not sufficient to fully cover losses which clients may incur. The Company controls the risks associated with these transactions by requiring clients to maintain margin deposits in compliance with individual exchange regulations and internal guidelines. The Company monitors required margin levels daily, and therefore, may require clients to deposit additional collateral or reduce positions when necessary. The Company also establishes credit limits for clients, which are monitored daily. The Company evaluates each client's creditworthiness on a case by case basis. Clearing, financing, and settlement activities may require the Company to maintain funds with or pledge securities as collateral with other financial institutions. Generally, these exposures to both clients and exchanges are subject to master netting, or client agreements, which reduce the exposure to the Company by permitting receivables and payables with such clients to be offset in the event of a client default. Management believes that the margin deposits held as of March 31, 2023 and September 30, 2022 were adequate to minimize the risk of material loss that could be created by positions held at that time. Additionally, the Company monitors collateral fair value on a daily basis and adjusts collateral levels in the event of excess market exposure.

Derivative financial instruments involve varying degrees of off-balance sheet market risk whereby changes in the fair values of underlying financial instruments may result in changes in the fair value of the financial instruments in excess of the amounts reflected in the consolidated balance sheets. Exposure to market risk is influenced by a number of factors, including the relationships between the financial instruments and the Company's positions, as well as the volatility and liquidity in the markets in which the financial instruments are traded. The principal risk components of financial instruments include, among other things, interest rate volatility, the duration of the underlying instruments and changes in commodity pricing and foreign

exchange rates. The Company attempts to manage its exposure to market risk through various techniques. Aggregate market limits have been established and market risk measures are routinely monitored against these limits.

Note 5 – Allowance for Doubtful Accounts

The allowance for doubtful accounts related to deposits with and receivables from broker-dealers, clearing organizations, and counterparties was $0.1 million as of March 31, 2023 and $1.4 million as of September 30, 2022. The allowance for doubtful accounts related to receivables from clients was $48.7 million and $46.4 million as of March 31, 2023 and September 30, 2022, respectively. The Company had no allowance for doubtful accounts related to notes receivable as of March 31, 2023 and September 30, 2022.

Activity in the allowance for doubtful accounts for the six months ended March 31, 2023 was as follows:

(in millions)		
Balance as of September 30, 2022	$	47.8
Provision for bad debts		1.3
Allowance charge-offs		(0.3)
Balance as of March 31, 2023	$	48.8

Note 6 – Physical Commodities Inventory

The Company's inventories consist of finished physical commodities as shown below.

(in millions)		March 31, 2023		September 30, 2022
Physical Ag & Energy[1]	$	240.1	$	223.6
Precious metals - held by broker-dealer subsidiary		111.5		136.3
Precious metals - held by non-broker-dealer subsidiaries		220.5		153.6
Physical commodities inventory, net	$	572.1	$	513.5

[1] Physical Ag & Energy consists of agricultural commodity inventories, including corn, soybeans, wheat, dried distillers grain, canola, sorghum, coffee, cocoa, cotton, and others. Agricultural inventories have reliable, readily determinable and realizable market prices, have relatively insignificant costs of disposal and are available for immediate delivery. Physical Ag & Energy also includes energy related inventories, including primarily propane, gasoline, and kerosene. The Company records changes to these values in *Cost of sales of physical commodities* on the Condensed Consolidated Income Statements.

Note 7 – Goodwill

Goodwill allocated to the Company's operating segments is as follows:

(in millions)		March 31, 2023		September 30, 2022
Commercial	$	33.8	$	32.6
Institutional		9.8		9.8
Retail		5.8		5.8
Global Payments		10.0		10.0
Total Goodwill	$	59.4	$	58.2

Note 8 – Intangible Assets

The gross and net carrying values of intangible assets as of the balance sheet dates, by major intangible asset class are as follows (in millions):

	March 31, 2023			September 30, 2022		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets subject to amortization						
Trade/domain names	$ 4.1	$ (2.0)	$ 2.1	$ 3.7	$ (1.6)	$ 2.1
Software programs/platforms	28.6	(23.9)	4.7	28.3	(19.4)	8.9
Client and supplier base	38.1	(21.1)	17.0	29.5	(18.0)	11.5
Total intangible assets subject to amortization	70.8	(47.0)	23.8	61.5	(39.0)	22.5
Intangible assets not subject to amortization						
Website domains	2.0	—	2.0	1.8	—	1.8
Business licenses	3.7	—	3.7	3.7	—	3.7
Total intangible assets not subject to amortization	5.7	—	5.7	5.5	—	5.5
Total intangible assets	$ 76.5	$ (47.0)	$ 29.5	$ 67.0	$ (39.0)	$ 28.0

Amortization expense related to intangible assets was $4.1 million and $3.7 million for the three months ended March 31, 2023 and 2022, respectively. Amortization expense related to intangible assets was $8.0 million and $7.4 million for the six months ended March 31, 2023 and March 31, 2022, respectively.

As of March 31, 2023, the estimated future amortization expense was as follows:

(in millions)	
Fiscal 2023 (remaining six months)	$ 6.3
Fiscal 2024	6.8
Fiscal 2025	3.6
Fiscal 2026	2.8
Fiscal 2027 and thereafter	4.3
Total intangible assets subject to amortization	$ 23.8

Note 9 – Credit Facilities

Committed Credit Facilities

The Company has four committed credit facilities, including a senior secured term loan, under which the Company and its subsidiaries may borrow up to $1,130.0 million, subject to the terms and conditions for these facilities. The amounts outstanding under these credit facilities carry variable rates of interest, thus approximating fair value. The Company's committed credit facilities consist of the following:

- A three-year first-lien senior secured syndicated loan facility is available to the Company for general working capital requirements and capital expenditures. This $475.0 million revolving credit facility matures April 21, 2025.
- An unsecured syndicated committed line of credit under which $180.0 million is available to the Company's wholly owned subsidiary, StoneX Financial Inc., to provide short-term funding of margin to commodity exchanges. The line of credit is subject to annual review and its continued availability is subject to StoneX Financial Inc.'s financial condition and operating results continuing to be satisfactory as set forth in the relevant agreement. This facility was amended during the period to increase the amount available from $75.0 million to $180.0 million and extend the maturity to December 11, 2023.
- A $400.0 million syndicated committed borrowing facility available to the Company's wholly owned subsidiary, StoneX Commodity Solutions LLC, to finance commodity financing arrangements and commodity repurchase agreements. The facility is secured by the assets of StoneX Commodity Solutions LLC and guaranteed by the Company.
- An unsecured syndicated committed borrowing facility under which $75.0 million is available to the Company's wholly owned subsidiary, StoneX Financial Ltd., for short-term funding of margin to commodity exchanges. This facility was amended to extend its maturity to October 14, 2023. The facility is guaranteed by the Company.

Uncommitted Credit Facilities

The Company has access to certain uncommitted financing agreements that support its ordinary course securities and commodities inventories. The agreements are subject to certain borrowing terms and conditions.

Note Payable to Bank

In December 2020, the Company obtained a $9.0 million loan from a commercial bank, secured by equipment purchased with the proceeds. The note is payable in monthly installments, with the final payment due during December 2025. The note bears interest at a rate per annum equal to the Index rate, as defined in the agreement, plus 2.35%.

Senior Secured Notes

On June 11, 2020, the Company completed the issuance and sale of $350 million in aggregate principal amount of the Company's 8.625% Senior Secured Notes due 2025 (the "Notes") at the offering price of 98.5% of the aggregate principal amount. During June 2021, the Company redeemed $1.6 million principal amount of outstanding Notes, for 103% of the principal amount, plus accrued and unpaid interest. The Company used the proceeds from the issuance of the Notes to fund the consideration for the acquisition of Gain Capital Holdings, Inc., to pay acquisition related costs, and to fund the redemption of the amount of Gain's notes outstanding at acquisition.

The Notes will mature on June 15, 2025. Interest on the Notes accrues at a rate of 8.625% per annum and is payable semiannually in arrears on June 15 and December 15 of each year, commencing on December 15, 2020. In connection with issuing the Notes, the Company incurred debt issuance costs of $9.5 million, which are being amortized over the term of the Notes under the effective interest method.

The following table sets forth a listing of credit facilities, the current committed amounts as of the report date on the facilities, and outstanding borrowings on the facilities, as well as indebtedness on a promissory note and the Notes as of the periods indicated:

(in millions)				Amounts Outstanding		
Borrower	Security	Renewal/Expiration Date	Total Commitment	March 31, 2023		September 30, 2022
Committed Credit Facilities						
Senior StoneX Group Inc. Committed Credit Facility - Revolving Line of Credit	(1)	April 21, 2025	$ 475.0	$ 312.5	(5)	$ 260.0
StoneX Financial Inc.	None	December 11, 2023	180.0	—	(5)	—
StoneX Commodity Solutions LLC	Certain commodities assets	July 28, 2024	400.0	221.1	(5)	217.0
StoneX Financial Ltd.	None	October 14, 2023	75.0	—	(5)	—
			$ 1,130.0	$ 533.6		$ 477.0
Uncommitted Credit Facilities	Various			19.9	(5)	—
Note Payable to Bank	Certain equipment			7.8	(5)	8.1
Senior Secured Notes	(2)			340.6	(3),(4)	339.1
Total outstanding borrowings				$ 901.9		$ 824.2

(1) The StoneX Group Inc. committed credit facility is secured by substantially all of the assets of StoneX Group Inc. and certain subsidiaries identified in the credit facility agreement as obligors, and pledged equity of certain subsidiaries identified in the credit facility as limited guarantors.

(2) The Notes and the related guarantees are secured by liens on substantially all of the Company's and the guarantors' assets, subject to certain customary and other exceptions and permitted liens. The liens on the assets that secure the Notes and the related guarantees are contractually subordinated to the liens on the assets that secure the Company's and the guarantors' existing and future first lien secured indebtedness, including indebtedness under the Company's senior committed credit facility.

(3) Amounts outstanding under the Notes are reported net of unamortized original issue discount of $7.4 million and $8.8 million, in the respective periods presented.

(4) Included in *Senior secured borrowings, net* on the Condensed Consolidated Balance Sheets.

(5) Included in *Lenders under loans* on the Condensed Consolidated Balance Sheets.

As reflected above, some of the Company's committed credit facilities are scheduled to expire during the next twelve months following the quarterly period ended March 31, 2023. The Company intends to renew or replace the other facilities as they expire, and based on the Company's liquidity position and capital structure, the Company believes it will be able to do so.

The Company’s credit facility agreements contain financial covenants relating to financial measures on a consolidated basis, as well as on a certain stand-alone subsidiary basis, including minimum tangible net worth, minimum regulatory capital, minimum net unencumbered liquid assets, maximum net loss, minimum fixed charge coverage ratio and maximum funded debt to net worth ratio. Failure to comply with these covenants could result in the debt becoming payable on demand. As of March 31, 2023, the Company was in compliance with all of its financial covenants under its credit facilities.

Note 10 – Securities and Commodity Financing Transactions

The Company’s repurchase agreements and securities borrowing and lending arrangements are generally recorded at cost in the Condensed Consolidated Balance Sheets, which is a reasonable approximation of their fair values due to their short-term nature. Secured borrowing and lending arrangements are entered into to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs or re-lend as part of our dealer operations. The fair value of securities loaned and borrowed is monitored daily compared with the related payable or receivable, and additional collateral or returning excess collateral is requested, as appropriate. These arrangements may serve to limit credit risk resulting from our transactions with our counterparties. Financial instruments are pledged as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. Agreements with counterparties generally contain contractual provisions allowing counterparties the right to sell or repledge collateral. Either the Company or its counterparties may require additional collateral. All collateral is held by the Company or a custodian.

The following tables set forth the carrying value of repurchase agreements, and securities lending agreements by remaining contractual maturity (in millions):

	March 31, 2023				
	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	$ 7,237.3	$ 1,564.1	$ 1,492.4	$ 38.3	$ 10,332.1
Securities loaned	764.5	—	—	—	764.5
Gross amount of secured financing	$ 8,001.8	$ 1,564.1	$ 1,492.4	$ 38.3	$ 11,096.6

	September 30, 2022				
	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	$ 3,664.7	$ 2,279.1	$ 186.3	$ 3.4	$ 6,133.5
Securities loaned	1,189.5	—	—	—	1,189.5
Gross amount of secured financing	$ 4,854.2	$ 2,279.1	$ 186.3	$ 3.4	$ 7,323.0

Offsetting of Collateralized Transactions

The following table sets forth the carrying value of repurchase agreements and securities lending agreements by class of collateral pledged (in millions):

Securities sold under agreements to repurchase	March 31, 2023	September 30, 2022
U.S. Treasury obligations	$ 4,777.7	$ 1,311.0
U.S. government agency obligations	476.0	604.1
Asset-backed obligations	54.8	178.0
Agency mortgage-backed obligations	4,651.0	3,762.5
Foreign government obligations	124.1	97.2
Corporate bonds	248.5	180.7
Total securities sold under agreement to repurchase	$ 10,332.1	$ 6,133.5
Securities loaned		
Equity securities	$ 764.5	$ 1,189.5
Total securities loaned	764.5	1,189.5
Gross amount of secured financing	$ 11,096.6	$ 7,323.0

The following tables provide the netting of securities purchased under agreements to resell, securities sold under agreements to repurchase, securities borrowed and securities loaned as of the periods indicated (in millions):

Offsetting of collateralized transactions:	March 31, 2023		
	Gross Amounts Recognized	Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts Presented in the Condensed Consolidated Balance Sheet
Securities purchased under agreements to resell	$ 7,932.2	$ (5,309.0)	$ 2,623.2
Securities borrowed	$ 753.7	$ —	$ 753.7
Securities sold under agreements to repurchase	$ 10,332.1	$ (5,309.0)	$ 5,023.1
Securities loaned	$ 764.5	$ —	$ 764.5

Offsetting of collateralized transactions:	September 30, 2022		
	Gross Amounts Recognized	Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts Presented in the Condensed Consolidated Balance Sheet
Securities purchased under agreements to resell	$ 4,609.9	$ (2,937.9)	$ 1,672.0
Securities borrowed	$ 1,209.8	$ —	$ 1,209.8
Securities sold under agreements to repurchase	$ 6,133.5	$ (2,937.9)	$ 3,195.6
Securities loaned	$ 1,189.5	$ —	$ 1,189.5

The Company pledges securities owned as collateral in both tri-party and bilateral arrangements. Pledged securities under tri-party arrangements may not be repledged or sold by the Company's counterparties, whereas bilaterally pledged securities may be. The approximate fair value of pledged securities that can be sold or repledged by the Company's counterparties has been parenthetically disclosed on the Condensed Consolidated Balance Sheets.

The Company receives securities as collateral under reverse repurchase agreements, securities borrowed agreements, and margin securities held on behalf of counterparties. This collateral is used by the Company to cover financial instruments sold, not yet purchased; to obtain financing in the form of repurchase agreements; and to meet counterparties' needs under lending arrangement and matched-booked trading strategies. Additional securities collateral is obtained as necessary to ensure such transactions are adequately collateralized. In many instances, the Company is permitted by contract to repledge the securities received as collateral, which may include pledges to cover collateral requirements for tri-party repurchase agreements.

The following table sets forth the carrying value of collateral pledged, received and repledged (in millions):

	March 31, 2023	September 30, 2022
Securities pledged or repledged to cover collateral requirements for tri-party arrangements	$ 4,824.6	$ 3,787.8
Securities received as collateral that may be repledged	$ 8,832.5	$ 5,836.1
Securities received as collateral that may be repledged covering securities sold short	$ 2,005.2	$ 1,615.3
Repledged securities borrowed and client securities held under custodial clearing arrangements to collateralize securities loaned agreements	$ 754.9	$ 1,146.0

Note 11 – Commitments and Contingencies

Contingencies

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

A CTA is registered with the U.S. Commodity Futures Trading Commission ("CFTC") and a member of, and subject to audit by, the National Futures Association ("NFA"). OptionSellers was registered under a CFTC Rule 4.7 exemption for providing services only to "qualified eligible persons," which requires the account holders authorizing OptionSellers to act as their CTA to meet or exceed certain minimum financial requirements. OptionSellers, in its role as a CTA, had been granted by each of its clients full discretionary authority to manage the trading in the clients' accounts, while StoneX Financial Inc. acted solely as the clearing firm in its role as the FCM.

StoneX Financial Inc.'s client agreements hold account holders liable for all losses in their accounts and obligate the account holders to reimburse StoneX Financial Inc. for any deficits in their accounts. As of March 31, 2023, the receivable from these client accounts, net of collections and other allowable deductions, was $22.0 million, with no individual account receivable exceeding $1.4 million. As of March 31, 2023, the allowance against these uncollected balances was $6.7 million. The Company is pursuing collection of the uncollected balances through arbitration proceedings against the account holders. The Company will consider developments in these proceedings, and any other relevant matters, in determining whether any changes in the allowance against the uncollected balances are required.

In these and other arbitration proceedings, clients are seeking damages from StoneX Financial Inc. related to the trading losses in their accounts. During the six months ended March 31, 2023, the Company reached privately negotiated settlements of a number of arbitration proceedings, pursuant to which in most cases the account holders agreed to pay all or a substantial portion of their outstanding deficit balances and in some cases the Company agreed to make certain payments to the account holders that are not material to the Company, individually or in the aggregate. The Company intends to continue vigorously pursuing claims through arbitration and settling cases in what the Company determines to be appropriate circumstances. The ultimate outcome of remaining arbitrations cannot presently be determined.

Depending on future collections and the outcomes of arbitration proceedings, any provisions for bad debts and actual losses may or may not be material to the Company's financial results. However, the Company believes that the likelihood of a material adverse outcome is remote, and does not currently believe that any potential losses related to this matter would impact its ability to comply with its ongoing liquidity, capital, and regulatory requirements.

Legal Proceedings

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

As of March 31, 2023 and September 30, 2022, the Condensed Consolidated Balance Sheets include loss contingency accruals which are not material, individually or in the aggregate, to the Company's financial position or liquidity. In the opinion of management, possible exposure from loss contingencies in excess of the amounts accrued, is not likely to be material to the Company's earnings, financial position or liquidity.

Other than the updates provided within *Contingencies*, above, there have been no material changes to the legal actions and proceedings compared to September 30, 2022.

Contractual Commitments

Self-Insurance

The Company self-insures its costs related to medical and dental claims. The Company is self-insured, up to a stop loss amount, for eligible participating employees and retirees, and for qualified dependent medical and dental claims, subject to deductibles and limitations. As of March 31, 2023, the Company had $1.4 million accrued for self-insured medical and dental claims included in *Accounts payable and other accrued liabilities* in the Condensed Consolidated Balance Sheet.

Note 12 – Accumulated Other Comprehensive Loss, Net

Comprehensive income consists of net income and other gains and losses affecting stockholders' equity that, under U.S. GAAP, are excluded from net income. Other comprehensive income includes net actuarial losses from defined benefit pension plans, foreign currency translation adjustments, and cash flow hedge gains or losses. See notes 1 and 4 for additional information on cash flow hedges.

The following table summarizes the changes in accumulated other comprehensive loss, net for the six months ended March 31, 2023.

(in millions)	Foreign Currency Translation Adjustment	Pension Benefits Adjustment	Cash Flow Hedge	Accumulated Other Comprehensive Loss, net
Balances as of September 30, 2022	$ (34.4)	$ (2.7)	$ (53.5)	$ (90.6)
Other comprehensive income, net of tax	11.4	—	29.0	40.4
Balances as of March 31, 2023	$ (23.0)	$ (2.7)	$ (24.5)	$ (50.2)

Note 13 – Revenue from Contracts with Clients

The Company accounts for revenue earned from contracts with clients for services such as the execution, clearing, brokering, and custody of futures and options on futures contracts, OTC derivatives, and securities, investment management, and underwriting services in accordance with FASB ASC 606, Revenues from Contracts with Customers (Topic 606). Revenues for these services are recognized when the performance obligations related to the underlying transaction are completed.

