

GAIN Capital Holdings, Inc.  
Form 10-Q  
August 08, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2017

OR

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-35008

GAIN CAPITAL HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

Delaware 20-4568600  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

Bedminster One  
135 Route 202/206 07921  
Bedminster, New Jersey  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (908) 731-0700

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

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

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

As of August 3, 2017, the registrant had 47,241,825 shares of common stock, \$0.00001 par value per share, outstanding.

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GAIN CAPITAL HOLDINGS, INC.

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017

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## PART I – FINANCIAL INFORMATION

## Item 1 - Condensed Consolidated Financial Statements

## GAIN CAPITAL HOLDINGS, INC.

## Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except share data)

	June 30, 2017	December 31, 2016
<b>ASSETS:</b>		
Cash and cash equivalents	\$193,137	\$234,760
Cash and securities held for customers	947,328	945,468
Receivables from brokers	80,671	61,096
Property and equipment, net	39,697	36,462
Intangible assets, net	68,661	67,358
Goodwill	32,652	32,107
Other assets	53,803	52,833
Total assets	\$1,415,949	\$1,430,084
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
<b>Liabilities</b>		
Payables to customers	\$947,328	\$945,468
Accrued compensation and benefits	8,882	13,559
Accrued expenses and other liabilities	36,540	41,547
Income tax payable	400	3,965
Convertible senior notes	127,278	124,769
Total liabilities	\$1,120,428	\$1,129,308
Commitments and contingent liabilities		
Redeemable non-controlling interests	\$4,976	\$6,594
<b>Shareholders' equity</b>		
Common stock (\$0.00001 par value; 120 million shares authorized, 53,506,924 shares issued and 47,449,481 shares outstanding as of June 30, 2017; 120 million shares authorized, 52,848,811 shares issued and 48,220,243 shares outstanding as of December 31, 2016)	\$—	\$—
Additional paid-in capital	221,985	218,392
Retained earnings	133,676	143,399
Accumulated other comprehensive loss	(24,542)	(36,842)
Treasury stock, at cost (6,057,443 shares at June 30, 2017 and 4,628,568 at December 31, 2016)	(40,574)	(30,767)
Total shareholders' equity	290,545	294,182
Total liabilities and shareholders' equity	\$1,415,949	\$1,430,084

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

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## GAIN CAPITAL HOLDINGS, INC.

## Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss)

(Unaudited)

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUE:				
Retail revenue	\$79,079	\$88,083	\$118,010	\$183,125
Institutional revenue	7,435	7,209	15,802	13,916
Futures revenue	9,565	12,743	20,145	24,761
Other revenue	822	(60)	1,833	1,513
Total non-interest revenue	96,901	107,975	155,790	223,315
Interest revenue	1,289	443	2,130	761
Interest expense	136	128	299	232
Total net interest revenue	1,153	315	1,831	529
Net revenue	\$98,054	\$108,290	\$157,621	\$223,844
EXPENSES:				
Employee compensation and benefits	\$26,325	\$26,615	\$50,540	\$53,008
Selling and marketing	7,527	6,805	16,783	13,244
Referral fees	13,312	17,553	29,753	38,216
Trading expenses	7,178	7,761	15,245	16,194
General and administrative	12,768	15,027	22,505	31,065
Depreciation and amortization	4,340	3,559	8,359	6,712
Purchased intangible amortization	4,354	3,843	7,956	7,765
Communications and technology	4,602	5,684	9,754	10,963
Bad debt provision	(166)	1,189	(94)	1,761
Restructuring expenses	—	22	—	803
Integration expenses	—	1,043	—	1,856
Legal settlement	—	—	—	9,412
Total operating expense	80,240	89,101	160,801	190,999
OPERATING PROFIT/(LOSS)	17,814	19,189	(3,180)	32,845
Interest expense on long term borrowings	2,694	2,560	5,359	5,152
INCOME/(LOSS) BEFORE INCOME TAX EXPENSE/(BENEFIT)	15,120	16,629	(8,539)	27,693
Income tax expense/(benefit)	994	5,025	(3,899)	7,372
Equity in net loss of affiliate	(34)	(18)	(54)	(34)
NET INCOME/(LOSS)	14,092	11,586	(4,694)	20,287
Net income attributable to non-controlling interests	153	745	238	1,094
NET INCOME/(LOSS) APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	13,939	10,841	(4,932)	19,193
Other comprehensive income/(loss):				
Foreign currency translation adjustment	7,761	(10,249)	12,300	(12,993)
NET COMPREHENSIVE INCOME/(LOSS) APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	\$21,700	\$592	\$7,368	\$6,200
Earnings/(loss) per common share:				
Basic	\$0.31	\$0.19	\$(0.08)	\$0.36
Diluted	\$0.31	\$0.19	\$(0.08)	\$0.36
Weighted average common shares outstanding used in computing earnings/(loss) per common share:				

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Basic	47,687,214	48,546,253	47,790,307	48,584,534
Diluted	47,894,648	48,737,188	47,790,307	48,860,533

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

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## GAIN CAPITAL HOLDINGS, INC.

## Condensed Consolidated Statement of Changes in Shareholders' Equity

(Unaudited)

(in thousands, except share data)

	Common Stock Shares	Treasury Amount	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE—December 31, 2016	48,220,243	\$	—	\$(30,767)	\$ 218,392	\$ 143,399	\$ (36,842 ) \$ 294,182
Net loss applicable to Gain Capital Holdings, Inc.	—	—	—	—	(4,932 )	—	(4,932 )
Exercise of options	82,774	—	—	335	—	—	335
Conversion of restricted stock into common stock	510,793	—	—	—	—	—	—
Issuance of common stock for the employee stock purchase plan	64,546	—	—	402	—	—	402
Purchase of treasury stock	(1,373,685 )	—	(9,426 )	—	—	—	(9,426 )
Shares withheld for net settlements of share-based awards	(55,190 )	—	(381 )	—	—	—	(381 )
Share-based compensation	—	—	—	2,856	—	—	2,856
Adjustment to fair value of redeemable non-controlling interests	—	—	—	—	983	—	983
Dividends declared	—	—	—	—	(5,774 )	—	(5,774 )
Foreign currency translation adjustment	—	—	—	—	—	12,300	12,300
BALANCE—June 30, 2017	47,449,481	\$	—	\$(40,574)	\$ 221,985	\$ 133,676	\$ (24,542 ) \$ 290,545