Revenues are recognized when control of the promised goods or services are transferred to clients, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Revenues are analyzed to determine whether the Company is the principal (i.e. reports revenue on a gross basis) or agent (i.e., reports revenues on a net basis) in the contract. Principal or agent designations depend primarily on the control an entity has over the good or service before control is transferred to a client. The indicators of which party exercises control include primary responsibility over performance obligations, inventory risk before the good or service is transferred, and discretion in establishing the price.

Topic 606 does not apply to revenues associated with dealing, or market-making, activities in financial instruments or contracts in the capacity of a principal, including derivative sales contracts which result in physical settlement and interest income.

Revenues within the scope of Topic 606 are presented within *Commission and clearing fees* and *Consulting, management, and account fees* on the Condensed Consolidated Income Statements. Revenues that are not within the scope of Topic 606 are presented within *Sales of physical commodities*, *Principal gains, net*, and *Interest income* on the Condensed Consolidated Income Statements.

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(in millions)	**2023**	**2022**	**2023**	**2022**
Revenues from contracts with clients as a percentage of total revenues	5.7 %	5.9 %	6.4 %	6.2 %

The following table represents a disaggregation of the Company's total revenues separated between revenues from contracts with clients and other sources of revenue for the periods indicated.

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022
Revenues from contracts with clients:				
Commission and clearing fees:				
Sales-based:				
Exchange-traded futures and options	$ 55.3	$ 57.7	$ 104.0	$ 102.3
OTC derivative brokerage	4.5	4.9	8.1	9.3
Equities and fixed income	15.6	17.1	31.0	31.7
Mutual funds	0.9	1.2	1.5	2.4
Insurance and annuity products	2.7	2.4	4.5	5.2
Other	1.1	0.9	2.2	1.7
Total sales-based commission	80.1	84.2	151.3	152.6
Trailing:				
Mutual funds	3.1	3.6	6.1	7.5
Insurance and annuity products	3.5	4.2	7.0	8.6
Total trailing commission	6.6	7.8	13.1	16.1
Clearing fees	40.0	40.6	76.0	77.0
Trade conversion fees	2.0	4.0	4.4	6.0
Other	2.0	1.8	3.9	3.0
Total commission and clearing fees	130.7	138.4	248.7	254.7
Consulting, management, and account fees:				
Underwriting fees	0.1	0.1	0.3	0.3
Asset management fees	11.1	11.4	21.8	22.0
Advisory and consulting fees	9.0	7.5	17.7	15.0
Sweep program fees	12.9	0.5	24.3	1.0
Client account fees	3.7	4.3	7.5	8.0
Other	3.9	1.6	8.9	3.2
Total consulting, management, and account fees	40.7	25.4	80.5	49.5
Sales of physical commodities:				
Precious metals sales	746.4	807.0	1,535.0	1,587.3
Total revenues from contracts with clients	$ 917.8	$ 970.8	$ 1,864.2	$ 1,891.5
Method of revenue recognition:				
Point-in-time	$ 878.2	$ 943.6	$ 1,787.3	$ 1,837.4
Time elapsed	39.6	27.2	76.9	54.1
Total revenues from contracts with clients	917.8	970.8	1,864.2	1,891.5
Other sources of revenues				
Physical precious metals trading	13,703.1	14,211.3	24,182.1	26,526.6
Physical agricultural and energy product trading	1,056.7	845.9	2,192.5	1,669.2
Principal gains, net	256.6	323.5	510.8	574.6
Interest income	226.8	31.2	423.0	62.2
Total revenues	$ 16,161.0	$ 16,382.7	$ 29,172.6	$ 30,724.1
Total revenues by primary geographic region:				
United States	$ 1,471.1	$ 1,204.6	$ 3,034.7	$ 2,329.3
Europe	912.0	933.6	1,827.0	1,818.2
South America	56.5	23.6	118.7	41.3
Middle East and Asia	13,720.0	14,218.5	24,186.3	26,530.7
Other	1.4	2.4	5.9	4.6
Total revenues	$ 16,161.0	$ 16,382.7	$ 29,172.6	$ 30,724.1
Operating revenues by primary geographic region:				
United States	$ 538.5	$ 364.5	$ 1,028.4	$ 668.6
Europe	105.5	131.3	207.0	239.0
South America	32.0	23.6	63.5	41.3
Middle East and Asia	27.1	23.0	54.5	41.8
Other	1.3	2.3	5.8	4.5
Total operating revenues	$ 704.4	$ 544.7	$ 1,359.2	$ 995.2

The substantial majority of the Company's performance obligations for revenues from contracts with clients are satisfied at a point in time and are typically collected from clients by debiting their accounts with the Company.

Commission and clearing fee revenue and consulting, management, and account fees revenue are primarily related to the Commercial, Institutional and Retail reportable segments. *Principal gains, net* are contributed by all of the Company's reportable segments. *Interest income* is primarily related to the Commercial and Institutional reportable segments. Precious metals trading and agricultural and energy product trading revenues are primarily related to the Commercial reportable segment. Precious metals sales that are recognized on a point-in-time basis are included in the Retail and the Commercial reportable segments

Principal gains, net also includes dividend income on long equity positions and dividend expense on short equity positions, which are recognized on the ex-dividend date. The following table indicates the relevant income and expense:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Dividend income on long equity positions	$ 3.2	$ 26.3	$ 17.4	$ 87.5
Dividend expense on short equity positions	4.1	25.5	17.3	77.9
Dividend (loss)/income, net reported within Principal Gains, net	$ (0.9)	$ 0.8	$ 0.1	$ 9.6

Remaining Performance Obligations

Remaining performance obligations are services that the Company has committed to perform in the future in connection with its contracts with clients. The Company's remaining performance obligations are generally related to its risk management consulting and asset management contracts with clients. Revenues associated with remaining performance obligations related to these contracts with clients are not material to the overall consolidated results of the Company. For the Company's asset management activities, where fees are calculated based on a percentage of the fair value of eligible assets in client's accounts, future revenue associated with remaining performance obligations cannot be determined as such fees are subject to fluctuations in the fair value of eligible assets in clients' accounts.

Note 14 – Other Expenses

Other expenses consisted of the following, for the periods indicated.

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2023**	**2022**	**2023**	**2022**
Non-income taxes	$ 2.2	$ 5.5	$ 6.9	$ 9.1
Insurance	3.0	3.0	5.7	5.4
Employee related expenses	2.3	1.8	5.9	4.0
Other direct business expenses	4.1	2.9	8.1	4.4
Membership fees	1.1	1.1	1.9	1.8
Director and public company expenses	0.5	0.6	1.0	1.0
Office expenses	0.5	0.4	0.9	0.8
Other expenses	1.6	1.6	4.3	2.3
Total other expenses	$ 15.3	$ 16.9	$ 34.7	$ 28.8

Note 15 – Income Taxes

The income tax provision for interim periods comprises income tax on ordinary income/(loss) figures provided at the most recent estimated annual effective income tax rate, adjusted for the income tax effect of discrete items. Management uses an estimated annual effective income tax rate based on the forecasted pretax income/(loss) and statutory tax rates in the various jurisdictions in which it operates. The Company's effective income tax rate differs from the U.S. statutory income tax rate primarily due to state and local taxes, global intangible low taxed income ("GILTI"), and differing statutory tax rates applied to the income of non-U.S. subsidiaries. The Company records the tax effect of certain discrete items, including the effects of changes in tax laws, tax rates and adjustments with respect to valuation allowances or other unusual or nonrecurring tax adjustments, in the interim period in which they occur, as an addition to, or reduction from, the income tax provision, rather than being included in the estimated effective annual income tax rate. In addition, jurisdictions with a projected loss for the year or a year-to-date loss where no income tax benefit can be recognized are excluded from the estimated annual effective income tax rate.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. The Company is required to assess its deferred tax assets and the need for a valuation allowance at each reporting period. This

assessment requires judgment on the part of management with respect to benefits that may be realized. The Company will record a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of the deferred tax assets will not be realized.

Current and Prior Period Tax Expense

Income tax expense of $15.8 million and $23.4 million for the three months ended March 31, 2023 and 2022, respectively, and income tax expense of $34.8 million and $34.2 million for the six months ended March 31, 2023 and 2022, respectively, reflects estimated federal, foreign, state and local income taxes.

The Company's effective tax rate was 27% for the three months ended March 31, 2023 and 2022. The effective tax rate was higher than the U.S. federal statutory rate of 21% due to U.S. state and local taxes, GILTI, U.S. and foreign permanent differences, and the amount of foreign earnings taxed at higher rates.

Note 16 – Regulatory Capital Requirements

The Company's activities are subject to significant governmental regulation, both in the U.S. and in the international jurisdictions in which it operates. Subsidiaries of the Company were in compliance with all of their regulatory requirements as of March 31, 2023. The following table details those subsidiaries with minimum regulatory requirements in excess of $10.0 million along with the actual balance maintained as of that date.

(in millions)		As of March 31, 2023	
Subsidiary	Regulatory Authority	Actual	Minimum Requirement
StoneX Financial Inc.	SEC and CFTC	$ 394.7	$ 228.8
StoneX Financial Ltd.	Financial Conduct Authority ("FCA")	$ 493.1	$ 358.0
Gain Capital Group, LLC	CFTC and NFA	$ 54.3	$ 29.3
StoneX Financial Pte. Ltd.	Monetary Authority of Singapore ("MAS")	$ 65.9	$ 17.8
StoneX Markets LLC	CFTC and NFA	$ 211.3	$ 121.4

Certain other subsidiaries of the Company, typically with a minimum requirement less than $10.0 million, are also subject to net capital requirements promulgated by authorities in the countries in which they operate. As of March 31, 2023, all of the Company's subsidiaries were in compliance with their local regulatory requirements.

Note 17 - Acquisitions

Cotton Distributors Inc.

On October 31, 2022, the Company's wholly owned subsidiary, StoneX Netherlands B.V., acquired CDI-Societe Cotonniere De Distribution S.A ("CDI"), based in Switzerland. CDI operates a global cotton merchant business with clients and producers in Brazil and West Africa as well as buyers throughout Asia. The purchase price is approximately $42.7 million, which is based on CDI's estimated acquisition date tangible book value as defined by the terms of the purchase agreement and based on Swiss accounting practices, and an earn-out payment due to the seller. The earn-out value is determined by CDI's performance with respect to certain contracts entered into before the acquisition date and settling after the closing date.

During the three months ended March 31, 2023, CDI contributed $(1.7) million of Net operating revenue and $(4.1) million of Net loss. During the six months ended March 31, 2023, CDI contributed $12.3 million of Net operating revenue and $5.1 million of Net income.

The measurement period for the CDI acquisition remains open as the Company finalizes certain valuation calculations related to intangible assets, net tangible asset value adjustments, the fair values of forward contracts and other derivatives, as well as the earn-out due to the seller. The gain on acquisition was principally due to the fair value of commodity forward purchases and sales contracts and fair value of identified intangible assets acquired exceeding the consideration paid for these assets.

(in millions)		Fair Value
Cash and cash equivalents	$	8.2
Deposits with and receivables from broker-dealers, clearing organizations, and counterparties		7.7
Receivables from clients, net		51.9
Financial instruments owned, at fair value		45.7
Deferred income taxes, net		(3.3)
Property and equipment, net		0.1
Physical commodities inventory, net		22.5
Other assets		6.7
Total fair value of tangible assets acquired		139.5
Accounts payable and other accrued liabilities		40.0
Financial instruments sold, not yet purchased, at fair value		28.3
Payables to lenders under loans		10.1
Payable to broker-dealers, clearing organizations, and counterparties		0.4
Payable to clients		2.6
Income taxes payable		0.8
Total fair value of tangible liabilities assumed		82.2
Fair value of tangible net assets acquired	$	57.3
Identifiable intangible assets acquired		
Client relationships	$	4.7
Supplier relationships		3.7
Trade name		0.4
Non-compete		0.1
Total fair value of intangible assets acquired		8.9
Fair value of identifiable net assets acquired		66.2
Total merger consideration		42.7
Gain on acquisition	$	23.5

Incomm S.A.S..

On February 3, 2023, the Company's subsidiary StoneX Commodity Solutions LLC executed a sale and purchase agreement to acquire all of the outstanding shares of Incomm S.A.S. ("Incomm"), a company duly incorporated and in existence according with the laws of Colombia. This transaction was effective on the closing date of February 3, 2023. Incomm was established to support the import of grain and feed products for Colombian clients, and is a proven resource in management of customs clearing, inventory management at destination ports and providing non-recourse trade finance for destination buyers via local Colombian banks.

The purchase price consists of $0.2 million of cash consideration and also includes a contingent earn-out valued at approximately $1.3 million with annual payments over the four years following the acquisition. The contingent earn-out payments are variable in nature, as they equal a percentage of the acquired business line's pre-tax profits, as defined in the purchase agreement. The business activities of Incomm will be assigned to the Company's Commercial reportable segment. The acquisition generated $1.3 million of Goodwill.

Note 18 – Segment Analysis

The Company's operating segments are principally based on the nature of the clients we serve (commercial, institutional, and retail), and a fourth operating segment, its global payments business. The Company manages its business in this manner due to its large global footprint, in which it has more than 3,800 employees allowing it to serve clients in more than 180 countries.

The Company's business activities are managed as operating segments and organized into reportable segments as follows:

- *Commercial*
- *Institutional*
- *Retail*
- *Global Payments*

Commercial

The Company offers commercial clients a comprehensive array of products and services, including risk management and hedging services, execution and clearing of exchange-traded and OTC products, voice brokerage, market intelligence and

physical trading, as well as commodity financing and logistics services. The ability to provide these high-value-added products and services differentiates the Company from its competitors and maximizes the opportunity to retain clients.

Institutional

The Company provides institutional clients with a complete suite of equity trading services to help them find liquidity with best execution, consistent liquidity across a robust array of fixed income products, competitive and efficient clearing and execution in all major futures and securities exchanges globally, as well as prime brokerage in equities and major foreign currency pairs and swap transactions. In addition, the Company originates, structures and places debt instruments in the international and domestic capital markets. These instruments include asset-backed securities (primarily in Argentina) and domestic municipal securities.

Retail

The Company provides retail clients around the world access to over 18,000 global financial markets, including spot foreign exchange ("forex"), both financial trading and physical investment in precious metals, as well as contracts for difference (“CFDs”), which are investment products with returns linked to the performance of underlying assets. In addition, its independent wealth management business offers a comprehensive product suite to retail investors in the U.S.

Global Payments

The Company provides customized foreign exchange and treasury services to banks and commercial businesses, as well as charities and non-governmental organizations and government organizations. The Company provides transparent pricing and offers payments services in more than 185 countries and 140 currencies, which it believes is more than any other payments solution provider.

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The total revenues reported combine gross revenues from physical contracts for subsidiaries that are not broker-dealers and net revenues for all other businesses. In order to reflect the way that the Company’s management views the results, the table below also reflects the segment contribution to ‘operating revenues’, which is shown on the face of the consolidated income statements and which is calculated by deducting physical commodities cost of sales from total revenues.

Segment data includes the profitability measure of net contribution by segment. Net contribution is one of the key measures used by management to assess the performance of each segment and for decisions regarding the allocation of the Company’s resources. Net contribution is calculated as revenue less direct cost of sales, transaction-based clearing expenses, variable compensation, introducing broker commissions, and interest expense. Variable compensation paid to risk management consultants/traders generally represents a fixed percentage of revenues generated, and in some cases, revenues generated less transaction-based clearing expenses, base salaries and an overhead allocation.

Segment data also includes segment income which is calculated as net contribution less non-variable direct expenses of the segment. These non-variable direct expenses include trader base compensation and benefits, operational employee compensation and benefits, communication and data services, business development, professional fees, bad debt expense and other direct expenses.

Inter-segment revenues, expenses, receivables and payables are eliminated upon consolidation.

Total revenues, operating revenues and net operating revenues shown as “Corporate Unallocated” primarily consist of interest income from its centralized corporate treasury function. In the normal course of operations, the Company operates a centralized corporate treasury function in which it may sweep excess cash from certain subsidiaries, where permitted within regulatory limitations, in exchange for a short-term interest bearing intercompany payable, or provide excess cash to subsidiaries in exchange for a short-term interest bearing intercompany receivable in lieu of the subsidiary borrowing on external credit facilities. The intercompany receivables and payables are eliminated during consolidation; however, this practice may impact reported total assets between segments.

Net costs not allocated to operating segments include costs and expenses of certain shared services such as information technology, accounting and treasury, credit and risk, legal and compliance, and human resources and other activities.

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Information for the reportable segments is shown in accordance with the Segment Reporting Topic of the ASC as follows:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Six Months Ended March 31, 2023	Six Months Ended March 31, 2022
Total revenues:				
Commercial	$ 15,450.7	$ 15,792.5	$ 27,744.2	$ 29,616.1
Institutional	362.5	202.8	706.0	364.1
Retail	304.6	349.6	620.8	665.9
Global Payments	49.8	41.0	105.2	83.4
Corporate Unallocated	2.5	1.9	15.3	4.0
Eliminations	(9.1)	(5.1)	(18.9)	(9.4)
Total	$ 16,161.0	$ 16,382.7	$ 29,172.6	$ 30,724.1
Operating revenues:				
Commercial	$ 220.1	$ 184.1	$ 402.5	$ 336.7
Institutional	362.5	202.8	706.0	364.1
Retail	78.6	120.0	149.1	216.4
Global Payments	49.8	41.0	105.2	83.4
Corporate Unallocated	2.5	1.9	15.3	4.0
Eliminations	(9.1)	(5.1)	(18.9)	(9.4)
Total	$ 704.4	$ 544.7	$ 1,359.2	$ 995.2
Net operating revenues (loss):				
Commercial	$ 185.1	$ 155.8	$ 337.8	$ 285.5
Institutional	137.9	132.8	281.1	225.7
Retail	50.8	86.8	94.7	151.6
Global Payments	47.4	38.9	100.7	79.2
Corporate Unallocated	(21.8)	(14.0)	(32.9)	(27.9)
Total	$ 399.4	$ 400.3	$ 781.4	$ 714.1
Net contribution:				
(Revenues less cost of sales of physical commodities, transaction-based clearing expenses, variable compensation, introducing broker commissions and interest expense)				
Commercial	$ 140.9	$ 109.6	$ 256.6	$ 200.3
Institutional	89.3	82.3	183.9	139.7
Retail	48.4	80.7	87.6	140.7
Global Payments	38.1	32.1	80.2	64.0
Total	$ 316.7	$ 304.7	$ 608.3	$ 544.7
Segment income (loss):				
(Net contribution less non-variable direct segment costs)				
Commercial	$ 102.9	$ 70.1	$ 185.7	$ 135.6
Institutional	55.8	50.0	117.8	81.9
Retail	4.8	45.5	0.6	68.9
Global Payments	15.9	23.9	48.2	48.4
Total	$ 179.4	$ 189.5	$ 352.3	$ 334.8
Reconciliation of segment income to income before tax:				
Segment income	$ 179.4	$ 189.5	$ 352.3	$ 334.8
Net costs not allocated to operating segments	(121.9)	(102.1)	(222.7)	(194.9)
Gain on acquisition	—	—	23.5	—
Income before tax	$ 57.5	$ 87.4	$ 153.1	$ 139.9

(in millions)	As of March 31, 2023	As of September 30, 2022
Total assets:		
Commercial	$ 4,803.8	$ 5,931.0
Institutional	14,769.5	11,687.1
Retail	1,128.6	971.2
Global Payments	483.6	524.0
Corporate Unallocated	733.4	746.3
Total	$ 21,918.9	$ 19,859.6

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Throughout this document, unless the context otherwise requires, the terms “Company”, “we”, “us” and “our” refer to StoneX Group Inc. and its consolidated subsidiaries.

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this report. This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of the Company, including adverse changes in economic, political and market conditions, losses from our market-making and trading activities arising from counterparty failures and changes in market conditions, the loss of key personnel, the impact of increasing competition, the impact of changes in government regulation, the possibility of liabilities arising from violations of foreign, United States (“U.S.”) federal and U.S. state securities laws, the impact of changes in technology in the securities and commodities trading industries and the potential impact of the coronavirus (“COVID-19”) pandemic on our business, operations, results of operations, financial condition, workforce or the operations or decisions of our clients, suppliers or business customers. Although we believe that our forward-looking statements are based upon reasonable assumptions regarding our business and future market conditions, there can be no assurances that our actual results will not differ materially from any results expressed or implied by our forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. We caution readers that any forward-looking statements are not guarantees of future performance.

Overview

We operate a global financial services network that connects companies, organizations, traders and investors to the global market ecosystem through a unique blend of digital platforms, end-to-end clearing and execution services, high touch service and deep expertise. We strive to be the one trusted partner to our clients, providing our network, product and services to allow them to pursue trading opportunities, manage their market risks, make investments and improve their business performance. Our businesses are supported by our global infrastructure of regulated operating subsidiaries, our advanced technology platform and our team of approximately 3,800 employees as of March 31, 2023. We believe our client-first approach differentiates us from large banking institutions, engenders trust and has enabled us to establish leadership positions in a number of complex fields in financial markets around the world. For additional information, see *Overview of Business and Strategy* within Item 1. Business section of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

We report our operating segments based primarily on the nature of the clients we serve (commercial, institutional, and retail), and a fourth operating segment, our global payments business. See Segment Information for a listing of business activities performed within our reportable segments.

Executive Summary

In the second quarter of fiscal 2023, we continued to experience strong volume growth across most of our product offerings, however while volatility continued to be heightened in both financial and physical markets, it was significantly diminished compared to the three months ended March 31, 2022. The prior year period reflected the effects of the Russian invasion of Ukraine, which resulted in a significant widening of spreads in many of the key markets in which our clients transact. This has resulted in a lower rate per contract or RPM across our product offerings compared to the prior year, with the exception of Global Payments. We continue to see the effects of the significant increase in short term interest rates, which when combined with growth in client balances, led to strong growth in interest and fee income earned on client balances.

Operating revenues increased $159.7 million, or 29%, to $704.4 million in the three months ended March 31, 2023 compared to $544.7 million in the three months ended March 31, 2022, led by our Institutional segment, which added $159.7 million compared to the three months ended March 31, 2022. In addition, our Commercial and Global Payments segments added $36.0 million and $8.8 million, respectively, compared to the three months ended March 31, 2022. Operating revenues in our Retail segment declined $41.4 million, compared to the three months ended March 31, 2022.

Net operating revenues declined $0.9 million to $399.4 million in the three months ended March 31, 2023 compared to $400.3 million in the three months ended March 31, 2022. Net operating revenues in our Retail segment declined $36.0 million, compared to the three months ended March 31, 2022, partially offset by increases in our Commercial segment, which added $29.3 million compared to the three months ended March 31, 2022. In addition, our Global Payments and Institutional segments added $8.5 million and $5.1 million, respectively, compared to the three months ended March 31, 2022.

Interest and fee income on client balances increased $93.0 million, or 894%, to $103.4 million in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, principally driven by a significant increase in short term interest rates as well as strong growth in our client balances, as the average client equity increased $2.0 billion, or 37%, to $7.2 billion. Average money-market/FDIC sweep balances declined 22% to $1.4 billion in the three months ended March 31, 2023

compared to the three months ended March 31, 2022. The interest expense attributable to client balances on deposit increased $36.6 million, to $37.2 million in the three months ended March 31, 2023 compared to $0.6 million in the three months ended March 31, 2022.

Overall segment income decreased $10.1 million, or 5%, to $179.4 million in the three months ended March 31, 2023 compared to $189.5 million in the three months ended March 31, 2022.

Segment income in our Commercial segment increased $32.8 million compared to the three months ended March 31, 2022, principally as a result of strong growth in interest/fees earned on client balances as well as in operating revenues derived from physical contracts, both in agricultural and energy products as well as in precious metals in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. In addition, non-variable direct expenses declined $1.5 million compared to the three months ended March 31, 2022.

Segment income in our Institutional segment increased $5.8 million in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This growth in segment income was driven by a $159.7 million increase in operating revenues, which was partially offset by a $156.5 million increase in interest expense, of which $117.5 million was related to our activities as an institutional fixed income dealer.

Segment income in our Retail segment declined $40.7 million, in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This decline was principally as a result of a 42% decline in operating revenues derived from FX/Contracts for Difference (“CFD”) contracts as a result of diminished volatility and tighter trading ranges in our larger volume markets. Non-variable direct expenses increased $2.0 million compared to the three months ended March 31, 2022. In addition, the three months ended March 31, 2022 include a $6.4 million foreign exchange antitrust class action settlement received in our Retail forex business.

Segment income in our Global Payments segment declined $8.0 million in the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This decline was primarily related to a $14.0 million increase in non-variable direct expenses, which was partially offset by an increase in net operating revenues. The increase in non-variable direct expenses was primarily driven by a $12.7 million increase in fixed compensation and benefits, including a $10.0 million severance charge related to a reorganization of the business. This plan will include a decline in variable compensation and benefits as a percentage of operating revenues going forward.

Interest expense related to corporate funding purposes increased $4.3 million to $14.9 million in the three months ended March 31, 2023 compared to $10.6 million in the three months ended March 31, 2022, principally due to higher short-term interest rates and an increase in average borrowings.

On the expense side, we continue to focus on maintaining our variable cost model and limiting the growth of our non-variable expenses. To that end, variable expenses were 51% of total expenses in the three months ended March 31, 2023 compared to 55% in the three months ended March 31, 2022. Non-variable expenses, excluding bad debts, increased $34.2 million, period-over-period, principally due to higher fixed compensation and benefits, including a $10.8 million increase in severance costs and $3.1 million million in accelerated share-base compensation relating to departing employees, as well as increases in non-trading technology and support, travel and business development, depreciation and amortization and occupancy and equipment rental.

Our net income decreased $22.3 million to $41.7 million in the three months ended March 31, 2023 compared to $64.0 million in the three months ended March 31, 2022. Diluted earnings per share were $1.95 for the three months ended March 31, 2023 compared to $3.11 in the three months ended March 31, 2022.

Recent Events Affecting the Financial Services Industry

On January 31, 2023, we were notified by ION Group, a vendor that provides back office trade processing services related to certain of our listed derivatives businesses, that it had experienced a cybersecurity incident, which rendered certain of its services inaccessible to us and its other clients. As a result of the incident, we imposed temporary restrictions on clients of our UK subsidiary relating to the trading of listed derivatives. During February 2023, these services were restored and the restrictions on clients’ activities were lifted.

Selected Summary Financial Information

Results of Operations

Our total revenues, as reported, combine gross revenues for the physical commodities business and net revenues for all other businesses. Management believes that operating revenues, which deduct the cost of sales of physical commodities from total revenues, is a more useful financial measure with which to assess our results of operations. The table below sets forth our operating revenues, as well as other key financial measures, for the periods indicated:

Financial Information (Unaudited)

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Revenues:						
Sales of physical commodities	$ 15,506.2	$ 15,864.2	(2)%	$ 27,909.6	$ 29,783.1	(6)%
Principal gains, net	256.6	323.5	(21)%	510.8	574.6	(11)%
Commission and clearing fees	130.7	138.4	(6)%	248.7	254.7	(2)%
Consulting, management, and account fees	40.7	25.4	60%	80.5	49.5	63%
Interest income	226.8	31.2	627%	423.0	62.2	580%
Total revenues	16,161.0	16,382.7	(1)%	29,172.6	30,724.1	(5)%
Cost of sales of physical commodities	15,456.6	15,838.0	(2)%	27,813.4	29,728.9	(6)%
Operating revenues	704.4	544.7	29%	1,359.2	995.2	37%
Transaction-based clearing expenses	69.2	76.5	(10)%	136.5	147.4	(7)%
Introducing broker commissions	42.2	43.2	(2)%	79.0	81.5	(3)%
Interest expense	178.7	14.1	1,167%	333.0	29.8	1,017%
Interest expense on corporate funding	14.9	10.6	41%	29.3	22.4	31%
Net operating revenues	399.4	400.3	—%	781.4	714.1	9%
Compensation and benefits	232.5	207.1	12%	431.5	382.1	13%
Bad debts, net of recoveries	3.0	12.3	(76)%	3.7	12.1	(69)%
Other expenses	106.4	99.9	7%	216.6	186.4	16%
Total compensation and other expenses	341.9	319.3	7%	651.8	580.6	12%
Gain on acquisition and other gain	—	6.4	(100)%	23.5	6.4	267%
Income before tax	57.5	87.4	(34)%	153.1	139.9	9%
Income tax expense	15.8	23.4	(32)%	34.8	34.2	2%
Net income	$ 41.7	$ 64.0	(35)%	$ 118.3	$ 105.7	12%
Balance Sheet information:				**March 31, 2023**	**March 31, 2022**	**% Change**
Total assets				$ 21,918.9	$ 21,195.7	3%
Payables to lenders under loans				$ 561.3	$ 471.3	19%
Senior secured borrowings, net				$ 340.6	$ 503.5	(32)%
Stockholders' equity				$ 1,247.3	$ 1,005.6	24%

The tables below display operating revenues disaggregated across the key products we provide to our clients and select operating data and metrics used by management in evaluating our performance, for the periods indicated.

All $ amounts are U.S. dollar or U.S. dollar equivalents	Three Months Ended March 31,			Six Months Ended March 31,		
	2023	2022	% Change	2023	2022	% Change
Operating Revenues (in millions):						
Listed derivatives	$ 110.5	$ 123.0	(10)%	$ 210.3	$ 223.6	(6)%
Over-the-counter ("OTC") derivatives	57.9	62.4	(7)%	100.4	109.1	(8)%
Securities	249.2	151.3	65%	483.3	274.0	76%
FX / Contracts For Difference ("CFD") contracts	61.8	98.9	(38)%	110.6	171.1	(35)%
Global payments	48.5	40.1	21%	102.7	81.4	26%
Physical contracts	54.1	40.7	33%	113.8	81.6	39%
Interest / fees earned on client balances	103.4	10.4	894%	189.6	18.7	914%
Other	25.6	21.1	21%	52.1	41.1	27%
Corporate Unallocated	2.5	1.9	32%	15.3	4.0	283%
Eliminations	(9.1)	(5.1)	78%	(18.9)	(9.4)	101%
	$ 704.4	$ 544.7	29%	$ 1,359.2	$ 995.2	37%
Volumes and Other Select Data (all $ amounts are U.S. dollar or U.S. dollar equivalents):						
Listed derivatives (contracts, 000's)	41,588	42,033	(1)%	81,787	78,746	4%
Listed derivatives, average rate per contract [1]	$ 2.54	$ 2.77	(8)%	$ 2.42	$ 2.70	(10)%
Average client equity - listed derivatives (millions)	$ 7,222	$ 5,267	37%	$ 7,722	$ 4,971	55%
OTC derivatives (contracts, 000's)	858	738	16%	1,576	1,500	5%
OTC derivatives, average rate per contract	$ 67.94	$ 84.98	(20)%	$ 64.37	$ 72.85	(12)%
Securities average daily volume ("ADV") (millions)	$ 5,759	$ 3,492	65%	$ 4,995	$ 3,095	61%
Securities rate per million ("RPM") [2]	$ 282	$ 554	(49)%	$ 341	$ 543	(37)%
Average money market / FDIC sweep client balances (millions)	$ 1,374	$ 1,751	(22)%	$ 1,455	$ 1,663	(13)%
FX / CFD contracts ADV (millions)	$ 13,490	$ 14,937	(10)%	$ 13,160	$ 13,849	(5)%
FX / CFD contracts RPM	$ 72	$ 104	(31)%	$ 67	$ 96	(30)%
Global Payments ADV (millions)	$ 65	$ 56	16%	$ 70	$ 59	19%
Global Payments RPM	$ 11,916	$ 11,668	2%	$ 11,655	$ 11,118	5%

(1) Give-up fees, as well as cash and voice brokerage revenues are excluded from the calculation of listed derivatives, average rate per contract.

(2) Interest expense associated with our fixed income activities is deducted from operating revenues in the calculation of Securities RPM, while interest income related to securities lending is excluded.

Operating Revenues

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Operating revenues increased $159.7 million, or 29%, to $704.4 million in the three months ended March 31, 2023 compared to $544.7 million in the three months ended March 31, 2022.

Operating revenues derived from listed derivatives declined $12.5 million, or 10%, to $110.5 million in the three months ended March 31, 2023 compared to $123.0 million in the three months ended March 31, 2022. This decline was principally due to 8% and 1% declines in the average rate per contract and listed derivative contract volumes, respectively, compared to the three months ended March 31, 2022.

Operating revenues derived from OTC derivatives declined $4.5 million, or 7%, to $57.9 million in the three months ended March 31, 2023 compared to $62.4 million in the three months ended March 31, 2022. This was the result of a 20% decline in average rate per contract, which was partially offset by a 16% increase in OTC derivative contract volumes, compared to the three months ended March 31, 2022.

Operating revenues derived from securities transactions increased $97.9 million, or 65%, to $249.2 million in the three months ended March 31, 2023 compared to $151.3 million in the three months ended March 31, 2022. This increase was principally due to a 65% increase in ADV, as well as a significant increase in interest rates. Carried interest on fixed income securities is a component of operating revenues, however interest expense associated with financing these positions is not. As a result of the significant increase in short term rates, we have amended our calculation of Securities RPM, in the table above, to present the RPM after deducting from operating revenues the interest expense associated with our fixed income activities. Net operating revenues derived from securities transactions decreased $19.9 million, or 19%, to $84.2 million in the three months ended March 31, 2023 compared to $104.1 million in the three months ended March 31, 2022. This decline was principally due to a 49% decline in RPM principally due to a tightening of spreads realized in equity markets.

Operating revenues derived from FX/CFD contracts declined $37.1 million, or 38%, to $61.8 million in the three months ended March 31, 2023 compared to $98.9 million in the three months ended March 31, 2022, principally due to a 31% decline in FX/CFD RPM and a 10% decline in FX/CFD contracts ADV.

Operating revenues from global payments increased $8.4 million, or 21%, to $48.5 million in the three months ended March 31, 2023 compared to $40.1 million in the three months ended March 31, 2022, principally driven by a 16% increase in ADV and a 2% increase in global payments RPM.

Operating revenues derived from physical contracts increased $13.4 million, or 33%, to $54.1 million in the three months ended March 31, 2023 compared to $40.7 million in the three months ended March 31, 2022. This increase was principally due to growth in both our physical agricultural and energy business and physical precious metals business.

Interest and fee income earned on client balances, which is associated with our listed and OTC derivatives, correspondent clearing, and independent wealth management product offerings, increased $93.0 million, or 894%, to $103.4 million in the three months ended March 31, 2023 compared to $10.4 million in the three months ended March 31, 2022. This was principally driven by a significant increase in short term interest rates as well as a 37% increase in average client equity in listed derivatives.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Operating revenues increased $364.0 million , or 37%, to $1,359.2 million in the six months ended March 31, 2023 compared to $995.2 million in the six months ended March 31, 2022. The table above displays operating revenues disaggregated across the key products we provide to our clients.

Operating revenues from listed derivatives declined $13.3 million, or 6%, to $210.3 million in the six months ended March 31, 2023 compared to $223.6 million in the six months ended March 31, 2022, principally driven by a 10% decline in the average rate per contract, which was partially offset by a 4% increase in listed derivative contract volumes.

Operating revenues in OTC derivatives declined $8.7 million, or 8%, to $100.4 million in the six months ended March 31, 2023 compared to $109.1 million in the six months ended March 31, 2022. This growth was principally driven by a 12% decline in average rate per contract which was partially offset by a 5% increase OTC contract volumes.

Operating revenue from securities transactions increased $209.3 million, or 76%, to $483.3 million in the six months ended March 31, 2023 compared to $274.0 million in the six months ended March 31, 2022. This increase was principally due to a 61% increase in securities ADV, as well as a significant increase in interest rates. Carried interest on fixed income securities is a component of operating revenues, however interest expense associated with financing these positions is not. As a result of the significant increase in short term rates, we have amended our calculation of Securities RPM, in the table above, to present the RPM after deducting from operating revenues the interest expense associated with our fixed income activities. Net operating revenues derived from securities transactions increased $1.0 million, or 1%, to $177.6 million in the six months ended March 31, 2023 compared to $176.6 million in the three months ended March 31, 2022. This increase was principally driven by the 61% increase in securities ADV, which was mostly offset by a 37% decline in RPM principally due to a tightening of spreads realized in equity markets.

Operating revenues from FX/CFD contracts declined $60.5 million, or 35%, to $110.6 million in the six months ended March 31, 2023 compared to $171.1 million in the six months ended March 31, 2022, principally as a result of a 30% decline in FX/CFD contracts RPM, as well as a 5% decline in FX/CFD contracts ADV.

Operating revenues from global payments increased by $21.3 million, or 26%, to $102.7 million in the six months ended March 31, 2023 compared to $81.4 million in the six months ended March 31, 2022, principally as a result of a 19% increase in ADV, as well as a 5% increase in payments RPM.

Operating revenues from physical contracts increased $32.2 million, or 39%, to $113.8 million in the six months ended March 31, 2023 compared to $81.6 million in the six months ended March 31, 2022, principally due to increased client activity in agricultural and energy commodities, including the acquisition of CDI, effective October 31, 2022, as well as continued strong client demand for precious metals.

Interest and fee income earned on client balances, which is associated with our listed and OTC derivative businesses, as well as our correspondent clearing and independent wealth management businesses, increased $170.9 million, or 914%, to $189.6 million in the six months ended March 31, 2023 compared to $18.7 million in the six months ended March 31, 2022, principally as a result of a significant increase in short term interest rates as well as a 55% increase in average client equity.

Interest and Transactional Expenses

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Transaction-based clearing expenses

	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Transaction-based clearing expenses	$ 69.2	$ 76.5	$ (7.3)	(10)%
Percentage of operating revenues	10%	14%		

The decrease in transaction-based clearing expense was principally due to lower fees in the Equity Capital Markets business, which related to lower ADR fees, lower fees in the Retail Forex business, which related to decreased FX/CFD ADV, and lower fees in the Exchange-Traded Futures & Options business, principally related to a decrease in contracts traded. These decreases were partially offset by higher fees in the Debt Capital Markets business due to an increase in ADV. The decline in the percentage of operating revenues was principally due to the significant increase in interest income.

Introducing broker commissions

	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Introducing broker commissions	$ 42.2	$ 43.2	$ (1.0)	(2)%
Percentage of operating revenues	6%	8%		

The decrease in introducing broker commission expense was principally due to lower revenues within our Independent Wealth Management and Retail Forex businesses, resulting in lower costs, and lower expense in our Financial Ag and Energy business due to product mix traded, partially offset by higher costs in our Asset Management business as well as incremental expense from the CDI acquisition, effective October 31, 2022. The decline in the percentage of operating revenues was principally due to the significant increase in interest income.