	Common Stock Shares	Treasury Amount	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE—December 31, 2015	48,771,015	\$	—	\$(21,808)	\$ 212,981	\$ 120,776	\$ (5,865 ) \$ 306,084
Net income applicable to Gain Capital Holdings, Inc.	—	—	—	—	19,193	—	19,193
Exercise of options	150,566	—	—	577	—	—	577
Purchase of treasury stock	(775,924 )	—	(5,384 )	—	—	—	(5,384 )
Shares withheld for net settlements of share-based awards	(9,330 )	—	(65 )	—	—	—	(65 )
Share-based compensation	—	—	—	2,148	—	—	2,148
Adjustment to fair value of redeemable non-controlling interests	—	—	—	—	(1,591 )	—	(1,591 )
Dividends declared	—	—	—	—	(4,837 )	—	(4,837 )
Foreign currency translation adjustment	—	—	—	—	—	(12,993 )	(12,993 )
Conversion of restricted stock into common stock	434,699	—	—	—	—	—	—

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Tax benefit of stock options exercises	—	—	—	119	—	—	119
Convertible note buyback	—	—	—	(105	)	—	(105 )
Employee stock purchase plan	63,338	—	—	400	—	—	400
BALANCE—June 30, 2016	48,634,364	\$	—\$(27,257)	\$216,120	\$133,541	\$ (18,858 )	\$303,546

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



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## GAIN CAPITAL HOLDINGS, INC.

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Six Months Ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net (loss)/income	\$(4,694 )	\$20,287
Adjustments to reconcile net (loss)/income to cash (used in)/provided by operating activities		
(Gain)/loss on foreign currency exchange rates	(97 )	1,357
Depreciation and amortization	16,315	14,477
Non-cash integration costs	—	366
Deferred tax expense/(benefit)	622	(1,416 )
Amortization of deferred financing costs	221	221
Bad debt provision	(94 )	1,761
Convertible senior notes discount amortization	2,289	2,112
Share-based compensation	2,856	2,148
Gain on extinguishment of debt	—	(89 )
Equity in net loss of affiliate	54	34
Changes in operating assets and liabilities:		
Cash and securities held for customers	20,183	(161,579)
Receivables from brokers	(20,036 )	(97,988 )
Other assets	518	(5,503 )
Payable to brokers, dealers, FCM's, Customers	(20,183 )	166,784
Accrued compensation and benefits	(4,891 )	(3,061 )
Accrued expenses and other liabilities	(6,176 )	1,303
Income tax payable	(2,699 )	5,540
Net cash used in by operating activities	(15,812 )	(53,246 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(10,182 )	(12,185 )
Acquisition of FXCM assets	(6,960 )	—
Net cash used in investing activities	(17,142 )	(12,185 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	335	577
Proceeds from employee stock purchase plan	402	400
Purchase of treasury stock	(9,807 )	(5,449 )
Excess tax benefit from employee stock option exercises	—	302
Dividend payments	(5,774 )	(4,837 )
Distributions to non-controlling interest holders	(873 )	(525 )
Repurchase of convertible notes	—	(1,735 )
Net cash used in financing activities	(15,717 )	(11,267 )
Effect of exchange rate changes on cash and cash equivalents	7,048	(5,743 )
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(41,623 )</b>	<b>(82,441 )</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of period</b>	<b>234,760</b>	<b>171,888</b>
<b>CASH AND CASH EQUIVALENTS—End of period</b>	<b>\$193,137</b>	<b>\$89,447</b>
<b>SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash (paid)/received during the year for:		
Interest	\$(3,148 )	\$(3,081 )

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Income taxes		\$(4,386 )	\$142
Non-cash financing activities:			
Adjustment to redemption value of non-controlling interests		\$983	\$(1,591 )
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.			

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GAIN CAPITAL HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

GAIN Capital Holdings, Inc. (together with its subsidiaries, the "Company"), is a Delaware corporation formed and incorporated on March 24, 2006. GAIN Holdings, LLC is a wholly-owned subsidiary of GAIN Capital Holdings, Inc., and owns all outstanding membership units of GAIN Capital Group, LLC ("Group, LLC"), the Company's primary regulated entity in the United States. Gain Capital Holdings Ltd. (previously known as "City Index (Holdings) Ltd" or "City Index") is the holding company of the Company's primary regulated entity in the United Kingdom.

The Company is a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. The Company operates its business in three segments. Through its retail segment, the Company provides its retail customers around the world with access to a diverse range of global financial markets, including spot forex, precious metals, spread bets and contracts for difference, or CFDs, on commodities, indices, individual equities, options and interest rate products, as well as OTC options on forex. The Company's institutional segment provides agency execution services and electronic access to spot and forward foreign exchange and precious metals markets via the electronic communications network, or ECN, GTX. The Company's futures segment offers execution and risk management services for exchange-traded futures and futures options on major U.S. and European futures and options exchanges. For more information about the Company's segments, please see Note 17.

Group, LLC is a retail foreign exchange dealer ("RFED") and a Futures Commission Merchant ("FCM") registered with the Commodity Futures Trading Commission (the "CFTC"). As such, it is subject to the regulations of the CFTC, an agency of the U.S. government, and the rules of the National Futures Association ("NFA"), an industry self-regulatory organization.

GAIN Capital-Forex.com U.K. Ltd. ("GCUK1") and GAIN Capital UK Limited ("GCUK2") are each registered in the United Kingdom ("U.K.") and regulated by the Financial Conduct Authority ("FCA") as full scope €730k IFPRU Investment Firms.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the financial statements for the interim periods. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the Securities and Exchange Commission's ("SEC") regulations for interim financial statements, and, in accordance with SEC rules, omit or condense certain information and footnote disclosures. Results for the interim periods are not necessarily indicative of results to be expected for any other interim period or for the full year. These financial statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2016. The unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, after the elimination of inter-company transactions and balances.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2017, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (Step 2) from the goodwill impairment test. Instead, an impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. The guidance will be effective prospectively for the Company for the quarter ending December 31, 2020, with early adoption permitted

after January 1, 2017. The impact of this guidance for the Company will depend on the outcomes of future goodwill impairment tests.