Interest expense

	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Interest expense attributable to:				
Trading activities:				
Institutional dealer in fixed income securities	$ 119.4	$ 1.9	$ 117.5	6,184 %
Securities borrowing	8.3	4.9	3.4	69 %
Client balances on deposit	37.2	0.6	36.6	n/m
Short-term financing facilities of subsidiaries and other direct interest of operating segments	13.8	6.7	7.1	106 %
	178.7	14.1	164.6	1,167 %
Corporate funding	14.9	10.6	4.3	41 %
Total interest expense	$ 193.6	$ 24.7	$ 168.9	684 %

The increase in interest expense attributable to trading activities was principally due to an increase in short term interest rates, an increase in ADV in our fixed income business, an increase in client balances on which we pay interest.

The increase in interest expense attributable to corporate funding was principally due to higher short-term interest rates on our revolving credit facility as well as an increase in average borrowings.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Transaction-based clearing expenses

	Six Months Ended March 31,			
	2023	2022	$ Change	% Change
Transaction-based clearing expenses	$ 136.5	$ 147.4	$ (10.9)	(7)%
Percentage of operating revenues	10 %	15 %		

The decrease in transaction-based clearing expense was principally due to lower fees in the Equity Capital Markets business, related to lower ADR fees, the Retail Forex business, related to FX/CFD ADV, and the Exchange-Traded Futures & Options business, related to a decrease in contracts traded. These decreases were partially offset by higher fees in the Debt Capital Markets business due to an increase in ADV. The decline in the percentage of operating revenues was principally due to the significant increase in interest income.

Introducing broker commissions

	Six Months Ended March 31,			
	2023	2022	$ Change	% Change
Introducing broker commissions	$ 79.0	$ 81.5	$ (2.5)	(3)%
Percentage of operating revenues	6 %	8 %		

The decrease in introducing broker commission expense was principally due to lower revenues within our Independent Wealth Management and Retail Forex businesses, resulting in lower costs, and lower expense in our Financial Ag and Energy business due to product mix traded, partially offset by higher costs in our Asset Management and Global Payments businesses as well as incremental expense from the CDI acquisition, effective October 31, 2022. The decline in the percentage of operating revenues was principally due to the significant increase in interest income.

Interest expense

	Six Months Ended March 31,			
	2023	2022	$ Change	% Change
Interest expense attributable to:				
Trading activities:				
Institutional dealer in fixed income securities	$ 215.7	$ 4.9	$ 210.8	4,302 %
Securities borrowing	16.2	10.6	5.6	53 %
Client balances on deposit	73.7	1.0	72.7	n/m
Short-term financing facilities of subsidiaries and other direct interest of operating segments	27.4	13.3	14.1	106 %
	333.0	29.8	303.2	1,017 %
Corporate funding	29.3	22.4	6.9	31 %
Total interest expense	$ 362.3	$ 52.2	$ 310.1	594 %

The increase in interest expense attributable to trading activities was principally due to an increase in short term interest rates, an increase in ADV in our fixed income business, an increase in client balances on which we pay interest.

The increase in interest expense attributable to corporate funding was principally due to higher short-term interest rates on our revolving credit facility as well as an increase in average borrowings.

Net Operating Revenues

Net operating revenues is one of the key measures used by management to assess operating segment performance. Net operating revenue is calculated as operating revenue less transaction-based clearing expenses, introducing broker commissions and interest expense. Transaction-based clearing expenses represent variable expenses paid to executing brokers, exchanges, clearing organizations and banks in relation to our transactional volumes. Introducing broker commissions include commission paid to non-employee third parties that have introduced clients to us. Net operating revenues represent revenues available to pay variable compensation to risk management consultants and traders and direct non-variable expenses, as well as variable and non-variable expenses of operational and administrative employees, including our executive management team.

The table below presents a disaggregation of consolidated net operating revenues used by management in evaluating our performance, for the periods indicated:

	Three Months Ended March 31,			Six Months Ended March 31,		
	2023	2022	% Change	2023	2022	% Change
Net Operating Revenues (in millions):						
Listed derivatives	$ 53.6	$ 62.8	(15)%	$ 102.2	$ 112.9	(9)%
OTC derivatives	57.8	62.5	(8)%	100.3	109.1	(8)%
Securities	84.2	104.1	(19)%	177.6	176.6	1%
FX / CFD contracts	50.8	85.8	(41)%	88.9	146.9	(39)%
Global Payments	46.1	38.0	21%	98.2	77.2	27%
Physical contracts	43.7	35.8	22%	94.7	72.3	31%
Interest, net / fees earned on client balances	68.1	9.1	648%	117.7	16.6	609%
Other	16.9	16.2	4%	34.7	30.4	14%
Corporate Unallocated	(21.8)	(14.0)	56%	(32.9)	(27.9)	18%
	$ 399.4	$ 400.3	—%	$ 781.4	$ 714.1	9%

Compensation and Other Expenses

The following table shows a summary of expenses, other than interest and transactional expenses.

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	2023	2022	% Change	2023	2022	% Change
Compensation and benefits:						
Variable compensation and benefits	$ 121.8	$ 124.1	(2)%	$ 240.3	$ 224.5	7%
Fixed compensation and benefits	110.7	83.0	33%	191.2	157.6	21%
	232.5	207.1	12%	431.5	382.1	13%
Other expenses:						
Trading systems and market information	17.8	16.9	5%	35.5	33.0	8%
Professional fees	11.3	13.8	(18)%	27.2	25.7	6%
Non-trading technology and support	16.2	12.8	27%	31.0	25.8	20%
Occupancy and equipment rental	10.6	8.8	20%	19.5	17.5	11%
Selling and marketing	14.2	14.3	(1)%	27.1	25.3	7%
Travel and business development	5.8	3.0	93%	11.5	5.9	95%
Communications	2.1	2.1	—%	4.3	4.0	8%
Depreciation and amortization	13.1	11.3	16%	25.8	20.4	26%
Bad debts, net of recoveries	3.0	12.3	(76)%	3.7	12.1	(69)%
Other	15.3	16.9	(9)%	34.7	28.8	20%
	109.4	112.2	(2)%	220.3	198.5	11%
Total compensation and other expenses	$ 341.9	$ 319.3	7%	$ 651.8	$ 580.6	12%

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Compensation and Other Expenses: Compensation and other expenses increased $22.6 million, or 7%, to $341.9 million in the three months ended March 31, 2023 compared to $319.3 million in the three months ended March 31, 2022.

Compensation and Benefits:

	Three Months Ended March 31,			
(in millions)	**2023**	**2022**	**$ Change**	**% Change**
Compensation and benefits:				
Variable compensation and benefits				
Front office	$ 103.6	$ 109.0	$ (5.4)	(5)%
Administrative, executive, and centralized and local operations	18.2	15.1	3.1	21%
Total variable compensation and benefits	121.8	124.1	(2.3)	(2)%
Variable compensation and benefits as a percentage of net operating revenues	*30%*	*31%*		
Fixed compensation and benefits:				
Non-variable salaries	66.5	55.8	10.7	19%
Employee benefits and other compensation, excluding share-based compensation	34.9	23.0	11.9	52%
Share-based compensation	9.3	4.2	5.1	121%
Total fixed compensation and benefits	110.7	83.0	27.7	33%
Total compensation and benefits	232.5	207.1	25.4	12%
Total compensation and benefits as a percentage of operating revenues	*33%*	*38%*		
Number of employees, end of period	3,839	3,335	504	15%

Non-variable salaries increased principally due to the increase in headcount resulting from expanding capabilities among our business lines, as well as the growth in our operational and overhead departments supporting our business growth, as well as the impact of annual merit increases.

Employee benefits and other compensation, excluding share-based compensation, increased principally due to higher severance, payroll taxes, benefits, and retirement costs. During the three months ended March 31, 2023, severance costs were $12.1 million, principally related to a reorganization within the Global Payments business. During the three months ended March 31, 2022, severance costs were $1.3 million. Partially offsetting the increases was an increase in employee-elected deferred incentive, which is exchanged for restricted stock that will be amortized over a thirty-six month period following the grant date. Share-based compensation contains stock option and restricted stock expense, including $3.1 million in accelerated share-based compensation for employee departures that are related to retirements and certain business reorganizations.

Other Expenses: Other non-compensation expenses decreased $2.8 million, or 2%, to $109.4 million in the three months ended March 31, 2023 compared to $112.2 million in the three months ended March 31, 2022.

Trading systems and market information increased $0.9 million, principally due to higher market information costs in the Debt Capital Markets, Retail Forex and Financial Ag & Energy businesses, partially offset by lower trading system costs.

Professional fees decreased $2.5 million, principally due to lower legal fees, partially offset by an increase in accounting and other consulting fees.

Non-trading technology and support increased $3.4 million, principally due to an increase in non-trading software maintenance and support costs related to various IT systems and an increase in external data center services costs.

Travel and business development increased $2.8 million, principally due to higher transportation and lodging costs across several business lines following periods of reduced travel.

Depreciation and amortization increased $1.8 million, principally due to the incremental depreciation expense from internally developed software placed into service, as well as higher amortization on leasehold improvements and intangibles acquired.

Other expenses decreased $1.6 million, principally due to lower contingent acquisition related expense and non-income taxes, partially offset by an increase in certain settlement matters and non-variable direct business costs.

Bad debts, net of recoveries decreased $9.3 million over the prior year. During the three months ended March 31, 2023, bad debts, net of recoveries were $3.0 million, principally related to a client receivable in the Physical Ag & Energy business. During the three months ended March 31, 2022, we recorded bad debts of $12.3 million, principally due to $9.8 million within the Commercial segment, including $5.9 million of client trading account deficits in the Financial Ag & Energy business, and $3.3 million of client receivables in the Physical Ag & Energy business. Additionally, we recorded $2.1 million of bad debt expense within the Institutional segment, including $1.6 million of client receivables in the Equity Capital Markets business and

$0.5 million in client trading account deficits in the Exchange-Traded Futures and Options business, and $0.4 million within the Retail segment.

Other Gain: The results of the three months ended March 31, 2022 include a nonrecurring gain of $6.4 million related to a foreign exchange antitrust class action settlement received in March 2022.

Provision for Taxes: The effective income tax rate was 27% in the three months ended March 31, 2023 and 2022. The effective tax rate was higher than the U.S. federal statutory rate of 21% due to U.S. state and local taxes, GILTI, U.S. and foreign permanent differences, and the amount of foreign earnings taxed at higher rates.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Compensation and Other Expenses: Compensation and other expenses increased $71.2 million, or 12%, to $651.8 million in the six months ended March 31, 2023 compared to $580.6 million in the six months ended March 31, 2022.

Compensation and Benefits:

	Six Months Ended March 31,			
(in millions)	**2023**	**2022**	**$ Change**	**% Change**
Compensation and benefits:				
Variable compensation and benefits				
Front office	$ 204.4	$ 196.2	$ 8.2	4 %
Administrative, executive, and centralized and local operations	35.9	28.3	7.6	27 %
Total variable compensation and benefits	240.3	224.5	15.8	7 %
Variable compensation and benefits as a percentage of net operating revenues	*31 %*	*31 %*		
Fixed compensation and benefits:				
Non-variable salaries	127.9	109.0	18.9	17 %
Employee benefits and other compensation, excluding share-based compensation	48.4	40.3	8.1	20 %
Share-based compensation	14.9	8.3	6.6	80 %
Total fixed compensation and benefits	191.2	157.6	33.6	21 %
Total compensation and benefits	$ 431.5	$ 382.1	$ 49.4	13 %
Total compensation and benefits as a percentage of operating revenues	*32 %*	*38 %*		
Number of employees, end of period	3,839	3,335	504	15 %

Non-variable salaries increased principally due to the increase in headcount resulting from expanding capabilities among our business lines, as well as the growth in our operational and overhead departments supporting our business growth, as well as the impact of annual merit increases.

Employee benefits and other compensation, excluding share-based compensation, increased principally related to higher severance, payroll taxes, benefits, and retirement costs. During the six months ended March 31, 2023, severance costs were $12.7 million, principally related to a reorganization within the Global Payments business. During the six months ended March 31, 2022, severance costs were $2.0 million. Partially offsetting the increases was an increase in employee-elected deferred incentive, which is exchanged for restricted stock that will be amortized over a thirty-six month period following the grant date. Share-based compensation contains stock option and restricted stock expense, including $3.1 million in accelerated share-based compensation for employee departures that are related to retirements and certain business reorganizations.

Other Expenses: Other non-compensation expenses increased $21.8 million, or 11%, to $220.3 million in the six months ended March 31, 2023 compared to $198.5 million in the six months ended March 31, 2022.

Trading systems and market information costs increased $2.5 million, principally due to higher market information costs in the Debt Capital Markets and Retail Forex businesses, partially offset by lower trading system costs.

Professional fees increased $1.5 million, principally due to higher accounting and other consulting fees, partially offset by lower legal fees.

Non-trading technology and support increased $5.2 million, principally due to higher non-trading software maintenance and support costs related to various IT systems and an increase in external data center services costs.

Selling and marketing costs increased $1.8 million, principally due to increased costs of hosted conferences and marketing communications materials in our Financial Ag & Energy business and increased campaigns related to our Retail Forex business.

Travel and business development increased $5.6 million, principally due to higher transportation and lodging costs across all business lines and support departments following periods of reduced travel.

Depreciation and amortization increased $5.4 million, principally due to the incremental depreciation expense from internally developed software placed into service, as well as higher amortization on leasehold improvements and intangibles acquired.

Other expenses increased $5.9 million, principally due to an increase in certain litigation settlement matters, non-variable direct business costs and non-compensation employee based expenses, partially offset by lower non-income taxes and lower contingent acquisition related expense.

Bad debt expense, net of recoveries decreased $8.4 million over the prior year. During the six months ended March 31, 2023, bad debt expense, net of recovery was $3.7 million, principally related to client receivables in the Physical Ag & Energy business and client trading account deficits in our Retail segment of $2.9 million and $0.8 million, respectively. During the six months ended March 31, 2022, bad debt expense, net of recoveries was $12.1 million, principally related to client trading account deficits in our Commercial, Institutional, and Retail segments of $9.2 million, $2.2 million, and $0.7 million, respectively.

Gain on Acquisitions and Other Gains: The results of the six months ended March 31, 2023 include a nonrecurring gain of $23.5 million related to the acquisition of CDI. The results of the six months ended March 31, 2022 included a nonrecurring gain of $6.4 million related to a foreign exchange antitrust class action settlement received in March 2022.

Provision for Taxes: The effective income tax rate was 23% for the six months ended March 31, 2023 and 24% for the six months ended March 31, 2022. The gain on acquisition of $23.5 million in the six months ended March 31, 2023 was not taxable and reduced the effective income tax rate 3.2%.

The effective income tax rate for the six months ended March 31, 2023 and 2022 was higher than the U.S. federal statutory rate of 21% due to U.S. state and local taxes, changes in valuation allowances, U.K. bank tax, U.S. permanent differences, and the amount of foreign earnings taxed at higher tax rates.

Variable vs. Fixed Expenses

The table below sets forth our variable expenses and non-variable expenses as a percentage of total non-interest expenses for the periods indicated.

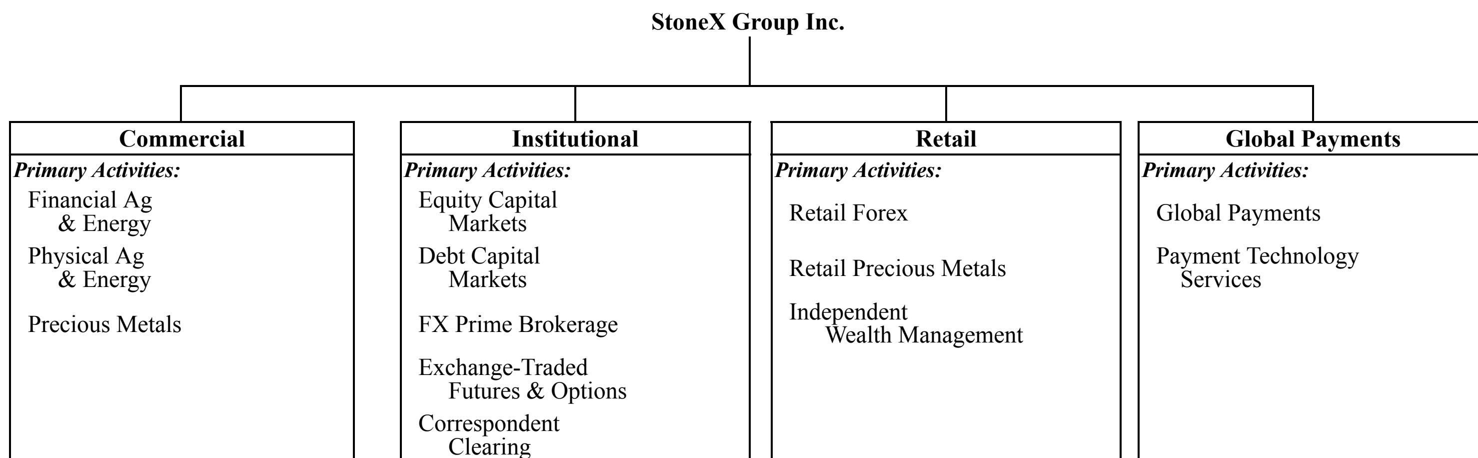
	Three Months Ended March 31,				Six Months Ended March 31,			
(in millions)	**2023**	**% of Total**	**2022**	**% of Total**	**2023**	**% of Total**	**2022**	**% of Total**
Variable compensation and benefits	$ 121.8	27%	$ 124.1	28%	$ 240.3	28%	$ 224.5	28%
Transaction-based clearing expenses	69.2	15%	76.5	17%	136.5	16%	147.4	19%
Introducing broker commissions	42.2	9%	43.2	10%	79.0	9%	81.5	10%
Total variable expenses	233.2	51%	243.8	55%	455.8	53%	453.4	57%
Fixed compensation and benefits	110.7	24%	83.0	19%	191.2	22%	157.6	19%
Other fixed expenses	106.4	24%	99.9	23%	216.6	25%	186.4	23%
Bad debts, net of recoveries	3.0	1%	12.3	3%	3.7	—%	12.1	1%
Total non-variable expenses	220.1	49%	195.2	45%	411.5	47%	356.1	43%
Total non-interest expenses	$ 453.3	100%	$ 439.0	100%	$ 867.3	100%	$ 809.5	100%

Our variable expenses include variable compensation paid to traders and risk management consultants, bonuses paid to operational, administrative, and executive employees, transaction-based clearing expenses and introducing broker commissions. We seek to make our non-interest expenses variable to the greatest extent possible, and to keep our fixed costs as low as possible.

Segment Information

Our operating segments are based principally on the nature of the clients we serve (commercial, institutional, and retail), and a fourth operating segment, our global payments business. We manage our business in this manner due to our large global footprint, in which we have approximately 3,800 employees allowing us to serve clients in more than 180 countries.

Our business activities are managed as operating segments and organized into reportable segments as shown below.



Operating revenues, net operating revenues, net contribution and segment income are some of the key measures used by management to assess the performance of each segment and for decisions regarding the allocation of our resources. Operating revenues are calculated as total revenues less cost of sales of physical commodities.

Net operating revenues are calculated as operating revenues less transaction-based clearing expenses, introducing broker commissions and interest expense.

Net contribution is calculated as net operating revenues less variable compensation. Variable compensation paid to risk management consultants and traders generally represents a fixed percentage that can vary by revenue type. This fixed percentage is applied to revenues generated, and in some cases, revenues generated less transaction-based clearing expenses, base salaries and other expenses/allocations.

Segment income is calculated as net contribution less non-variable direct segment costs. These non-variable direct expenses include trader base compensation and benefits, operational charges, trading systems and market information, professional fees, travel and business development, communications, bad debts, trade errors and direct marketing expenses.

Total Segment Results

The following table shows summary information concerning all of our business segments combined.

	Three Months Ended March 31,				Six Months Ended March 31,			
(in millions)	**2023**	**% of Operating Revenues**	**2022**	**% of Operating Revenues**	**2023**	**% of Operating Revenues**	**2022**	**% of Operating Revenues**
Revenues:								
Sales of physical commodities	$ 15,506.2		$ 15,864.2		$ 27,909.6		$ 29,783.1	
Principal gains, net	254.0		323.7		509.3		574.6	
Commission and clearing fees	131.1		139.0		249.7		255.5	
Consulting, management, and account fees	38.7		24.5		77.9		47.7	
Interest income	237.6		34.5		429.7		68.6	
Total revenues	16,167.6		16,385.9		29,176.2		30,729.5	
Cost of sales of physical commodities	15,456.6		15,838.0		27,813.4		29,728.9	
Operating revenues	711.0	100%	547.9	100%	1,362.8	100%	1,000.6	100%
Transaction-based clearing expenses	69.4	10%	75.9	14%	136.5	10%	146.3	15%
Introducing broker commissions	42.2	6%	43.2	8%	79.0	6%	81.7	8%
Interest expense	178.2	25%	14.5	3%	333.0	24%	30.6	3%
Net operating revenues	421.2		414.3		814.3		742.0	
Variable direct compensation and benefits	104.5	15%	109.6	20%	206.0	15%	197.3	20%
Net contribution	316.7		304.7		608.3		544.7	
Fixed compensation and benefits	61.0		46.0		106.1		85.5	
Other fixed expenses	73.3		63.3		146.2		118.7	
Bad debts, net of recoveries	3.0		12.3		3.7		12.1	
Total non-variable direct expenses	137.3	19%	121.6	22%	256.0	19%	216.3	22%
Other gain	—		6.4		—		6.4	
Segment income	$ 179.4		$ 189.5		$ 352.3		$ 334.8	

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Net contribution for all of our business segments increased $12.0 million, or 4%, to $316.7 million in the three months ended March 31, 2023 compared to $304.7 million in the three months ended March 31, 2022. Segment income decreased $10.1 million, or 5%, to $179.4 million in the three months ended March 31, 2023 compared to $189.5 million in the three months ended March 31, 2022.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Net contribution for all of our business segments increased $63.6 million, or 12%, to $608.3 million in the six months ended March 31, 2023 compared to $544.7 million in the six months ended March 31, 2022. Segment income increased $17.5 million, or 5%, to $352.3 million in the six months ended March 31, 2023 compared to $334.8 million in the six months ended March 31, 2022.

Commercial

We offer our commercial clients a comprehensive array of products and services, including risk management and hedging services, execution and clearing exchange-traded and OTC products, voice brokerage, market intelligence and physical trading, as well as commodity financing and logistics services. We believe providing these high-value-added products and services differentiates us from our competitors and maximizes our opportunity to retain our clients.

The tables below present the financial performance, a disaggregation of operating revenues, and select operating data and metrics used by management in evaluating the performance of the Commercial segment, for the periods indicated.

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Revenues:						
Sales of physical commodities	$ 15,279.3	$ 15,631.2	(2)%	$ 27,428.7	$ 29,327.6	(6)%
Principal gains, net	74.9	99.7	(25)%	144.6	175.8	(18)%
Commission and clearing fees	44.5	49.2	(10)%	83.3	88.0	(5)%
Consulting, management and account fees	6.4	5.0	28%	12.9	10.4	24%
Interest income	45.6	7.4	516%	74.7	14.3	422%
Total revenues	15,450.7	15,792.5	(2)%	27,744.2	29,616.1	(6)%
Cost of sales of physical commodities	15,230.6	15,608.4	(2)%	27,341.7	29,279.4	(7)%
Operating revenues	220.1	184.1	20%	402.5	336.7	20%
Transaction-based clearing expenses	14.6	14.5	1%	27.8	27.5	1%
Introducing broker commissions	9.9	9.5	4%	17.4	15.8	10%
Interest expense	10.5	4.3	144%	19.5	7.9	147%
Net operating revenues	185.1	155.8	19%	337.8	285.5	18%
Variable direct compensation and benefits	44.2	46.2	(4)%	81.2	85.2	(5)%
Net contribution	140.9	109.6	29%	256.6	200.3	28%
Fixed compensation and benefits	16.3	13.0	25%	30.0	24.6	22%
Other fixed expenses	19.3	16.7	16%	38.0	30.9	23%
Bad debts, net of recoveries	2.4	9.8	(76)%	2.9	9.2	(68)%
Non-variable direct expenses	38.0	39.5	(4)%	70.9	64.7	10%
Segment income	$ 102.9	$ 70.1	47%	$ 185.7	$ 135.6	37%

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Operating revenues (in millions):						
Listed derivatives	$ 61.0	$ 73.0	(16)%	$ 114.8	$ 130.7	(12)%
OTC derivatives	57.9	62.4	(7)%	100.4	109.1	(8)%
Physical contracts	51.9	37.2	40%	105.6	74.6	42%
Interest / fees earned on client balances	43.4	6.3	589%	69.5	11.7	494%
Other	5.9	5.2	13%	12.2	10.6	15%
	$ 220.1	$ 184.1	20%	$ 402.5	$ 336.7	20%
Select data (all $ amounts are U.S. dollar or U.S. dollar equivalents):						
Listed derivatives (contracts, 000's)	8,625	8,005	8%	16,511	15,504	6%
Listed derivatives, average rate per contract [(1)]	$ 6.97	$ 8.65	(19)%	$ 6.75	$ 7.99	(16)%
Average client equity - listed derivatives (millions)	$ 1,971	$ 2,013	(2)%	$ 2,053	$ 1,864	10%
OTC derivatives (contracts, 000's)	858	738	16%	1,576	1,500	5%
OTC derivatives, average rate per contract	$ 67.94	$ 84.98	(20)%	$ 64.37	$ 72.85	(12)%

(1) Give-up fees, as well as cash and voice brokerage revenues are excluded from the calculation of listed derivatives, average rate per contract.

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Operating revenues increased $36.0 million, or 20%, to $220.1 million in the three months ended March 31, 2023 compared to $184.1 million in the three months ended March 31, 2022. Net operating revenues increased $29.3 million, or 19%, to $185.1 million in the three months ended March 31, 2023 compared to $155.8 million in the three months ended March 31, 2022.

Operating revenues derived from listed derivatives declined $12.0 million, or 16%, to $61.0 million in the three months ended March 31, 2023 compared to $73.0 million in the three months ended March 31, 2022. This decline was principally due to a 19% decrease in the average rate per contract as the prior year period experienced wider spreads in LME markets related to the Russian invasion of Ukraine and the resulting effect on base metal commodity prices. This decline was partially offset by an 8% increase in overall listed derivatives contract volumes compared to the prior year period.

Operating revenues derived from OTC derivatives declined $4.5 million, or 7%, to $57.9 million in the three months ended March 31, 2023 compared to $62.4 million in the three months ended March 31, 2022. This decline was principally due to a 20% decline in the average rate per contract compared to a historically strong rate per contract in the prior year period which was a result of the Russian invasion of Ukraine and its effect on agricultural and energy commodity prices. This decline was partially offset by a 16% increase in OTC derivative volumes compared to the three months ended March 31, 2022.

Operating revenues derived from physical contracts increased $14.7 million, or 40%, to $51.9 million in the three months ended March 31, 2023 compared to $37.2 million in the three months ended March 31, 2022. This increase was principally due to an $11.8 million increase in operating revenues in our physical agricultural and energy business, as well as a $2.5 million increase in precious metals operating revenues compared to the three months ended March 31, 2022. Operating revenues during the three months ended March 31, 2023 were favorably impacted by realized gains of $2.4 million on the sale of physical inventories carried at the lower of cost or net realizable value, for which losses on related derivative positions were recognized in prior periods. Operating revenues during the three months ended March 31, 2022 were also favorably impacted by realized gains of $1.8 million on the sale of physical inventories carried at the lower of cost or net realizable value, for which losses on related derivative positions were recognized in prior periods.

Interest and fee income earned on client balances increased $37.1 million, or 589%, to $43.4 million in the three months ended March 31, 2023 compared to $6.3 million in the three months ended March 31, 2022 as a result of a significant increase in short term interest rates. Average client equity declined 2% to $1,971 million in the three months ended March 31, 2023.

Variable expenses, excluding interest, expressed as a percentage of operating revenues declined to 31% in the three months ended March 31, 2023 compared to 38% in the three months ended March 31, 2022, primarily as a result of the increase in interest/fees earned on client balances, which is generally not a component of variable compensation.

Segment income increased $32.8 million, or 47%, to $102.9 million in the three months ended March 31, 2023 compared to $70.1 million in the three months ended March 31, 2022, principally due to the growth in operating revenues as well as a $1.5 million decline in non-variable direct expenses. The decline in non-variable direct expenses was principally driven by a $7.4 million decline in bad debts, net of recoveries, which was partially offset by a $3.3 million increase in fixed compensation and benefits, a $1.3 million increase in selling and marketing, a $0.7 million increase in travel and business development and a $0.6 million increase in depreciation and amortization, compared to the three months ended March 31, 2022.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Operating revenues increased $65.8 million, or 20%, to $402.5 million in the six months ended March 31, 2023 compared to $336.7 million in the six months ended March 31, 2022. Net operating revenues increased $52.3 million, or 18%, to $337.8 million in the six months ended March 31, 2023 compared to $285.5 million in the six months ended March 31, 2022.

Operating revenues derived from listed derivatives declined $15.9 million, or 12%, to $114.8 million in the six months ended March 31, 2023 compared to $130.7 million in the six months ended March 31, 2022. This decline was principally driven by a 16% decline in the average rate per contract as the prior year period experienced wider spreads in LME markets related to the Russian invasion of Ukraine and the resulting effect on base metal commodity prices. This decline was partially offset by a 6% increase in listed derivative contract volumes compared to the prior year period.

Operating revenues derived from OTC transactions decreased $8.7 million, or 8%, to $100.4 million in the six months ended March 31, 2023 compared to $109.1 million in the six months ended March 31, 2022. This decline was principally driven by a 12% decline in the average rate per contract which was partially offset by a 5% increase in OTC volumes.

Operating revenues derived from physical transactions increased $31.0 million, or 42%, to $105.6 million in the six months ended March 31, 2023 compared to $74.6 million in the six months ended March 31, 2022, principally due to increased client activity in agricultural and energy commodities, including the acquisition of CDI, effective October 31, 2022, as well as continued strong client demand for precious metals. Operating revenues during the six months ended March 31, 2023 were unfavorably impacted by losses on derivative positions of $1.8 million, related to physical inventories held at the lower of cost or net realizable value. Operating revenues during the six months ended March 31, 2022 were favorably impacted by realized gains of $2.6 million, on the sale of physical inventories carried at the lower of cost or net realizable value, for which losses on related derivative positions were recognized in prior periods.

Interest and fee income earned on client balances increased $57.8 million, or 494%, to $69.5 million in the six months ended March 31, 2023 compared to $11.7 million in the six months ended March 31, 2023, as a result of both a 10% increase in average client equity to $2,053 million as well as a significant increase in short term interest rates.

Variable expenses, excluding interest, expressed as a percentage of operating revenues declined to 31% in the six months ended March 31, 2023 compared to 38% in the six months ended March 31, 2022, primarily as the result of the increase in interest/fees earned on client balances, which is generally not a component of variable compensation.

Segment income increased $50.1 million, or 37%, to $185.7 million in the six months ended March 31, 2023 compared to $135.6 million in the six months ended March 31, 2022, principally due to the growth in operating revenues which was partially offset by a $6.2 million increase in non-variable direct expenses. The increase in non-variable direct expenses was primarily due to a $5.4 million increase in fixed compensation and benefits, a $1.7 million increase in selling and marketing, a $1.5 million increase in travel and business development, a $1.1 million increase in depreciation and amortization. These increases were partially offset by a $6.3 million decline in bad debts, net of recoveries.

Institutional

We provide institutional clients with a complete suite of equity trading services to help them find liquidity with best execution, consistent liquidity across a robust array of fixed income products, competitive and efficient clearing and execution in all major futures and securities exchanges globally as well as prime brokerage in equities and major foreign currency pairs and swap transactions. In addition, we originate, structure and place debt instruments in the international and domestic capital markets. These instruments include asset-backed securities (primarily in Argentina) and domestic municipal securities.

The tables below present the financial performance, a disaggregation of operating revenues, and select operating data and metrics used by management in evaluating the performance of the Institutional segment, for the periods indicated.

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	2023	2022	% Change	2023	2022	% Change
Revenues:						
Sales of physical commodities	$ —	$ —	—%	$ —	$ —	—%
Principal gains, net	89.1	95.9	(7)%	190.3	163.3	17%
Commission and clearing fees	72.9	74.7	(2)%	140.4	137.0	2%
Consulting, management and account fees	18.8	5.5	242%	35.6	10.3	246%
Interest income	181.7	26.7	581%	339.7	53.5	535%
Total revenues	362.5	202.8	79%	706.0	364.1	94%
Cost of sales of physical commodities	—	—	—%	—	—	—%
Operating revenues	362.5	202.8	79%	706.0	364.1	94%
Transaction-based clearing expenses	48.3	52.0	(7)%	95.3	101.5	(6)%
Introducing broker commissions	10.1	8.3	22%	18.7	15.4	21%
Interest expense	166.2	9.7	n/m	310.9	21.5	n/m
Net operating revenues	137.9	132.8	4%	281.1	225.7	25%
Variable direct compensation and benefits	48.6	50.5	(4)%	97.2	86.0	13%
Net contribution	89.3	82.3	9%	183.9	139.7	32%
Fixed compensation and benefits	16.1	13.9	16%	28.8	24.9	16%
Other fixed expenses	17.3	16.3	6%	37.3	30.7	21%
Bad debts, net of recoveries	0.1	2.1	(95)%	—	2.2	(100)%
Non-variable direct expenses	33.5	32.3	4%	66.1	57.8	14%
Segment income	$ 55.8	$ 50.0	12%	$ 117.8	$ 81.9	44%

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	2023	2022	% Change	2023	2022	% Change
Operating revenues (in millions):						
Listed derivatives	$ 49.5	$ 50.0	(1)%	$ 95.5	$ 92.9	3%
Securities	226.8	125.3	81%	439.8	222.8	97%
FX contracts	9.3	8.9	4%	18.5	14.2	30%
Interest / fees earned on client balances	59.2	4.0	n/m	118.5	6.6	n/m
Other	17.7	14.6	21%	33.7	27.6	22%
	$ 362.5	$ 202.8	79%	$ 706.0	$ 364.1	94%
Select data (all $ amounts are U.S. dollar or U.S. dollar equivalents):						
Listed derivatives (contracts, 000's)	32,964	34,028	(3)%	65,276	63,242	3%
Listed derivatives, average rate per contract [(1)]	$ 1.38	$ 1.39	(1)%	$ 1.33	$ 1.40	(5)%
Average client equity - listed derivatives (millions)	$ 5,251	$ 3,254	61%	$ 5,669	$ 3,107	82%
Securities ADV (millions)	$ 5,759	$ 3,492	65%	$ 4,995	$ 3,095	61%
Securities RPM [(2)]	$ 282	$ 554	(49)%	$ 341	$ 543	(37)%
Average money market / FDIC sweep client balances (millions)	$ 1,374	$ 1,751	(22)%	$ 1,455	$ 1,663	(13)%
FX contracts ADV (millions)	$ 5,080	$ 4,171	22%	$ 4,974	$ 4,051	23%
FX contracts RPM	$ 29	$ 33	(12)%	$ 30	$ 27	11%

(1) Give-up fee revenues are excluded from the calculation of listed derivatives, average rate per contract.

(2) Interest expense associated with our fixed income activities is deducted from operating revenues in the calculation of Securities RPM, while interest income related to securities lending is excluded.

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Operating revenues increased $159.7 million, or 79%, to $362.5 million in the three months ended March 31, 2023 compared to $202.8 million in the three months ended March 31, 2022. Net operating revenues increased $5.1 million, or 4%, to $137.9 million in the three months ended March 31, 2023 compared to $132.8 million in the three months ended March 31, 2022.

Operating revenues derived from listed derivatives declined $0.5 million, or 1%, to $49.5 million in the three months ended March 31, 2023 compared to $50.0 million in the three months ended March 31, 2022, principally due to a 3% decline in listed derivative contract volumes as well as a 1% decline in the average rate per contract.

Operating revenues derived from securities transactions increased $101.5 million, or 81%, to $226.8 million in the three months ended March 31, 2023 compared to $125.3 million in the three months ended March 31, 2022. The ADV of securities traded increased 65%, principally driven by increased client activity in both equity and fixed income markets. Carried interest on fixed income securities is a component of operating revenues, however interest expense associated with financing these positions is not. As a result of the significant increase in short term rates, we have amended our calculation of Securities RPM, in the table above, to present the RPM after deducting from operating revenues the interest expense associated with our fixed income activities. The securities RPM decreased 49% in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, principally due to a tightening of spreads realized in equity markets.

Operating revenues derived from FX contracts increased $0.4 million, or 4%, to $9.3 million in the three months ended March 31, 2023 compared to $8.9 million in the three months ended March 31, 2022, primarily driven by a 22% increase in the ADV of FX contracts, which was partially offset by a 12% decline in the FX contract RPM.

Interest and fee income earned on client balances, which is associated with our listed derivative and correspondent clearing businesses increased $55.2 million, to $59.2 million in the three months ended March 31, 2023, principally driven by a significant increase in both average client equity and short-term interest rates.

As a result of the increase in short term interest rates and the increase in ADV, interest expense increased $156.5 million, to $166.2 million in the three months ended March 31, 2023 compared to $9.7 million in the three months ended March 31, 2022, with interest expense directly associated with serving as an institutional dealer in fixed income securities increasing $117.5 million, interest paid to clients increasing $32.6 million and interest expense directly attributable to securities lending activities increasing $3.4 million compared to the prior year period.

Variable expenses, excluding interest, expressed as a percentage of operating revenues declined to 30% in the three months ended March 31, 2023 compared to 55% in the three months ended March 31, 2022, primarily as the result of the increase in interest/fees earned on client balances, which is generally not a component of variable compensation.

Segment income increased $5.8 million, or 12%, to $55.8 million in the three months ended March 31, 2023 compared to $50.0 million in the three months ended March 31, 2022, as a result of the increase in net operating revenues noted above, a $1.9 million decline in variable compensation and a $2.0 million decline in bad debts, net of recoveries. These favorable variances were partially offset by a $2.2 million increase in fixed compensation and benefits and a $1.0 million increase in other fixed expenses.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Operating revenues increased $341.9 million, or 94%, to $706.0 million in the six months ended March 31, 2023 compared to $364.1 million in the six months ended March 31, 2022. Net operating revenues increased $55.4 million, or 25%, to $281.1 million in the six months ended March 31, 2023 compared to $225.7 million in the six months ended March 31, 2022.

Operating revenues derived from listed derivatives increased $2.6 million, or 3%, to $95.5 million in the six months ended March 31, 2023 compared to $92.9 million in the six months ended March 31, 2022, principally driven by a 3% increase in listed derivative contract volumes, which was partially offset by a 5% decline in the average rate per contract compared to the six months ended March 31, 2022.

Operating revenues derived from securities transactions increased $217.0 million, or 97%, to $439.8 million in the six months ended March 31, 2023 compared to $222.8 million in the six months ended March 31, 2022. The ADV of securities traded increased 61%, principally driven by increased client activity in both equity and fixed income markets. Carried interest on fixed income securities is a component of operating revenues, however interest expense associated with financing these positions is not. As a result of the significant increase in short term rates, we have amended our calculation of Securities RPM, in the table above, to present the RPM after deducting from operating revenues the interest expense associated with our fixed income activities. The securities RPM decreased 37% in in the six months ended March 31, 2023 compared to the six months ended March 31, 2022, principally due to a tightening of spreads realized in equity markets.