In December 2016, the FASB issued technical corrections and improvements to revenue recognition guidance previously issued in May 2014 as discussed below. The FASB issued this update to address narrow aspects of the revenue recognition guidance issued in May 2014, which is not yet effective. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of the revenue recognition guidance issued in May 2014. The Company is currently assessing the impact of adopting this guidance on its Condensed Consolidated Financial Statements.

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In November 2016, the FASB issued guidance requiring that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance is effective for interim and annual periods beginning in 2018 and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Company is currently evaluating the effect of the standard on its Condensed Consolidated Statement of Cash Flows.

In August 2016, the FASB issued new guidance regarding the classification of certain cash receipts and cash payments on the Statements of Cash Flows. This new standard clarifies certain aspects of the statement of cash flows, including the classification of debt prepayment or debt extinguishment costs or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees and beneficial interests in securitization transactions. This new standard also clarifies that an entity should determine each separately identifiable source of use within the cash receipts and payments on the basis of the nature of the underlying cash flows. In situations in which cash receipts and payments have aspects of more than one class of cash flows and cannot be separated by source or use, the appropriate classification should depend on the activity that is likely to be the predominant source or use of cash flows for the item. The guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently assessing the impact of adopting this guidance on its Condensed Consolidated Financial Statements.

In May 2016, the FASB issued new guidance regarding the accounting for revenue from contracts with customers. The FASB issued this update to address certain issues related to assessing collectibility, presentation of sales taxes, non-cash consideration, completed contracts, and contract modifications at transition by reducing cost, complexity, and the potential for diversity in practice at initial application. The guidance affects the revenue recognition guidance issued in May 2014, which is not yet effective. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of the revenue recognition guidance issued in May 2014, discussed below. The Company is currently assessing the impact of adopting this guidance on its Condensed Consolidated Financial Statements.

In March and April 2016, the FASB issued new guidance regarding the accounting for revenue from contracts with customers. The FASB issued these updates to improve the operability and understandability of the implementation guidance on principal versus agent considerations, and to provide clarification on identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The guidance affects the revenue recognition guidance issued in May 2014, which is not yet effective. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements of the revenue recognition guidance issued in May 2014, discussed below. The Company is currently assessing the impact of adopting this guidance on its Condensed Consolidated Financial Statements.

In February 2016, the FASB issued new guidance regarding the accounting for leases. The FASB issued this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company is currently assessing the impact on its Condensed Consolidated Financial Statements of adopting this guidance.

In May 2014, the FASB issued new revenue recognition guidance that supersedes the existing revenue recognition guidance and most industry-specific guidance applicable to revenue recognition. The guidance requires a company to recognize revenue when it transfers promised goods or services to customers. Recognition should be in an amount that reflects the consideration to which the company expects to be entitled in exchange for those services. The guidance

requires enhanced disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenues recognized. In July 2015, the FASB deferred the effective date of the new revenue recognition standard by one year, and it is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted, but no earlier than the original effective date of January 1, 2017. The Company is currently assessing the impact of adopting this guidance on its Condensed Consolidated Financial Statements.

### 3. FAIR VALUE MEASUREMENT

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

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	Fair Value Measurements on a Recurring Basis as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Financial Assets/(Liabilities):				
Cash and cash equivalents:				
Money market accounts	\$ 83,962	\$ —	\$ —	—\$ 83,962
Cash and securities held for customers:				
US treasury bills: U.S. government and agency securities	69,910	—	—	69,910
Receivable from brokers:				
Broker derivative contracts	—	1,394	—	1,394
Other assets:				
Certificates of deposit	175	—	—	175
Other	125	—	—	125
Payables to customers:				
Customer derivative contracts	—	148,645	—	148,645
Total	\$ 154,172	\$ 150,039	\$ —	—\$ 304,211

	Fair Value Measurements on a Recurring Basis as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial Assets (Liabilities):				
Cash and cash equivalents:				
Money market accounts	\$ 120,927	\$ —	\$ —	—\$ 120,927
Cash and securities held for customers:				
US treasury bills: U.S. government and agency securities	135,974	—	—	135,974
Receivable from brokers:				
Broker derivative contracts	—	5,228	—	5,228
Other assets:				
Certificates of deposit	175	—	—	175
Other	115	—	—	115
Payables to customers:				
Customer derivative contracts	—	115,677	—	115,677
Total	\$ 257,191	\$ 120,905	\$ —	—\$ 378,096

The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the six months ended June 30, 2017, nor has there been any movement between levels during the period.

## Level 1 Financial Assets

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

## Level 2 Financial Assets and Liabilities

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

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

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



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## Level 3 Financial Liabilities

The Company did not have any Level 3 Financial Assets or Liabilities on June 30, 2017 or December 31, 2016.

## Financial Instruments Not Measured at Fair Value

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

Receivables from brokers comprise open trades, which are measured at fair value (disclosed above), and the Company's deposits, which are not measured at fair value but approximate fair value. These deposits approximate fair value because they are cash balances that the Company may withdraw at its discretion. Settlement would be expected to occur within a relatively short period of time once a withdrawal is initiated.

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

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

	As of June 30, 2017		Fair Value Measurements using:		
			Quoted Prices in		
			Active Markets for Identifiable Inputs (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Carrying Value	Fair Value			
Financial Assets:					
Receivables from brokers	\$79,277	\$79,277	\$79,277	\$	—
Financial Liabilities:					
Payables to customers	\$1,095,973	\$1,095,973	\$1,095,973	\$	—
Convertible senior notes	\$127,278	\$124,568	\$124,568	\$	—

	As of December 31, 2016		Fair Value Measurements using:		
			Quoted Prices in		
			Active Markets for Identifiable Inputs (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Carrying Value	Fair Value			
Financial Assets:					

Financial Assets:

Receivables from brokers	\$55,868	\$55,868	\$-55,868	\$	—
Financial Liabilities:					
Payables to customers	\$1,061,146	\$1,061,146	\$-1,061,146	\$	—
Convertible senior notes	\$124,769	\$122,544	\$-122,544	\$	—

#### 4. DERIVATIVES

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

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June 30, 2017

Gross amounts of

assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
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## Derivative Instruments:

Foreign currency exchange contracts	\$ 133,897	\$ (36,428 )	\$ 97,469
CFD contracts	84,198	(40,818 )	43,380
Metals contracts	12,830	(3,640 )	9,190
Total	\$ 230,925	\$ (80,886 )	\$ 150,039