Operating revenues derived from FX contracts increased $4.3 million, or 30%, to $18.5 million in the six months ended March 31, 2023 compared to $14.2 million in the six months ended March 31, 2022, primarily driven by a 23% increase in the ADV of FX contracts traded as well as a 11% increase in the average rate per contract.

Finally, interest and fee income earned on client balances, which is associated with our listed derivative business, as well as our correspondent clearing businesses, increased $111.9 million, to $118.5 million in the six months ended March 31, 2023 compared to $6.6 million in the six months ended March 31, 2022, primarily as a result of a 82% increase in average client equity combined with a significant increase in short term interest rates.

As a result of the increase in short term interest rates and the increase in ADV, interest expense increased $289.4 million, to $310.9 million in the six months ended March 31, 2023 compared to $21.5 million the six months ended March 31, 2022, with interest expense directly associated with serving as an institutional dealer in fixed income securities increasing $210.8 million, interest paid to clients increasing $65.7 million and interest expense directly attributable to securities lending activities increasing $5.6 million compared to the prior year period.

Variable expenses, excluding interest, expressed as a percentage of operating revenues declined to 30% in the six months ended March 31, 2023 compared to 56% in the six months ended March 31, 2022, primarily as the result of the increase in interest/fees earned on client balances, which is generally not a component of variable compensation.

Segment income increased $35.9 million, or 44%, to $117.8 million in the six months ended March 31, 2023 compared to $81.9 million in the six months ended March 31, 2022, primarily as a result of the increase in net operating revenues noted above, which was partially offset by a $8.3 million, or 14% increase in non-variable direct expenses versus the six months ended March 31, 2022. The increase in non-variable direct expenses was primarily related to a $3.9 million increase in fixed compensation and benefits, a $2.3 million increase in trade systems and market information, a $1.6 million increase in non-trading technology and support, a $1.4 million increase in professional fees and a $1.0 million increase in travel and business development. These increases were partially offset by a $2.2 million decline in bad debts, net of recoveries compared to the six months ended March 31, 2022.

Retail

We provide our retail clients around the world access to over 18,000 global financial markets, including spot foreign exchange ("forex"), both financial trading and physical investment in precious metals, as well as contracts for difference ("CFDs"), which are investment products with returns linked to the performance of underlying assets. In addition, our independent wealth management business offers a comprehensive product suite to retail investors in the U.S.

The tables below present the financial performance, a disaggregation of operating revenues, and select operating data and metrics used by management in evaluating the performance of the Retail segment, for the periods indicated.

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	2023	2022	% Change	2023	2022	% Change
Revenues:						
Sales of physical commodities	$ 226.9	$ 233.0	(3)%	$ 480.9	$ 455.5	6%
Principal gains, net	43.3	89.4	(52)%	75.1	156.6	(52)%
Commission and clearing fees	11.9	13.6	(13)%	22.6	27.4	(18)%
Consulting, management and account fees	12.7	13.2	(4)%	27.6	25.6	8%
Interest income	9.8	0.4	n/m	14.6	0.8	n/m
Total revenues	304.6	349.6	(13)%	620.8	665.9	(7)%
Cost of sales of physical commodities	226.0	229.6	(2)%	471.7	449.5	5%
Operating revenues	78.6	120.0	(35)%	149.1	216.4	(31)%
Transaction-based clearing expenses	4.7	7.6	(38)%	10.0	13.6	(26)%
Introducing broker commissions	21.7	25.1	(14)%	41.9	50.1	(16)%
Interest expense	1.4	0.5	180%	2.5	1.1	127%
Net operating revenues	50.8	86.8	(41)%	94.7	151.6	(38)%
Variable direct compensation and benefits	2.4	6.1	(61)%	7.1	10.9	(35)%
Net contribution	48.4	80.7	(40)%	87.6	140.7	(38)%
Fixed compensation and benefits	11.0	14.2	(23)%	24.2	27.1	(11)%
Other fixed expenses	32.1	27.0	19%	62.0	50.4	23%
Bad debts, net of recoveries	0.5	0.4	25%	0.8	0.7	14%
Non-variable direct expenses	43.6	41.6	5%	87.0	78.2	11%
Other gain	—	6.4	(100)%	—	6.4	(100)%
Segment income	$ 4.8	$ 45.5	(89)%	$ 0.6	$ 68.9	(99)%

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	2023	2022	% Change	2023	2022	% Change
Operating revenues (in millions):						
Securities	$ 22.4	$ 26.0	(14)%	$ 43.5	$ 51.2	(15)%
FX / CFD contracts	52.5	90.0	(42)%	92.1	156.9	(41)%
Physical contracts	2.2	3.5	(37)%	8.2	7.0	17%
Interest / fees earned on client balances	0.8	0.1	700%	1.6	0.4	300%
Other	0.7	0.4	75%	3.7	0.9	311%
	$ 78.6	$ 120.0	(35)%	$ 149.1	$ 216.4	(31)%
Select data (all $ amounts are U.S. dollar or U.S. dollar equivalents):						
FX / CFD contracts ADV (millions)	$ 8,411	$ 10,765	(22)%	$ 8,186	$ 9,798	(16)%
FX / CFD contracts RPM	$ 97	$ 131	(26)%	$ 90	$ 124	(27)%

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Operating revenues declined $41.4 million, or 35%, to $78.6 million in the three months ended March 31, 2023 compared to $120.0 million in the three months ended March 31, 2022. Net operating revenues decreased $36.0 million, or 41%, to $50.8 million in the three months ended March 31, 2023 compared to $86.8 million in the three months ended March 31, 2022.

Operating revenues derived from FX/CFD contracts declined $37.5 million, or 42%, to $52.5 million in the three months ended March 31, 2023 compared to $90.0 million in the three months ended March 31, 2022 primarily as a result of a 26% decline in RPM and a 22% decline in FX/CFD contracts ADV compared to the three months ended March 31, 2022. These declines were principally driven by diminished volatility and tighter trading ranges in our larger volume markets which resulted in reduced client trading activity and spread capture.

Operating revenues derived from securities transactions, which relates to our independent wealth management activities, declined $3.6 million, or 14%, to $22.4 million in the three months ended March 31, 2023 compared to $26.0 million in the three months ended March 31, 2022.

Operating revenues derived from physical contracts declined $1.3 million, or 37% to $2.2 million in the three months ended March 31, 2023 compared to $3.5 million in the three months ended March 31, 2022.

Interest and fee income earned on client balances increased $0.7 million, to $0.8 million in the three months ended March 31, 2023 compared to $0.1 million in the three months ended March 31, 2022, primarily as a result of an increase in short term interest rates.

Variable expenses, excluding interest, as a percentage of operating revenues were 37% in the three months ended March 31, 2023 compared to 32% in the three months ended March 31, 2022, with the increase in the variable rate percentage resulting from the decline in operating revenues derived from FX/CFD contracts which have a lower variable expense component.

Segment income decreased $40.7 million to $4.8 million in the three months ended March 31, 2023 compared to $45.5 million in the three months ended March 31, 2022, primarily as a result of the decline in net operating revenues noted above as well as a $2.0 million increase in non-variable direct expenses compared to the three months ended March 31, 2022. In addition, the three months ended March 31, 2022 include a $6.4 million foreign exchange antitrust class action settlement received in our Retail forex business.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Operating revenues decreased $67.3 million, or 31%, to $149.1 million in the six months ended March 31, 2023 compared to $216.4 million in the six months ended March 31, 2022. Net operating revenues decreased $56.9 million, or 38%, to $94.7 million in the six months ended March 31, 2023 compared to $151.6 million in the six months ended March 31, 2022.

Operating revenues derived from FX/CFD contracts declined $64.8 million, or 41%, to $92.1 million, primarily as a result of 27% and 16% declines in RPM and FX/CFD contracts ADV, respectively, compared to the six months ended March 31, 2022. These declines were principally driven by diminished volatility and tighter trading ranges in our larger volume markets which resulted in reduced client trading activity and spread capture.

Operating revenues derived from securities transactions, which are related to our independent wealth management activities, declined $7.7 million, or 15%, to $43.5 million in the six months ended March 31, 2023 compared to $51.2 million in the six months ended March 31, 2022.

Operating revenues derived from physical contracts increased $1.2 million, or 17%, to $8.2 million in the six months ended March 31, 2023 compared to $7.0 million in the six months ended March 31, 2022.

Interest and fee income earned on client balances increased $1.2 million, or 300%, to $1.6 million primarily as a result of an increase in short term interest rates.

Variable expenses, excluding interest, as a percentage of operating revenues were 40% in the six months ended March 31, 2023 compared to 34% in the six months ended March 31, 2022, with the increase in the variable rate percentage resulting from the decline in operating revenues derived from FX/CFD contracts which have a lower variable expense component.

Segment income decreased $68.3 million, or 99%, to $0.6 million in the six months ended March 31, 2023 compared to $68.9 million in the six months ended March 31, 2022, primarily as a result of the decline in net operating revenues noted above. Non-variable direct expenses increased $8.8 million, or 11%, compared to the six months ended March 31, 2022. The increase in non-variable direct expenses, was principally the result of a $4.2 million increase in allocated costs from our centralized marketing department, a $2.7 million increase in depreciation and amortization, a $1.2 million increase in non-trading technology and support, and a $0.8 million increase in travel and business development, which was partially offset by a $2.9 million decline in fixed compensation and benefits associated with the movement of certain retail employees to a centralized marketing department. In addition, the six months ended March 31, 2022 includes a $6.4 million foreign exchange antitrust class action settlement received in our Retail forex business.

Global Payments

We provide customized foreign exchange and treasury services to banks and commercial businesses, charities, non-governmental organizations, as well as government organizations. We provide transparent pricing and offer payments services in more than 185 countries and 140 currencies, which we believe is more than any other payments solutions provider.

The tables below present the financial performance, a disaggregation of operating revenues, and select operating data and metrics used by management in evaluating the performance of the Global Payments segment for the periods indicated.

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Revenues:						
Sales of physical commodities	$ —	$ —	—%	$ —	$ —	—%
Principal gains, net	46.7	38.7	21%	99.3	78.9	26%
Commission and clearing fees	1.8	1.5	20%	3.4	3.1	10%
Consulting, management, account fees	0.8	0.8	—%	1.8	1.4	29%
Interest income	0.5	—	n/m	0.7	—	n/m
Total revenues	49.8	41.0	21%	105.2	83.4	26%
Cost of sales of physical commodities	—	—	—%	—	—	—%
Operating revenues	49.8	41.0	21%	105.2	83.4	26%
Transaction-based clearing expenses	1.8	1.8	—%	3.4	3.7	(8)%
Introducing broker commissions	0.5	0.3	67%	1.0	0.4	150%
Interest expense	0.1	—	n/m	0.1	0.1	—%
Net operating revenues	47.4	38.9	22%	100.7	79.2	27%
Variable compensation and benefits	9.3	6.8	37%	20.5	15.2	35%
Net contribution	38.1	32.1	19%	80.2	64.0	25%
Fixed compensation and benefits	17.6	4.9	259%	23.1	8.9	160%
Other fixed expenses	4.6	3.3	39%	8.9	6.7	33%
Bad debts	—	—	—%	—	—	—%
Total non-variable direct expenses	22.2	8.2	171%	32.0	15.6	105%
Segment income	$ 15.9	$ 23.9	(33)%	$ 48.2	$ 48.4	—%

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Operating revenues (in millions):						
Payments	$ 48.5	$ 40.1	21%	$ 102.7	$ 81.4	26%
Other	1.3	0.9	44%	2.5	2.0	25%
	$ 49.8	$ 41.0	21%	$ 105.2	$ 83.4	26%
Select data (all $ amounts are U.S. dollar or U.S. dollar equivalents):						
Global Payments ADV (millions)	$ 65	$ 56	16%	$ 70	$ 59	19%
Global Payments RPM	$ 11,916	$ 11,668	2%	$ 11,655	$ 11,118	5%

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Operating revenues increased $8.8 million, or 21%, to $49.8 million in the three months ended March 31, 2023 compared to $41.0 million in the three months ended March 31, 2022. Net operating revenues increased $8.5 million, or 22%, to $47.4 million in the three months ended March 31, 2023 compared to $38.9 million in the three months ended March 31, 2022.

The increase in operating revenues was principally due to a 16% increase in the average daily notional payment volume as well as a 2% increase in the RPM traded. The increase in payment volume was principally due to the onboarding of new financial institution clients and increased client activity across our client base.

Variable expenses, excluding interest, expressed as a percentage of operating revenues were 23% in the three months ended March 31, 2023 compared to 22% in the three months ended March 31, 2022.

Segment income decreased $8.0 million, or 33%, to $15.9 million in the three months ended March 31, 2023 compared to $23.9 million in the three months ended March 31, 2022. This decline was primarily related to a $14.0 million increase in non-variable direct expenses, which was partially offset by the increase in net operating revenues. The increase in non-variable direct expenses was primarily driven by a $12.7 million increase in fixed compensation and benefits, including a $10.0 million

severance charge related to a reorganization of the business. This plan will include a decline in variable compensation and benefits as a percentage of operating revenues going forward.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Operating revenues increased $21.8 million, or 26%, to $105.2 million in the six months ended March 31, 2023 compared to $83.4 million in the six months ended March 31, 2022. Net operating revenues increased $21.5 million, or 27%, to $100.7 million in the six months ended March 31, 2023 compared to $79.2 million in the six months ended March 31, 2022.

The increase in operating revenues was primarily driven by a 19% increase in the average daily volume as well as a 5% increase in the RPM traded compared to the six months ended March 31, 2022.

Variable expenses, excluding interest, expressed as a percentage of operating revenues were 24% in the six months ended March 31, 2023 compared to 23% in the six months ended March 31, 2022.

Segment income decreased $0.2 million, or 0%, to $48.2 million in the six months ended March 31, 2023 compared to $48.4 million in the six months ended March 31, 2022. This decline was primarily related to the $16.4 million increase in non-variable direct expenses, which was partially offset by the increase in net operating revenues. The increase in non-variable direct expenses was primarily driven by a $14.2 million increase in fixed compensation and benefits, including a $10.0 million in severance charge related to a reorganization of the business. This plan will include a decline in variable compensation and benefits as a percentage of operating revenues going forward.

Unallocated Costs and Expenses

The following table provides information regarding our unallocated costs and expenses. These unallocated costs and expenses include certain shared services such as information technology, accounting and treasury, credit and risk, legal and compliance, and human resources and other activities, which are not included in the results of the operating segments above.

	Three Months Ended March 31,			Six Months Ended March 31,		
(in millions)	**2023**	**2022**	**% Change**	**2023**	**2022**	**% Change**
Compensation and benefits:						
Variable compensation and benefits	$ 16.0	$ 13.5	19%	$ 31.5	$ 24.9	27%
Fixed compensation and benefits	43.7	31.3	40%	73.6	61.3	20%
	59.7	44.8	33%	105.1	86.2	22%
Other expenses:						
Occupancy and equipment rental	10.4	8.7	20%	19.2	17.3	11%
Non-trading technology and support	11.3	9.5	19%	20.9	19.1	9%
Professional fees	4.7	7.3	(36)%	12.5	12.8	(2)%
Depreciation and amortization	5.7	5.6	2%	11.4	10.6	8%
Communications	1.5	1.4	7%	3.1	2.8	11%
Selling and marketing	1.1	2.2	(50)%	2.0	2.9	(31)%
Trading systems and market information	1.6	1.3	23%	3.7	2.5	48%
Travel and business development	1.0	0.6	67%	2.6	1.2	117%
Other	3.1	6.7	(54)%	9.3	11.6	(20)%
	40.4	43.3	(7)%	84.7	80.8	5%
Total compensation and other expenses	$ 100.1	$ 88.1	14%	$ 189.8	$ 167.0	14%

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Total unallocated costs and other expenses increased $12.0 million, or 14%, to $100.1 million in the three months ended March 31, 2023 compared to $88.1 million in the three months ended March 31, 2022. Compensation and benefits increased $14.9 million, or 33%, to $59.7 million in the three months ended March 31, 2023 compared to $44.8 million in the three months ended March 31, 2022.

The increase in variable and non-variable compensation is partially related to the move of certain client engagement teams out of discrete business lines and into shared services, and replacing compensation expense in those discrete business lines with a non-variable charge. Additionally, the increase in variable compensation is partially related to increased headcount.

In addition, the increase in non-variable compensation is related to higher salaries due to increased headcount and annual merit increases, as well as $3.1 million in accelerated share-based compensation for employee departures that are related to retirements and certain business reorganizations. Average administrative headcount increased 20% in the three months ended March 31, 2023 compared to the three months ended March 31, 2022, principally within client engagement, compliance, IT, and finance.

Other non-compensation expenses decreased $2.9 million, or 7%, to $40.4 million in the three months ended March 31, 2023 compared to $43.3 million in the three months ended March 31, 2022 principally due to lower legal fees, not directly related to a business and lower selling and marketing fees, due principally to the bi-annual global sales and strategy meeting held in March 2022, partially offset by higher occupancy costs, principally related to an increase in property tax assessments in London, and non-trading technology maintenance and support for the various systems used by the support services departments.

Six Months Ended March 31, 2023 Compared to Six Months Ended March 31, 2022

Total unallocated costs and other expenses increased $22.8 million, or 14%, to $189.8 million in the six months ended March 31, 2023 compared to $167.0 million in the six months ended March 31, 2022. Compensation and benefits increased $18.9 million, or 22%, to $105.1 million in the six months ended March 31, 2023 compared to $86.2 million in the six months ended March 31, 2022.

The increase in variable and non-variable compensation is partially related to the move of certain client engagement teams out of discrete business lines and into shared services as discussed above. Additionally, the increase in variable compensation is partially related to increased headcount.

In addition, the increase in non-variable compensation is related to higher salaries due to increased headcount and annual merit increases, as well as the acceleration of share-based compensation related to employee departures that are related to retirements and certain business reorganizations.

Other non-compensation expenses increased $3.9 million, or 5%, to $84.7 million in the six months ended March 31, 2023 compared to $80.8 million in the six months ended March 31, 2022 principally due to higher occupancy costs, principally related to an increase in property tax assessments in London, non-trading technology maintenance and support costs for the various systems used by the support services departments, and travel and business development costs.

Liquidity, Financial Condition and Capital Resources

Overview

Liquidity is our ability to generate sufficient funding to meet all of our cash needs. Liquidity is of critical importance to us and imperative to maintaining our operations on a daily basis. Senior management establishes liquidity and capital policies, which we monitor and review for funding from both internal and external sources. We continuously evaluate how effectively our policies support our business operations. We have historically financed our liquidity and capital needs principally with funds generated from our subsidiaries' operations, issuing debt and equity securities, and accessing committed credit facilities. We plan to finance our future operating liquidity and regulatory capital needs in a manner consistent with our past practice. Liquidity and capital matters are reported regularly to our Board of Directors.

StoneX Financial Inc. is registered as a broker-dealer with the Securities and Exchange Commission (“SEC”) and is a member of both the Financial Industry Regulatory Authority (“FINRA”) and the Municipal Securities Rulemaking Board (“MSRB”). In addition, StoneX Financial Inc. is registered as a futures commission merchant with the CFTC and NFA, and a member of various commodities and futures exchanges in the U.S. and abroad. StoneX Financial Inc. has a responsibility to meet margin calls at all exchanges on a daily basis, and even on an intra-day basis, if deemed necessary by relevant regulators or exchanges. We require our clients to make margin deposits the next business day, and we require our largest clients to make intra-day margin payments during periods of significant price movement. Margin required to be posted to the exchanges is a function of our clients’ net open positions and required margin per contract. StoneX Financial Inc. is subject to minimum capital requirements under Section 4(f)(b) of the Commodity Exchange Act, Part 1.17 of the rules and regulations of the CFTC and the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934. StoneX Financial Inc. is also subject to the Rule 15c3-3 of the Securities Exchange Act of 1934, as amended (“Customer Protection Rule”).

Gain Capital Group, LLC is registered as both a futures commission merchant and registered foreign exchange dealer, subject to minimum capital requirements under Section 4(f)(b) of the Commodity Exchange Act, Part 1.17 of the rules and regulations of the CFTC and NFA Financial Requirements, Sections 1 and 11.

StoneX Markets LLC is a CFTC provisionally registered swap dealer, whose business is overseen by the NFA. CFTC 23.154, Calculation of Initial Margin rules impose requirements on registered swap dealers and certain counterparties to exchange initial margin, with phased-in compliance dates, under which we fall in the final compliance date tier recently extended to September 2022. Additionally, the CFTC finalized the proposed net capital rules applicable to swap dealers on July 22, 2020, with the new rules effective October 6, 2021.

These rules specify the minimum amount of capital that must be available to support our clients' account balances and open trading positions, including the amount of assets that StoneX Financial Inc., Gain Capital Group, LLC and StoneX Markets LLC must maintain in relatively liquid form. Further, the rules are designed to maintain general financial integrity and liquidity.

StoneX Financial Ltd is regulated by the Financial Conduct Authority ("FCA"), the regulator of the financial services industry in the U.K. and is subject to regulations which impose regulatory capital requirements. StoneX Financial Ltd is a member of various commodities and futures exchanges in the U.K. and Europe and has the responsibility to meet margin calls at all exchanges on a daily basis and intra-day basis, as necessary. StoneX Financial Ltd is required to be compliant with the U.K.'s 'MIFIDPRU' regulation. To comply with these standards, we have implemented daily liquidity procedures, conduct periodic reviews of liquidity by stressed scenarios, and are required to maintain enough liquidity for the firm to survive for one year under the appropriate stressed conditions.

The regulations discussed above limit funds available for dividends to us. As a result, we may be unable to access our operating subsidiaries' funds when we need them.

In our physical commodities trading, commercial hedging OTC, securities and foreign exchange trading activities, we may be required upon to meet margin calls with our various trading counterparties based upon the underlying open transactions we have in place with those counterparties.

We continuously review our overall credit and capital needs to ensure that our capital base, both stockholders' equity and debt, as well as available credit facilities can appropriately support the anticipated financing needs of our operating subsidiaries.

As of March 31, 2023, we had total equity of $1,247.3 million, outstanding loans under revolving credit facilities and other payables of $561.3 million, and $340.6 million outstanding on our senior secured notes, net of deferred financing costs.

A substantial portion of our assets are liquid. As of March 31, 2023, approximately 97% of our assets consisted of cash; securities purchased under agreements to resell; securities borrowed; deposits with and receivables from exchange-clearing organizations, broker-dealers, clearing organizations and counterparties; client receivables; marketable financial instruments and investments; and physical commodities inventory. All assets that are not client and counterparty deposit financed are financed by our equity capital, bank loans, short-term borrowings from financial instruments sold, not yet purchased and under repurchase agreements, securities loaned and other payables.

Client and Counterparty Credit and Liquidity Risk

Our operations expose us to credit risk of default of our clients and counterparties. The risk includes liquidity risk to the extent our clients or counterparties are unable to make timely payment of margin or other credit support. We are indirectly exposed to the financing and liquidity risks of our clients and counterparties, including the risks that our clients and counterparties may not be able to finance their operations.

As a clearing broker, we act on behalf of our clients for all trades consummated on exchanges. We must pay initial and variation margin to the exchanges, on a net basis, before we receive the required payments from our clients. Accordingly, we are responsible for our clients' obligations with respect to these transactions, which exposes us to significant credit risk. Our clients are required to make any margin deposits the next business day, and we require our largest clients to make intra-day margin payments during periods of significant price movement. Our clients are obligated to maintain initial margin requirements at the level set by the respective exchanges, but we have the ability to increase margin requirements for clients based on their open positions, trading activity, or market conditions.

As it relates to OTC derivative transactions, we act as a principal, which exposes us to the credit risk of both our clients and the counterparties with which we offset our client positions. As with exchange-traded transactions, our OTC transactions require that we meet initial and variation margin payments on behalf of our clients before we receive related required payments from our clients. OTC clients are required to post sufficient collateral to meet margin requirements based on value-at-risk models, as well as variation margin requirements based on the price movement of the commodity or security in which they transact. Our clients are required to make any margin deposits the next business day, and we may require our largest clients to make intra-day margin payments during periods of significant price movement. In this business as well, we have the ability to increase the margin requirements for clients based on their open positions, trading activity, or market conditions. On a limited basis, we provide credit thresholds to certain clients, based on internal evaluations and monitoring of client creditworthiness.

In addition, with OTC transactions, we are at risk that a counterparty will fail to meet its obligations to us when due. We would then be exposed to the risk that the settlement of a transaction which is due a client will not be collected from the respective counterparty with which the transaction was offset. We continuously monitor the credit quality of our respective counterparties and mark our positions held with each counterparty to market on a daily basis.

We enter into securities purchased under agreements to resell, securities sold under agreements to repurchase, securities borrowed and securities loaned transactions to, among other things, finance financial instruments, acquire securities to cover short positions, acquire securities for settlement, and to accommodate counterparties' needs. In connection with these

agreements and transactions, it is our policy to receive or pledge cash or securities to adequately collateralize such agreements and transactions in accordance with general industry guidelines and practices. The collateral is valued daily and we may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

OptionSellers

In November 2018, balances in approximately 300 accounts of the futures commission merchant ("FCM") division of our wholly owned subsidiary, StoneX Financial Inc., declined below required maintenance margin levels and into deficit balances, primarily as a result of significant and unexpected price fluctuations in the natural gas markets. All positions in these accounts, which were managed by OptionSellers.com Inc. ("OptionSellers"), an independent Commodity Trading Advisor ("CTA"), were liquidated in accordance with StoneX Financial Inc.'s client agreements and obligations under market regulation standards. OptionSellers, in its role as a CTA, had been granted by each of its clients full discretionary authority to manage the trading in the client accounts, while StoneX Financial Inc. acted solely as the clearing firm in its role as the FCM.

StoneX Financial Inc.'s client agreements hold account owners liable for all losses in their accounts and obligate the account holders to reimburse StoneX Financial Inc. for any account deficits in their accounts. As of March 31, 2023, the receivable from these client accounts, net of collections and other allowable deductions was $22.0 million, with no individual account receivable exceeding $1.4 million. As of March 31, 2023, the allowance against these uncollected balances was $6.7 million. We are pursuing collection of the uncollected balances through arbitration proceedings against the account holders. We will consider developments in these proceedings, and any other relevant matters, in determining whether any changes in the allowance against the uncollected balances are required.

In these and other arbitration proceedings, clients are seeking damages from StoneX Financial Inc. relating to the trading losses in their accounts. During the six months ended March 31, 2023, we reached privately negotiated settlements of a number of arbitration proceedings, pursuant to which in most cases the accounts holders agreed to pay all or a substantial portion of their outstanding deficit balances and in some cases we agreed to make certain payments to the account holders that are not material to us, individually or in the aggregate. We intend to continue vigorously pursuing claims through arbitration and settling cases in what we determine to be appropriate circumstances. The ultimate outcome of remaining arbitrations cannot presently be determined.

Depending on future collections and the outcomes of arbitration proceedings, any provisions for bad debts and actual losses may or may not be material to our financial results. However, we believe that the likelihood of a material adverse outcome is remote, and do not believe that any potential losses related to this matter would impact our ability to comply with our ongoing liquidity, capital, and regulatory requirements.

Primary Sources and Uses of Cash

Our cash and cash equivalents and client cash and securities held for clients 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.

Our assets and liabilities may vary significantly from period to period due to changing client requirements, economic and market conditions, and our growth. Our total assets as of March 31, 2023 and September 30, 2022, were $21.9 billion and $19.9 billion, respectively. Our operating activities generate or utilize cash as a result of net income or loss earned or incurred during each period and fluctuations in our assets and liabilities. The most significant fluctuations arise from changes in the level of client activity, commodities prices, and changes in the balances of financial instruments and commodities inventory. StoneX Financial Inc. and StoneX Financial Ltd occasionally utilize their margin line credit facilities, on a short-term basis, to meet intraday settlements with the commodity exchanges prior to collecting margin funds from their clients.

The majority of the assets of StoneX Financial Inc., StoneX Financial Ltd, StoneX Markets LLC, and Gain Capital Group, LLC are restricted from being transferred to us or other affiliates due to specific regulatory requirements. This restriction has no current impact on our ability to meet our cash obligations, and no such impact is expected in the future.

We have liquidity and funding policies and processes in place that are intended to maintain sufficient flexibility to address both company-specific and industry liquidity needs. The majority of our excess funds is held with high-quality institutions, under highly-liquid reverse repurchase agreements, U.S. government obligations, interest earning cash deposits and AA-rated money market investments.

We do not intend to distribute earnings of our foreign subsidiaries in a taxable manner, and therefore intend to limit distributions to earnings previously taxed in the U.S., or earnings that would qualify for the 100 percent dividends received deduction, and earnings that would not result in any significant foreign taxes. We repatriated $8.6 million and $16.6 million for the six months ended March 31, 2023 and 2022, respectively, of earnings previously taxed in the U.S., resulting in no

significant incremental taxes. Therefore, the Company has not recognized a deferred tax liability on its investment in foreign subsidiaries.

Senior Secured Notes

In June 2020, we issued $350 million in aggregate principal amount of our 8.625% Senior Secured Notes due 2025 (the "Notes") at the offering price of 98.5% of the aggregate principal amount. We used the net proceeds from the sale of the Notes to fund the preliminary cash consideration for the acquisition of Gain on the closing date, to pay certain related transactions fees and expenses, and to fund the repayment of Gain's 5.00% Convertible Senior Notes due 2022, with the exception of $0.5 million which was redeemed in August 2022.

The Senior Secured Notes are fully and unconditionally guaranteed, jointly and severally, on a senior second lien secured basis, by certain subsidiaries of the Company that guarantee the Company's senior committed credit facility and certain of its domestic subsidiaries.

The Notes will mature on June 15, 2025. Interest on the Notes accrues at a rate of 8.625% per annum and is payable semiannually in arrears on June 15 and December 15 of each year, commencing on December 15, 2020. We incurred debt issuance costs of $9.5 million in connection with the issuance of the Notes, which are being amortized over the term of the Notes under the effective interest method. We have had the right, since June 15, 2022, to redeem the Notes, in whole or in part, at the redemption prices set forth in the indenture.

Committed Credit Facilities

As of March 31, 2023, we had four committed bank credit facilities, totaling $1,130.0 million, of which $533.6 million was outstanding. Additional information regarding the committed bank credit facilities can be found in Note 9 of the Condensed Consolidated Financial Statements. The credit facilities include:

- A three-year first-lien senior secured syndicated loan facility committed until April 21, 2025, under which $475.0 million is available to us for general working capital requirements and capital expenditures.
- An unsecured line of credit committed until December 11, 2023, under which $180.0 million is available to our wholly owned subsidiary, StoneX Financial Inc. to provide short-term funding of margin to commodity exchanges as necessary.
- A syndicated borrowing facility committed until July 28, 2024, under which $400.0 million is available to our wholly owned subsidiary, StoneX Commodity Solutions LLC, to finance commodity financing arrangements and commodity repurchase agreements.
- An unsecured syndicated loan facility committed until October 14, 2023, under which our subsidiary, StoneX Financial Ltd is entitled to borrow up to $75.0 million, subject to certain terms and conditions of the credit agreement. This facility is intended to provide short-term funding of margin to commodity exchanges as necessary.

Our facility agreements contain certain financial covenants relating to financial measures on a consolidated basis, as well as on a stand-alone basis for certain subsidiaries, including minimum tangible net worth, minimum regulatory capital, minimum net unencumbered liquid assets, maximum net loss, minimum fixed charge coverage ratio and maximum funded debt to net worth ratio. Failure to comply with any such covenants could result in the debt becoming payable on demand. As of March 31, 2023, we and our subsidiaries are in compliance with all of our financial covenants under the outstanding facilities.

In accordance with required disclosure as part of our three-year syndicated revolving loan facility, during the trailing twelve months ended March 31, 2023, interest expense directly attributable to trading activities includes $273.1 million in connection with trading activities conducted as an institutional dealer in fixed income securities, and $28.6 million in connection with securities lending activities.

As reflected above, certain of the Company's committed credit facilities are scheduled to expire during the next twelve months following the quarterly period ended March 31, 2023. The Company intends to renew or replace the other facilities as they expire, and based on the Company's liquidity position and capital structure, the Company believes it will be able to do so.

Uncommitted Credit Facilities

We have access to certain uncommitted financing agreements that support our ordinary course securities and commodities inventories. The agreements are subject to certain borrowing terms and conditions. As of March 31, 2023 and September 30, 2022, the Company had $19.9 million and $0.0 million total borrowings outstanding under these uncommitted credit facilities, respectively.

Other Capital Considerations

Our activities are subject to various significant governmental regulations and capital adequacy requirements, both in the U.S. and in the international jurisdictions in which we operate. Our subsidiaries are in compliance with all of their capital regulatory requirements as of March 31, 2023. Additional information on our subsidiaries subject to significant net capital and minimum net capital requirements can be found in Note 16 of the Condensed Consolidated Financial Statements.

Our subsidiary, StoneX Markets LLC ("StoneX Markets"), is a CFTC provisionally registered swap dealer, and under these capital rules is subject to a minimum regulatory capital requirement. StoneX Markets has elected to utilize the "bank-based" approach, as reflected in CFTC Rule 23.101(a)(1)(i) to calculate its capital requirements. Under the "bank-based" approach StoneX Markets must satisfy the following capital requirements: Common Equity Tier 1 ("CET1") capital of at least $20 million; (ii) CET1 equal to at least 6.5% of its risk weighted assets ("RWA"); (iii) CET1, Additional Tier 1, and Tier 2 (collectively, total aggregate Bank Holding Company ("BHC") capital) equal to at least 8% of its RWA; (iv) total aggregate BHC capital equal to 8% of its uncleared swap margin; and (v) the minimum capital required by NFA. Aggregate BHC capital and the related net capital requirement may fluctuate on a daily basis.

During 2016, CFTC 23.154, Calculation of Initial Margin rules came into effect, imposing new requirements on registered swap dealers and certain counterparties to exchange initial margin, with phased-in compliance dates, with StoneX Markets LLC falling in the final compliance date tier of September 2022.

Compliance with this or other swap-related regulatory capital requirements may require us to devote more capital to these businesses or otherwise restructure our operations, such as by combining these businesses with other regulated subsidiaries that must also satisfy regulatory capital requirements. StoneX Markets 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 may be required to register, or may register voluntarily, as a swap dealer and/or swap execution facility.

Cash Flows

We include client cash and securities that meet the short-term requirement for cash classification to be segregated for regulatory purposes in our Condensed Consolidated Statements of Cash Flows. We hold a significant amount of U.S. Treasury obligations, which represent investments of client funds or client-owned investments pledged in lieu of cash margin. U.S. Treasury securities held with third-party banks or pledged with exchange-clearing organizations representing investments of client funds or which are held for particular clients in lieu of cash margin are included in the beginning and ending cash balances reconciled on our Condensed Consolidated Statements of Cash Flows to the extent that they have an original or acquired maturity of 90 days or less and, therefore, meet the definition of a segregated cash equivalent. Purchases and sales of U.S. Treasury securities representing investment of clients' funds and U.S. Treasury securities pledged or redeemed by particular clients in lieu of cash margin are presented as operating uses and sources of cash, respectively, within the operating section of the consolidated statements of cash flows if they have an original or acquired maturity of greater than 90 days. Typically, there is an offsetting use or source of cash related to the change in the payables to clients. However, we will report a use of cash in periods where segregated U.S. Treasury securities that meet the aforementioned definition of a segregated cash equivalent mature and are replaced with U.S. Treasury securities that have original or acquired maturities that are greater than 90 days.

Our cash, segregated cash, cash equivalents, and segregated cash equivalents decreased by $567.8 million from $6,285.1 million as of September 30, 2022 to $5,717.3 million as of March 31, 2023. During the six months ended March 31, 2023, net cash of $602.7 million was used in operating activities, $28.6 million was used in investing activities and net cash of $52.4 million was provided by financing activities.

Net cash provided by financing activities during the six months ended March 31, 2023 included significant inflows from payables to lenders under 90 days of $67.0 million. Outflows related to payments of deferred acquisitions costs of $17.2 million. Also, we recorded $3.6 million in funds received for stock option exercises.

In the broker-dealer and related trading industries, companies report trading activities in the operating section of the statement of cash flows. Due to the daily price volatility in the commodities market, as well as changes in margin requirements, fluctuations in the balances of deposits held at various exchanges, marketable securities and client commodity accounts may occur from day-to-day. A use of cash, as calculated on the consolidated statement of cash flows, includes unrestricted cash transferred and pledged to the exchanges or guaranty funds. These funds are held in interest-bearing deposit accounts at the exchanges, and based on daily exchange requirements, may be withdrawn and returned to unrestricted cash. Additionally, within our unregulated OTC and foreign exchange operations, cash deposits received from clients are reflected as cash provided from operations. Subsequent transfer of these cash deposits to counterparties or exchanges to margin their open positions will be reflected as an operating use of cash to the extent the transfer occurs in a different period than the cash deposit was received.

Unrealized gains and losses on open positions revalued at prevailing foreign currency exchange rates are included in trading revenue but have no direct impact on cash flow from operations. Similarly, gains and losses become realized when client transactions are liquidated, though they do not affect cash flow. To some extent, the amount of net deposits made by our clients

in any given period is influenced by the impact of gains and losses on our client balances, such that clients may be required to post additional funds to maintain open positions or may choose to withdraw excess funds on open positions.

We continuously evaluate opportunities to expand our business. Investing activities included $22.5 million in capital expenditures for property and equipment during the six months ended March 31, 2023 compared to $24.3 million during the prior year. Additionally, we expended $6.1 million of net cash on the Company's acquisitions.

Fluctuations in exchange rates increased our cash, segregated cash, cash equivalents and segregated cash equivalents by $11.1 million.

On August 23, 2022, our Board of Directors authorized the repurchase of up to 1.0 million shares of our outstanding common stock in open market purchases and private transactions, commencing on October 1, 2022 and ending on September 30, 2023. The repurchases are subject to the discretion of the senior management team to implement our stock repurchase plan, and subject to market conditions and as permitted by securities laws and other legal, regulatory and contractual requirements and covenants.

Apart from what has been disclosed above, there are no known trends, events or uncertainties that have had or are likely to have a material impact on our liquidity, financial condition and capital resources. Based upon our current operations, we believe that cash flows from operations, available cash and available borrowings under our credit facilities will be adequate to meet our future liquidity needs for the following year. Any projections of future earnings and cash flows are subject to substantial uncertainty, particularly in light of the rapidly changing market and economic conditions created by the COVID-19 pandemic. We may need to access debt and equity markets in the future if unforeseen costs or opportunities arise, to meet working capital requirements, fund acquisitions or investments or repay our indebtedness under credit facilities. If we need to obtain new debt or equity financing in the future, the terms and availability of such financing may be impacted by economic and financial market conditions, as well as our financial condition and results of operations at the time we seek additional financing. Although we believe that our financial resources will allow us to manage the anticipated impact of COVID-19 on our operations for the foreseeable future, the challenges posed by COVID-19 on our business are expected to continue to shift rapidly. Consequently, we will continue to assess our liquidity needs and anticipated capital requirements in light of future developments, particularly those relating to COVID-19.