June 30, 2017

Cash Collateral	Net amounts of assets/(liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) presented in the balance sheet
--------------------	---	---

## Derivative Assets/Liabilities:

Receivables from brokers	\$ 79,277	\$ 1,394	\$ 80,671
Payables to customers	\$(1,095,973)	\$ 148,645	\$ (947,328 )

December 31, 2016

Gross amounts of

assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
---	---	---

## Derivative Instruments:

Foreign currency exchange contracts	\$ 130,301	\$ (59,631 )	\$ 70,670
CFD contracts	74,443	(37,241 )	37,202
Metals contracts	18,766	(5,733 )	13,033
Total	\$ 223,510	\$ (102,605 )	\$ 120,905

December 31, 2016

Cash Collateral	Net amounts of assets/liabilities for derivative open positions at fair value	Net amounts of assets/liabilities presented in the balance sheet
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## Derivative Assets/Liabilities:

Receivables from brokers	\$ 55,868	\$ 5,228	\$ 61,096
Payables to customers	\$(1,061,145)	\$ 115,677	\$ (945,468 )

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

June 30, 2017	
Total	Total
contracts	contracts
in long	in short
positions	positions

Derivative Instruments:

Foreign currency exchange contracts	2,848,711	4,613,766
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CFD contracts	129,973	178,136
Metals contracts	1,094	409
Total	2,979,778	4,792,311

	December 31, 2016	
	Total	Total
	contracts	contracts
	in long	in short
	positions	positions
Derivative Instruments:		
Foreign currency exchange contracts	2,427,066	2,288,386
CFD contracts	112,685	156,308
Metals contracts	820	341
Total	2,540,571	2,445,035

The Company did not designate any of its derivatives as hedging instruments. Net gains with respect to derivative instruments are reflected in Retail revenue in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss) for the three and six months ended June 30, 2017 and June 30, 2016 as follows (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Derivative Instruments:				
Foreign currency exchange contracts	\$43,633	\$52,430	\$61,009	\$106,727
CFD contracts	26,422	29,659	53,213	64,881
Metals contracts	9,018	5,805	3,782	10,765
Total	\$79,073	\$87,894	\$118,004	\$182,373

**5. RECEIVABLES FROM BROKERS**

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

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

	June 30, December	
	2017	31, 2016
Required collateral	\$79,277	\$55,868
Open foreign exchange positions	1,394	5,228
Total	\$80,671	\$61,096

**6. PROPERTY AND EQUIPMENT**

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

	June 30, December	
	2017	31, 2016
Software	\$63,143	\$52,891
Computer equipment	21,453	19,797
Leasehold improvements	11,360	11,055
Telephone equipment	783	778
Office equipment	2,119	2,138

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Furniture and fixtures	2,332	2,285
Web site development costs	644	644
Gross property and equipment	101,834	89,588

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Less: Accumulated depreciation and amortization (62,137 ) (53,126 )

Property and equipment, net \$39,697 \$36,462

Depreciation and amortization expense for property and equipment was \$4.3 million and \$3.6 million for the three months ended June 30, 2017 and 2016, respectively, and \$8.4 million and \$6.7 million for the six months ended June 30, 2017 and 2016, respectively.

The Company adjusted the amortization period of certain property and equipment that experienced changes in useful lives as a result of the City Index acquisition. This change in useful lives resulted in no additional charge during the three months ended June 30, 2017 and a charge of \$0.2 million during the three months ended June 30, 2016, respectively, and no additional charge during the six months ended June 30, 2017 and a charge of \$0.4 million during the six months ended June 30, 2016, respectively. The additional charge was recorded in Integration expenses.

## 7. INTANGIBLE ASSETS

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

Intangibles	June 30, 2017			December 31, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer lists	\$59,105	\$ (26,325 )	\$32,780	\$50,253	\$ (20,928 )	\$29,325
Technology	71,353	(40,160 )	31,193	70,145	(37,074 )	33,071
Trademarks	7,442	(3,117 )	4,325	7,104	(2,505 )	4,599
Total finite lived intangibles	137,900	(69,602 )	68,298	127,502	(60,507 )	66,995
Trademark not subject to amortization <sup>(1)</sup>	363	—	363	363	—	363
Total intangibles	\$138,263	\$ (69,602 )	\$68,661	\$127,865	\$ (60,507 )	\$67,358

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

The Company had the following identifiable intangible assets and weighted average amortization periods as of June 30, 2017:

Intangible Assets	Amount (in thousands)	Weighted average amortization period
Customer lists	\$ 59,105	6.9 years
Technology	71,353	9.0 years
Trademarks <sup>(1)</sup>	7,805	6.7 years
Total intangible assets	\$ 138,263	

(1) Trademarks with an indefinite-life, as described above, comprise \$0.4 million of the \$7.8 million of trademarks.

Amortization expense for the purchased intangibles was \$4.4 million and \$3.8 million for the three months ended June 30, 2017 and 2016, respectively, and 8.0 million and \$7.8 million for the six months ended June 30, 2017 and 2016, respectively.

On February 7, 2017, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") with Forex Capital Markets L.L.C. ("FXCM"). Pursuant to the terms of the Purchase Agreement, FXCM transferred substantially all of its U.S.-domiciled customer accounts to the Company effective as of February 24, 2017. In consideration of the transfer of these accounts, the Company agreed to pay FXCM, without duplication:

- \$500 per account for each transferred account that first executes a new trade with GAIN during the 76-day period immediately following the closing of the account transfer (the "Initial Period"); and

\$250 per account for each transferred account that (i) did not execute a new trade with GAIN during the Initial Period and (ii) executes a new trade with GAIN during the 77-day period immediately following the last day of the Initial Period.



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The Company has paid \$7.0 million to FXCM as consideration for the purchased accounts and has accrued an additional \$0.1 million for the six months ended June 30, 2017, which was capitalized and included as an intangible asset.

## Goodwill

Goodwill is evaluated for impairment on an annual basis during the fourth quarter and in interim periods when events or changes indicate the carrying value may not be recoverable. The Company operates under three reporting units: retail, institutional and futures. There were no additions or impairments to the carrying value of the Company's goodwill during the six months ended June 30, 2017.

As of June 30, 2017 and December 31, 2016, the Company had recorded goodwill of approximately \$32.7 million and \$32.1 million, respectively. The increase was related to foreign currency translation adjustments.

The following represents the changes in the carrying amount of goodwill by segment (amounts in thousands):

	Retail	Institutional	Futures	Total
Carrying amount of goodwill as of December 31, 2016	\$25,222	\$ 4,519	\$ 2,366	\$32,107
Foreign currency translation adjustments	428	77	40	545
Carrying amount of goodwill as of June 30, 2017	\$25,650	\$ 4,596	\$ 2,406	\$32,652

## 8. OTHER ASSETS

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

	June 30, 2017	December 31, 2016
Vendor and security deposits	\$14,494	\$9,670
Income tax receivable	4,565	1,017
Deferred tax assets, net	14,347	15,071
GTX trade receivables	4,232	7,515
Customer debit positions	8,505	9,781
Allowance on customer debit positions	(8,338)	(9,237)
Insurance receivable	197	3,500
Prepaid assets	9,259	8,300
Miscellaneous receivables	5,963	6,615
Equity method investment	579	601
Total other assets	\$53,803	\$52,833

## 9. RELATED PARTY TRANSACTIONS

Certain officers and directors of the Company have personal funds on deposit in separate customer accounts with the Company. These accounts are recorded in Payables to customers on the Condensed Consolidated Balance Sheets. The aggregate amount of these funds was \$0.2 million and \$0.3 million at June 30, 2017 and December 31, 2016, respectively.

IPGL Limited, the majority selling shareholder in the acquisition of City Index, has a trading account with the Company which is recorded in Payables to customers on the Condensed Consolidated Balance Sheet. The aggregate amount of these funds was \$13.3 million and \$3.8 million as of June 30, 2017 and December 31, 2016, respectively.

The Company has certain receivables recorded in Other Assets due from certain officers of the Company related to taxes paid on equity exercises. The aggregate amount of these receivables was \$0.6 million as of June 30, 2017 and was received on July 28, 2017. There were no receivables due from the Company's officers as of December 31, 2016.

#### 10. RESTRUCTURING

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During 2016, the Company incurred restructuring expenses related to the global headcount reductions following the City Index acquisition. The Company incurred \$0.8 million of restructuring expenses for the six months ended June 30, 2016. These expenses are recorded in Restructuring expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss). The restructuring liabilities have all been paid as of June 30, 2017. The Company incurred no additional restructuring expenses for the six months ended June 30, 2017.

**11. NON-CONTROLLING INTERESTS****Non-controlling interests**

In March 2014, the Company acquired controlling interests in Global Asset Advisors ("GAA") and Top Third ("TT"). The Company purchased 55% of each entity, and the respective sellers maintained a 45% interest in each entity, subject to immediately exercisable call options for the Company to purchase the remaining interests, as well as put options for the sellers to sell their remaining interests in each entity to the Company that were to become exercisable in 2017. In December 2016, the Company acquired an additional 24% of each entity and, accordingly, the respective sellers now maintain a 21% interest in each entity. In connection with the purchase of these additional interests, the Company and the respective sellers agreed that neither would exercise the call options or put options with respect to the remaining interests prior to December 31, 2017.

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

The non-controlling interests' carrying value is determined by the Company's purchase prices and the non-controlling interests' share of the Company's subsequent net income (loss). This value is benchmarked against the redemption value of the sellers' put options. The carrying value is adjusted to the latter, provided that it does not fall below the initial carrying values, as determined by the Company's purchase price allocation. The Company reflects any changes caused by such an adjustment in retained earnings, rather than in current earnings.

The table below reflects the non-controlling interests' effects on the Company's financial statements (amounts in thousands):

	Redeemable non-controlling interests
January 1, 2017	\$ 6,594
Adjustment to the redemption value of non-controlling interests	(983 )
Net income attributable to non-controlling interests	238
Distributions to non-controlling interest holders	(873 )
June 30, 2017	\$ 4,976

**12. CONVERTIBLE SENIOR NOTES****Convertible Senior Notes due 2020**

On April 1, 2015, as part of the City Index acquisition consideration, the Company issued to the sellers \$60.0 million aggregate principal amount of 4.125% Convertible Senior Notes maturing on April 1, 2020. These Convertible Senior Notes pay interest semi-annually on April 1 and October 1 at a rate of 4.125% per year, which commenced on October 1, 2015.

**Convertible Senior Notes due 2018**

On November 27, 2013, the Company issued \$80.0 million aggregate principal amount of 4.125% Convertible Senior Notes maturing on December 1, 2018. The Company received net proceeds of \$77.9 million, after deducting the initial

purchasers' discount. These Convertible Senior Notes pay interest semi-annually on June 1 and December 1 at a rate of 4.125% per year, which commenced on June 1, 2014. During the first quarter of 2016, the Company repurchased \$1.9 million in principal amount of the convertible senior notes due in 2018, for an aggregate purchase price of \$1.7 million.

Under accounting guidance, an entity must separately account for the liability and equity components of convertible debt instruments that may be settled entirely or partially in cash upon conversion. The separate accounting must reflect the issuer's economic interest cost.

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The balances of the liability and equity components of the Convertible Senior Notes as of June 30, 2017 and December 31, 2016 were as follows (amounts in thousands):

	June 30, 2017	December 31, 2016
Liability component - principal	\$ 138,150	\$ 138,150
Deferred bond discount	(10,748 )	(13,213 )
Deferred financing cost	(124 )	(168 )
Liability component - net carrying value	\$ 127,278	\$ 124,769
Additional paid in capital	\$ 27,822	\$ 27,822
Discount attributable to equity	(419 )	(419 )
Equity component	\$ 27,403	\$ 27,403

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

	For the Three Months Ended June 30, 2017		For the Six Months Ended June 30, 2016	
Interest expense - stated coupon rate	\$ 1,425	\$ 1,431	\$ 2,850	\$ 2,875
Interest expense - amortization of deferred bond discount and costs	1,269	1,091	2,509	2,156
Total interest expense - convertible senior notes	\$ 2,694	\$ 2,522	\$ 5,359	\$ 5,031

## 13. EARNINGS/(LOSS) PER COMMON SHARE

Basic and diluted earnings (loss) per common share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share includes the determinants of basic net income per share and, in addition, gives effect to the potential dilution that would occur if securities or other contracts to issue common stock were exercised, vested or converted into common stock, unless they are anti-dilutive. Diluted weighted average common shares include vested and unvested stock options, unvested restricted stock units and unvested restricted stock awards. Approximately 0.2 million and 0.3 million stock options were excluded from the calculation of diluted earnings (loss) per share for the three and six months ended June 30, 2017, respectively, as they were anti-dilutive. Approximately 0.3 million and 0.7 million stock options were excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2016, respectively, as they were anti-dilutive.