Commitments

Information about our commitments and contingent liabilities is contained in Note 11 of the Condensed Consolidated Financial Statements.

Off Balance Sheet Arrangements

We are party to certain financial instruments with off-balance sheet risk in the normal course of business as a registered securities broker-dealer, futures commission merchant, U.K. based financial services firm, provisionally registered swap dealer and from our market-making and proprietary trading in the foreign exchange and commodities and debt securities markets. These financial instruments include futures, forward and foreign exchange contracts, exchange-traded and OTC options, To Be Announced ("TBA") securities and interest rate swaps. Derivative financial instruments involve varying degrees of off-balance sheet market risk whereby changes in the fair values of underlying financial instruments may result in changes in the fair value of the financial instruments in excess of the amounts reflected in the Condensed Consolidated Balance Sheets. Exposure to market risk is influenced by a number of factors, including the relationships between the financial instruments and our positions, as well as the volatility and liquidity in the markets in which the financial instruments are traded. The principal risk components of financial instruments include, among other things, interest rate volatility, the duration of the underlying instruments and changes in commodity pricing and foreign exchange rates. We attempt to manage our exposure to market risk through various techniques. Aggregate market limits have been established and market risk measures are routinely monitored against these limits. Derivative contracts are traded along with cash transactions because of the integrated nature of the markets for such products. We manage the risks associated with derivatives on an aggregate basis along with the risks associated with our proprietary trading and market-making activities in cash instruments as part of our firm-wide risk management policies.

A significant portion of these instruments are primarily the execution of orders for commodity futures and options on futures contracts on behalf of our clients, substantially all of which are transacted on a margin basis. Such transactions may expose us to significant credit risk in the event margin requirements are not sufficient to fully cover losses which clients may incur. We control the risks associated with these transactions by requiring clients to maintain margin deposits in compliance with both clearing organization requirements and internal guidelines. We monitor required margin levels daily and, therefore, may require clients to deposit additional collateral or reduce positions when necessary. We also establish contract limits for clients, which are monitored daily. We evaluate each client's creditworthiness on a case-by-case basis. Clearing, financing, and settlement activities may require us to maintain funds with or pledge securities as collateral with other financial institutions. Generally, these exposures to exchanges are subject to netting of open positions and collateral, while exposures to clients are subject to netting, per the terms of the client agreements, which reduce the exposure to us by permitting receivables and payables with

such clients to be offset in the event of a client default. Management believes that the margin deposits held as of March 31, 2023 are adequate to minimize the risk of material loss that could be created by positions held at that time. Additionally, we monitor collateral fair value on a daily basis and adjust collateral levels in the event of excess market exposure. Generally, these exposures to both counterparties and clients are subject to master netting agreements and the terms of the client agreements, which reduce our exposure.

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

We transact OTC and foreign exchange contracts with our clients, and our OTC and foreign exchange trade desks will generally offset the client's transaction simultaneously with one of our trading counterparties or will offset that transaction with a similar, but not identical, position on the exchange. These unmatched transactions are intended to be short-term in nature and are conducted to facilitate the most effective transaction for our client.

Additionally, we hold options and futures on options contracts resulting from market-making and proprietary trading activities in these product lines. We assist clients in our commodities trading business to protect the value of their future production (precious or base metals) by selling them put options on an OTC basis. We also provide our physical commodities trading business clients with sophisticated option products, including combinations of buying and selling puts and calls. We mitigate our risk by effecting offsetting options with market counterparties or through the purchase or sale of exchange-traded commodities futures. The risk mitigation of offsetting options is not within the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC.

As part of the activities discussed above, we carry short positions. We sell financial instruments that we do not own, borrow the financial instruments to make good delivery, and therefore are obliged to purchase such financial instruments at a future date in order to return the borrowed financial instruments. We record these obligations in the condensed consolidated financial statements as of March 31, 2023 and September 30, 2022, at fair value of the related financial instruments, totaling $2,570.9 million and $2,469.6 million, respectively. These positions are held to offset the risks related to financial assets owned, and reported in our Condensed Consolidated Balance Sheets in *Financial instruments owned, at fair value* and *Physical commodities inventory, net*. We will incur losses if the fair value of the financial instruments sold, not yet purchased, increases subsequent to March 31, 2023, which might be partially or wholly offset by gains in the value of assets held as of March 31, 2023. The totals of $2,570.9 million and $2,469.6 million include a net liability of $209.7 million and $313.4 million for derivatives, based on their fair value as of March 31, 2023 and September 30, 2022, respectively.

We do not anticipate non-performance by counterparties in the above situations. We have a policy of reviewing the credit standing of each counterparty with which we conduct business. We have credit guidelines that limit our current and potential credit exposure to any one counterparty. We administer limits, monitor credit exposure, and periodically review the financial soundness of counterparties. We manage the credit exposure relating to our trading activities in various ways, including entering into collateral arrangements and limiting the duration of exposure. Risk is mitigated in certain cases by closing out transactions and entering into risk reducing transactions.

We are a member of various exchanges that trade and clear futures and option contracts. We are also a member of and provide guaranties to securities clearinghouses and exchanges in connection with client trading activities. Associated with our memberships, we may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchanges. While the rules governing different exchange memberships vary, in general our guaranty obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guaranty obligation would be apportioned among the other non-defaulting members of the exchange. Our liability under these arrangements is not quantifiable and could exceed the cash and securities we have posted as collateral at the exchanges. However, management believes that the potential for us to be required to make payments under these arrangements is remote. Accordingly, no contingent liability for these arrangements has been recorded in the Condensed Consolidated Balance Sheets as of March 31, 2023 and September 30, 2022.

Effects of Inflation

Increases in our expenses, such as compensation and benefits, transaction-based clearing expenses, occupancy and equipment rental, may result from inflation, while we may not be readily recoverable from increasing the prices of our services. Rising interest rates are generally favorable for us, to the extent that inflation has other adverse effects on the financial markets and on the value of the financial instruments held in inventory, it may adversely affect our financial position and results of operations.

Critical Accounting Policies

See our critical accounting policies discussed in the Management’s Discussion and Analysis of the most recent Annual Report filed on Form 10-K. There have been no material changes to these policies.

Other Accounting Policies

Note 1 to the Consolidated Financial Statements included within the most recent Annual Report filed on Form 10-K includes our significant accounting policies. There have been no material changes to these policies.

Accounting Development Updates

Recently Issued Accounting Pronouncements

None.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Credit Risk

See also Note 4 to the condensed consolidated financial statements, ‘Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk’.

Market Risk

We conduct our market-making and trading activities predominantly as a principal, which subjects our capital to significant risks. These risks include, but are not limited to, absolute and relative price movements, price volatility and changes in liquidity, over which we have virtually no control. Our exposure to market risk varies in accordance with the volume of client-driven market-making transactions, the size of the proprietary positions and the volatility of the financial instruments traded.

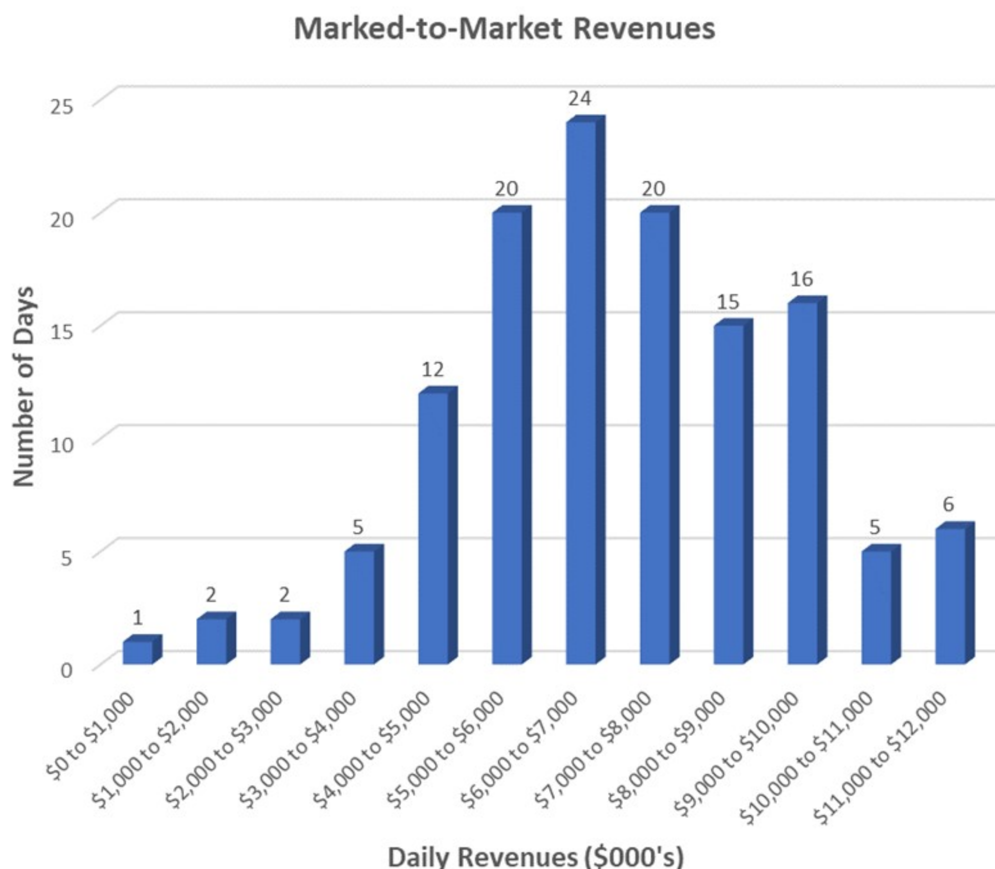
We seek to mitigate exposure to market risk by utilizing a variety of qualitative and quantitative techniques:

- Diversification of business activities and instruments;
- Limitations on positions;
- Allocation of capital and limits based on estimated weighted risks; and
- Daily monitoring of positions and mark-to-market profitability.

We utilize derivative products in a trading capacity as a dealer to satisfy client needs and mitigate risk. We manage risks from both derivatives and non-derivative cash instruments on a consolidated basis. The risks of derivatives should not be viewed in isolation, but in aggregate with our other trading activities.

We are exposed to market risk in connection with our retail trading activities. Because we act as counterparty to our retail clients’ 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, client 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.

Management believes that the volatility of revenues is a key indicator of the effectiveness of our risk management techniques. The graph below summarizes volatility of our daily revenue, determined on a marked-to-market basis, during the six months ended March 31, 2023.



In our Securities market-making and trading activities, we maintain inventories of equity and debt securities. In our Commercial segment, our positions include physical commodities inventories, precious metals on lease, forwards, futures and options on futures, and OTC derivatives. Our commodity trading activities are managed as one consolidated book for each commodity encompassing both cash positions and derivative instruments. We monitor the aggregate position for each commodity in equivalent physical ounces, metric tons, or other relevant unit.

Interest Rate Risk

In the ordinary course of our operations, we have interest rate risk from the possibility that changes in interest rates will affect the values of financial instruments and impact interest income earned. Within our domestic institutional dealer in fixed income securities business, we maintain a significant amount of trading assets and liabilities which are sensitive to changes in interest rates. These trading activities primarily consist of securities trading in connection with U.S. Treasury, U.S. government agency, agency mortgage-backed and agency asset-backed obligations, as well as investment grade, high-yield, convertible and emerging markets debt securities. Derivative instruments, which consist of futures, TBA securities and forward settling transactions, are used to manage risk exposures in the trading inventory. We enter into TBA securities transactions for the sole purpose of managing risk associated with mortgage-backed securities.

In addition, we generate interest income from the positive spread earned on client deposits. We typically invest in U.S. Treasury bills, notes, and obligations issued by government sponsored entities, reverse repurchase agreements involving U.S. Treasury bills and government obligations or AA-rated money market funds. In some instances, we maintain interest earning cash deposits with banks, clearing organizations and counterparties. We have an investment policy which establishes acceptable standards of credit quality and limits the amount of funds that can be invested within a particular fund, institution, clearing organization or counterparty. We estimate that as of March 31, 2023, an immediate 25 basis point decrease in short-term interest rates would result in approximately $5.9 million less in annual net income.

We manage interest expense using a combination of variable and fixed rate debt. The debt instruments are carried at their unpaid principal balance which approximates fair value. As of March 31, 2023, $561.3 million of outstanding principal debt was variable-rate debt. We are subject to earnings and liquidity risks for changes in the interest rate on this debt. As of March 31, 2023, $348.0 million of outstanding principal debt was fixed-rate long-term debt.

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. Virtually all 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.

Item 4. Controls and Procedures

In connection with the filing of this Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of March 31, 2023. Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to provide reasonable assurance that their objectives were met as of March 31, 2023.

There are limitations inherent in any internal control, such as the possibility of human error and the circumvention or overriding of controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met, and may not prevent or detect misstatements. As conditions change over time, so too may the effectiveness of internal controls. As a result, there can be no assurance that a control system will succeed in preventing all possible instances of error and fraud. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the conclusions our Chief Executive Officer and Chief Financial Officer are made at the “reasonable assurance” level.

There were no changes in our internal controls over financial reporting during the quarter ended March 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

For information regarding certain legal proceedings to which we are currently a party, see Note 11, “Commitments and Contingencies” in the notes to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this report, information regarding risks affecting us appears in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022. These are not the only risks we face. Additional risks and uncertainties not currently known to us or that management currently considers to be non-material may in the future adversely affect our business, financial condition and operating results.

During the three months ended March 31, 2023, we identified updates to certain of our existing risk factors, which have been restated below:

We are subject to risk of default by financial institutions that hold our funds and our clients' funds.

We have significant deposits of our own funds and our clients' funds with banks and other financial institutions, including liquidity providers. Although we do not have any material deposits with any of the banks affected by the recent banking crisis (such as the recent closure of Silicon Valley Bank, receiverships of First Republic Bank and Signature Bank, and announced acquisition of Credit Suisse Group AG), we could experience losses on cash and investments holdings due to failures of financial institutions and other parties. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, we might not be able to fully recover the assets we have deposited or deposited on our customers' behalf since, in certain cases, we will be among the institution's unsecured creditors. As a result, our business, financial condition and results of operations could be materially adversely affected by the loss of these funds.

The success of our business depends on having access to significant liquidity.

Our business requires substantial cash to support our operating activities, including establishing and carrying substantial open positions for clients on futures exchanges and in the OTC derivatives markets by posting and maintaining margin or credit support for these positions. Although we collect margin or other deposits from our clients for these positions, significant adverse price movements can occur which will require us to post margin or other deposits on short notice, whether or not we are able to collect additional margin or credit support from our clients. We have systems in place to collect margin and other deposits from clients on a same-day basis, however, there can be no assurance that these facilities and systems will be enable us to obtain additional cash on a timely basis. As such, the Company is highly dependent on its lines of credit and other financing facilities in order to fund margin calls and other operating activities and the loss of access to these sources of financing could materially adversely affect our results of operations, financial condition and cash flows.

In addition, tightening of the credit markets could limit our ability to obtain external financing to fund our operations and capital expenditures if, and when, needed. For example, Signature Bank was a lender under certain of our credit facilities. Although we did not experience any adverse impact upon the receivership of Signature Bank, we could experience reduced access to liquidity due to failures of other financial institutions and other parties. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened and could substantially and negatively impact our financial condition and ability to do business.

In January 2023, we identified the following additional risk factor:

Our revenues, operational costs, regulatory compliance and client satisfaction could be adversely affected by the failure of a vendor or other third party to continue providing services to us.

We rely on vendors and other third-parties to provide us with services that are essential to our ability to provide clients with our products and services. These services range from core infrastructure, such as utilities, communications and web hosting services, to systems that allow us to execute and process transactions entered into by our clients.

If these vendors or other third-parties suffer operations issues, including as a result of cyber attacks, and they are unable to continue to provide these services to us, we may be exposed to a variety of risks, including loss of revenue if our clients cannot trade with us, increased costs if we are required to employ alternative solutions and reputational harm.

In addition, some of our vendors hold sensitive information on our behalf, including personally identifiable information relating to our clients. If this data were to be compromised, either as a result of a cyber attack or otherwise, we could be in breach of our obligations to our clients, as well as applicable data protections laws, which could materially adversely affect our results of operations and reputation.

Cyber attacks directed at our vendors may also make us more vulnerable to being targeted for cyber attacks ourselves if the bad actors are able to obtain information relating to our company and / or systems.

If one of our vendors experiences a cyberbreach of its own systems or has data that it holds misappropriated, we could be exposed to a number of additional risks, including:

a. heightened risk that we will not be able to comply with applicable regulatory requirements;

b. increased risk that external parties will be able to execute fraudulent transactions using our systems;

c. losses from fraudulent transactions, as well as potential liability for losses suffered by our clients;

d. increased operational costs to remediate the consequences of the external party's security breach; and

e. reputational harm arising from the perception that our systems may not be secure.

In some cases, operational issues or security breaches affecting our vendors may require us to take steps to protect the integrity of our own operational systems or to safeguard confidential information that we hold, including restricting the ability of our clients to trade or have access to their accounts. These actions could potentially diminish customer satisfaction and confidence in us, materially adversely affecting our results of operations.

For example, on January 31, 2023, we were notified by ION Group, one of our vendors which provides back office trade processing services relating to certain of our listed derivatives businesses, that it had experienced a cybersecurity incident, which rendered certain of its services inaccessible to us and its other clients. As a result of the incident, we imposed restrictions on clients of our UK subsidiary relating to the trading of listed derivatives. We are continuing to assess the impact of the ION incident.

Furthermore, the widespread and expanding interconnectivity among financial institutions, clearing banks, CCPs, payment processors, financial technology companies, securities exchanges, clearing houses and other financial market infrastructures increases the risk that the disruption of an operational system involving one institution or entity, including due to a cyber attack, may cause industry-wide operational disruptions that could materially affect our ability to conduct business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Our common stock repurchase program activity for the three months ended March 31, 2023 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares Remaining to be Purchased Under the Program
January 1, 2023 to January 31, 2023	—	$ —	—	1,000,000
February 1, 2023 to February 28, 2023	—	—	—	1,000,000
March 1, 2023 to March 31, 2023	—	—	—	1,000,000
Total	—	$ —	—	

Item 6. Exhibits

31.1	Certification of Chief Executive Officer, pursuant to Rule 13a—14(a).*
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a—14(a).*
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
*	*Filed as part of this report.*

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.

StoneX Group Inc.

Date: May 3, 2023	/s/ Sean M. O'Connor
	Sean M. O'Connor Chief Executive Officer
Date: May 3, 2023	/s/ William J. Dunaway
	William J. Dunaway Chief Financial Officer

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Sean M. O’Connor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of StoneX Group 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 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 the 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 3, 2023

/s/ SEAN M. O’CONNOR

Sean M. O’Connor
Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, William J. Dunaway certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of StoneX Group 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 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 the 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 3, 2023

/s/ WILLIAM J. DUNAWAY

William J. Dunaway

Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of StoneX Group Inc. (the Company) on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Sean M. O'Connor, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: May 3, 2023

/s/ SEAN M. O'CONNOR
Sean M. O'Connor
Chief Executive Officer

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 StoneX Group Inc. and will be retained by StoneX Group Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of StoneX Group Inc. (the Company) on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, William J. Dunaway, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: May 3, 2023

/s/ WILLIAM J. DUNAWAY
William J. Dunaway
Chief Financial Officer

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 StoneX Group Inc. and will be retained by StoneX Group Inc. and furnished to the Securities and Exchange Commission or its staff upon request.