Diluted earnings (loss) per share excludes any shares of Company common stock potentially issuable under the Company's convertible senior notes, which are discussed in Note 12. Based upon an assumed trading price of \$13 for each share of the Company's common stock, and if the relevant conditions under the indenture governing both 2018 and 2020 convertible senior notes were satisfied, there would be an additional 0.5 million and 1.5 million dilutive shares as of June 30, 2017, for the 2018 and 2020 notes, respectively.

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

For the Three Months Ended June 30, 2017		For the Six Months Ended June 30, 2016	
2017	2016	2017	2016

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Net income/(loss) applicable to GAIN Capital Holdings, Inc.	\$13,939	\$10,841	\$(4,932)	\$19,193
Adjustment <sup>(1)</sup>	915	(1,690 )	983	(1,591 )
Net income/(loss) available to GAIN common shareholders	\$14,854	\$9,151	\$(3,949)	\$17,602

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Weighted average common shares outstanding:

Basic weighted average common shares outstanding	47,687,214	48,546,253	47,790,307	48,584,534
Effect of dilutive securities:				
Stock options	207,434	85,115	267,880	128,654
RSUs/RSAs	—	105,820	6,923	147,345
Diluted weighted average common shares outstanding	47,894,648	48,737,188	47,790,307	48,860,533
Earnings/(loss) per common share:				
Basic	\$ 0.31	\$ 0.19	\$ (0.08 )	\$ 0.36
Diluted	\$ 0.31	\$ 0.19	\$ (0.08 )	\$ 0.36

During the three and six months ended June 30, 2017 and 2016, the Company concluded that the carrying value of the Company's redeemable noncontrolling interests was less than their redemption value, requiring that an (1) adjustment to the carrying value be recorded for purposes of calculating earnings (loss) per common share. The adjustment to increase or reduce the carrying value will, respectively, reduce or increase earnings (loss) per common share by reducing or increasing net income available to common shareholders.

#### 14. LEGAL

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

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

#### Litigation

On February 16, 2012, the Company received a Letter of Claim on behalf of certain individuals who had lost money in an investment scheme operated by a third-party money management firm, incorporated in the United Kingdom, which has since been closed down by the United Kingdom's Financial Services Authority. The investment firm, Cameron Farley Ltd, had opened a corporate account with the Company and invested the individuals' money, representing such funds as its own, while operating a fraudulent scheme. Though a complaint had been filed and served on the Company, the claimants requested, and the Company agreed, to follow the United Kingdom's Pre-Action Protocol, a pre-litigation process intended to resolve matters without the need to engage in formal litigation. On April 28, 2016, the parties entered into a Settlement Agreement in which the Company agreed to make a one-time settlement payment in exchange for a full and final settlement of all claims. For the year ended December 31, 2016, the settlement amount, net of insurance recoveries, totaled approximately \$9.2 million.

#### 15. INCOME TAXES

The Company's provision (benefit) for income taxes was approximately \$1.0 million and \$(3.9) million for the three and six months ended June 30, 2017, respectively. The Company's provision for income taxes was approximately \$5.0 million and \$7.4 million for the three and six months ended June 30, 2016, respectively. These amounts reflect the Company's estimate of the annual effective tax rates of 6.6% and 30.2%, adjusted for certain discrete items, for the three months ended June 30, 2017 and 2016, respectively. The Company's effective tax rates of 45.7% and 26.6% for the six months ended June 30, 2017 and 2016,



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respectively, reflect the Company's estimate of the annual effective tax rate adjusted for certain discrete items, primarily changes in uncertain tax positions.

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

**16. REGULATORY REQUIREMENTS**

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of June 30, 2017 and the actual amounts of capital that were maintained (amounts in millions):

Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital	Percent of Requirement Maintained	
GAIN Capital Group, LLC	\$ 35.2	\$ 45.5	\$ 10.3	129	%
GAIN Capital Securities, Inc.	0.1	0.4	0.3	400	%
Trade Facts, Ltd.	0.6	3.1	2.5	517	%
GAIN Capital-Forex.com Hong Kong, Ltd.	1.9	4.5	2.6	237	%
GAIN Capital Australia Pty Ltd.	0.8	8.4	7.6	1,050	%
GAIN Capital-Forex.com Canada Ltd.	0.2	1.3	1.1	650	%
GAIN Capital-Forex.com U.K., Ltd.	5.1	16.7	11.6	327	%
GAIN Capital Japan Co., Ltd.	1.3	8.9	7.6	685	%
GAIN Global Markets, Inc.	0.8	1.4	0.6	175	%
GAIN Capital UK, Ltd.	91.4	191.7	100.3	210	%
GAIN Capital Singapore Pte, Ltd.	0.4	10.9	10.5	2,725	%
Global Assets Advisors, LLC	0.1	1.4	1.3	1,400	%
GAIN Capital Payments Ltd.	0.1	0.6	0.5	600	%
Total	\$ 138.0	\$ 294.8	\$ 156.8	214	%

**17. SEGMENT INFORMATION**

The Company's segment reporting structure includes three operating segments: retail, institutional and futures. These operating segments are discussed in more detail below. The Company also reports information relating to general corporate services in a fourth component, corporate and other. Information in these Condensed Consolidated Financial Statements reflects the information presented to the chief operating decision maker. The chief operating decision maker does not review total assets by operating segment.

**Retail Segment**

Business in the retail segment is conducted primarily through the Company's FOREX.com and City Index brands. The Company provides its retail customers around the world with access to a diverse range of 12,500 global financial markets, including spot forex, precious metals, spread bets and CFDs on commodities, indices, individual equities, options and interest rate products, as well as OTC options on forex. In the United Kingdom, the Company also offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment to residents of that country.

**Institutional Segment**

The institutional segment provides agency execution services and offers access to markets in foreign exchange, commodities, equities, options and futures via an electronic communications network, or ECN, through the Company's GTX platform. We provide deep liquidity in spot and forward foreign exchange and precious metals to

buy-side and sell-side firms, including banks, brokers, hedge funds, Commodity Trading Advisors and asset managers. The Company also offers high touch sales and trading aided by a team of sales employees.

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## Futures Segment

The futures segment offers execution and related services for exchange-traded futures and futures options on major U.S. and European exchanges. The Company offers futures services through its subsidiary, GAIN Capital Group, LLC, under the GAIN Capital Futures brand. In addition, in 2014, the Company expanded its futures business by acquiring majority interests in GAA and TT.

## Corporate and other

Corporate and other provides general corporate services to the Company's segments and also includes eliminations between operating segments which were \$0.6 million and \$0.3 million for the three months ended June 30, 2017 and 2016, respectively, and \$1.1 million and \$0.7 million for the six months ended June 30, 2017 and 2016, respectively. Corporate and other revenue primarily comprises foreign currency transaction gains and losses.

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

	Retail			
	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Net revenue	\$80,605	\$89,370	\$120,691	\$186,075

Employee compensation and benefits	16,630	16,897	31,978	33,599
Selling and marketing	7,244	6,546	16,149	12,760
Referral fees	9,826	13,699	22,149	30,301
Other operating expenses	15,978	20,749	30,460	41,628
Segment profit	\$30,927	\$31,479	\$19,955	\$67,787

	Institutional			
	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Net revenue	\$7,690	\$7,482	\$16,311	\$14,601

Employee compensation and benefits	3,588	3,462	7,630	6,664
Selling and marketing	10	35	31	41
Other operating expenses	2,928	2,518	6,155	4,959
Segment profit	\$1,164	\$1,467	\$2,495	\$2,937

	Futures			
	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Net revenue	\$10,013	\$12,857	\$20,980	\$25,060

Employee compensation and benefits	2,494	3,111	5,045	6,097
Selling and marketing	221	224	486	443
Referral fees	3,486	3,854	7,604	7,915
Other operating expenses	3,233	3,846	6,975	7,829
Segment profit	\$579	\$1,822	\$870	\$2,776

## Corporate and Other

Three Months	Six Months
Ended June 30,	Ended June 30,

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	2017	2016	2017	2016
Other revenue	\$(254 )	\$(1,420 )	\$(362 )	\$(1,894 )
Employee compensation and benefits	3,964	3,145	6,489	6,648
Selling and marketing	52	—	116	—
Other operating expenses	1,892	2,547	3,218	5,565
Loss	\$(6,162)	\$(7,112)	\$(10,185)	\$(14,107)

## Reconciliation of operating segment profit to Income before income tax expense

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2017	2016	2017	2016
Retail segment	\$30,927	\$31,479	\$19,955	\$67,787
Institutional segment	1,164	1,467	2,495	2,937
Futures segment	579	1,822	870	2,776
Corporate and other	(6,162 )	(7,112 )	(10,185 )	(14,107 )
SEGMENT PROFIT	26,508	27,656	13,135	59,393
Depreciation and amortization	4,340	3,559	8,359	6,712
Purchased intangible amortization	4,354	3,843	7,956	7,765
Restructuring expenses	—	22	—	803
Integration expenses	—	1,043	—	1,856
Legal settlement	—	—	—	9,412
OPERATING PROFIT/(LOSS)	17,814	19,189	(3,180 )	32,845
Interest expense on long term borrowings	2,694	2,560	5,359	5,152
INCOME/(LOSS) BEFORE INCOME TAX EXPENSE	\$15,120	\$16,629	\$(8,539 )	\$27,693

## 18. SUBSEQUENT EVENTS

In August 2017, the Company announced the payment of a \$0.06 dividend per share of Common Stock payable on September 19, 2017 to stockholders of record on September 12, 2017.

On August 3, 2017, GAIN Capital Holdings (the "Borrower"), Inc. entered into a Credit Agreement, dated as of August 2, 2017, with Barclays Bank PLC, as Administrative Agent, Collateral Agent, Arranger and Documentation Agent, Sterling National Bank as Joint Bookrunner, and the other lenders from time to time party thereto. The Credit Agreement provides for a U.S \$50 million senior secured first lien revolving credit facility (the "Facility"). Upon request of the Borrower, the Facility may be increased by up to \$25 million, with a minimum increase of \$5 million. Each Lender has the absolute discretion to provide all or any part of the requested increase, or to decline to participate in the increase.

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

FORWARD-LOOKING INFORMATION

In this Quarterly Report on Form 10-Q, the words "GAIN," the "Company," "our," "we" and "us" refer to GAIN Capital Holdings, Inc. and, except as otherwise specified herein, to GAIN's subsidiaries. GAIN's fiscal quarter ended on June 30, 2017.

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and the Condensed Consolidated Financial Statements and Notes thereto contained in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains a number of forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended (the "Exchange Act"). These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which GAIN operates and management's current beliefs and assumptions. Any statements contained herein (including, without limitation, statements to the effect that management or GAIN "believes," "expects," "anticipates," "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements and should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto included in this report and the discussion below. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. There are a number of important factors that could cause actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth in the section entitled "Item 1A – Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, and discussed elsewhere in this Quarterly Report on Form 10-Q. The risks and uncertainties described therein and herein are not the only ones we face. We expressly disclaim any obligation to update any forward-looking statements, except as may be required by law.

OVERVIEW

We are a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. Our retail, institutional and futures segments service customers in more than 180 countries worldwide, and we conduct business from our offices in Bedminster, New Jersey; Jersey City, New Jersey; London, England; Cornwall, England; Chicago, Illinois; Powell, Ohio; Tokyo, Japan; Sydney, Australia; Shanghai, China; Pembroke, Bermuda; Hong Kong; Dubai, U.A.E., and Singapore.

We offer our customers access to a diverse range of over 12,500 financial products, including spot foreign exchange, or forex, and precious metals trading, as well as "contracts for difference", or CFDs, which are investment products with returns linked to the performance of underlying assets. We offer CFDs on currencies, commodities, indices, individual equities, bonds, options and interest rate products. We also support trading of exchange-traded futures and options on futures on more than 30 global exchanges. In the United Kingdom, we offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment for residents of that country.

We have invested considerable resources since our inception to develop our proprietary trading platforms to provide our customers with advanced price discovery, trade execution and order management functions, while improving our ability to acquire and service our customers efficiently, as well as manage market and credit risk associated with our customer's trading activity. Today our customers can trade through web-based, downloadable and mobile trading platforms and have access to innovative trading tools to assist them with research and analysis, automated trading and account management.

We operate our business in three segments. Through our retail segment, we provide our retail customers around the world with access to a diverse range of global financial markets, including spot forex, precious metals, spread bets and

CFDs on commodities, indices, individual equities and interest rate products, as well as OTC options on forex. Our institutional segment provides agency execution services and offers access to markets in spot and forward foreign exchange and precious metals via our GTX platform. We provide deep liquidity in spot and forward foreign exchange and precious metals to buy-side and sell-side firms, including banks, brokers, hedge funds, Commodity Trading Advisors and asset managers. Our futures segment offers execution and risk management services for exchange-traded futures and futures options on major U.S. and European futures and options exchanges. Each of our operating segments is discussed in more detail below.

As a global provider of online trading services, our results of operations are impacted by a number of external market factors, including market volatility and transaction volumes, competition, the regulatory environment in the various jurisdictions and markets in which we operate and the financial condition of the retail and institutional customers to whom we provide our

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services. These factors are not the only factors that impacted our results of operations for the most recent fiscal period, and additional factors may impact our results of operations in future periods. In addition, please see "Part II - Item 1A. Risk Factors" for a discussion of other factors that may impact our business.

### Market Environment and Trading Volatility

Our revenue and operating results may vary significantly from period to period primarily due to movements and trends in the world's financial markets and to fluctuations in market volatility. As a general rule, our businesses typically benefit from volatility in the markets that we serve, as periods of increased volatility often coincide with higher levels of trading by our clients and a higher volume of transactions. However, periods of extreme volatility may result in significant market dislocations that can also lead clients to reduce their trading activity. In addition, volatility that results in trading within a relatively narrow band of prices may lead to less profitable trading activity. Also, low or extremely high market volatility can adversely affect our ability to profitably manage our net exposure, which represents the unhedged portion of the trading positions we enter into with customers in our retail segment.

Our results of operations for the three months ended June 30, 2017 reflected strong performance driven by widening of average trading ranges and increased volatility relative to the three months ended March 31, 2017, which had challenging market conditions, with the narrowing of average trading ranges and volatility decreasing from the levels experienced during the twelve months ended December 31, 2016.

### Competition

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

### Regulatory Environment

In recent years, the financial markets have experienced a major global regulatory overhaul, as regulators and legislators in the United States and abroad have proposed and, in some instances, adopted, a wide range of regulatory changes that have had a significant effect on the manner in which we operate our businesses. For example, in December 2016, the FCA issued a consultation paper, referred to as CP16/40, that includes a number of proposed changes to the regulatory requirements relating to companies, such as GCUK2, that offer CFDs and spread bets. These proposed requirements include enhanced risk disclosures, a ban on offering account bonuses or similar promotional incentives to clients, mandatory margin close-out levels for retail clients and limitations on the leverage that may be offered to clients, with the limitations varying based on whether the clients are classified as experienced or inexperienced using criteria identified by the FCA. During June 2017, the FCA stated that any further action will now be delayed pending a review by the European Securities and Markets Authority, which has been reviewing regulatory actions relating to CFDs taken by various European regulators and is expected to propose new rules to regulate the CFD industry in 2018.

Part of our growth strategy is to enter new markets, and as we do so we will become subject to regulation in those markets. Complying with different regulatory regimes in multiple markets is expensive, and in many markets the regulatory environment is unclear and evolving. Changes in regulatory requirements and changes in the interpretation of existing regulatory requirements may force us to alter our business practices.

### Asset Acquisition



On February 7, 2017, we entered into an Asset Purchase Agreement (the "Purchase Agreement") with Forex Capital Markets L.L.C. ("FXCM"). Pursuant to the terms of the Purchase Agreement, FXCM transferred substantially all of its U.S.-domiciled customer accounts to us effective as of February 24, 2017. In consideration of the transfer of these accounts, we agreed to pay FXCM, without duplication:

- \$500 per account for each transferred account that first executes a new trade with us during the 76-day period immediately following the closing of the account transfer (the "Initial Period"); and
- \$250 per account for each transferred account that (i) did not execute a new trade with us during the Initial Period and (ii) executes a new trade with us during the 77-day period immediately following the last day of the Initial Period.

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We paid \$7.0 million to FXCM as consideration for the purchased accounts and accrued an additional \$0.1 million for the six months ended June 30, 2017, which was capitalized and included as an intangible asset.

### Key Income Statement Line Items and Key Operating Metrics

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenue	\$98,054	\$108,290	\$157,621	\$223,844
Net income/(loss) applicable to GAIN Capital Holdings, Inc.	\$13,939	\$10,841	\$(4,932)	\$19,193

#### Revenue

Revenue from our business consists of retail revenue, institutional revenue, futures revenue, other revenue and interest revenue.

#### Retail Revenue

Retail revenue is our largest source of revenue. Retail revenue is comprised of trading revenue from our retail segment and commission revenue from our advisory business.

Trading revenue in our retail segment is generated by forex products and non-forex products, including spot forex, precious metals, spread bets and CFDs on commodities, indices, individual equities and interest rate products, as well as OTC options on forex.

We generate revenue in our retail segment in two ways: (1) trading revenue from our market making activities for OTC products, earned principally from the bid/offer spread we offer our customers and any net gains and losses generated through changes in the market value of the currencies and other products held in our net exposure and (2) fees, including financing charges for positions held overnight, commissions on equity CFD trades and advisory services, and other account related fees.

For the three and six months ended June 30, 2017, retail revenue represented 80.6% and 74.9% of our total net revenue, respectively. For the three and six months ended June 30, 2016, retail revenue represented 81.3% and 81.8% of our total net revenue, respectively.

For the three and six months ended June 30, 2017, approximately 98% and 97%, respectively, of our average daily retail trading volume was either naturally hedged or hedged by us with one of our liquidity providers, and the remaining 2% and 3%, respectively, of our average daily retail trading volume consisted of our net exposure. For the three and six months ended June 30, 2016, approximately 97% and 96%, respectively, of our average daily retail trading volume was either naturally hedged or hedged by us with one of our liquidity providers, and the remaining 3% and 4%, respectively, of our average daily retail trading volume consisted of our net exposure.

We manage our net exposure by applying position and exposure limits established under our risk-management policies and by continuous, active monitoring by our trading and risk teams. Based on our risk management policies and procedures, over time a portion of our net exposure may be hedged with our liquidity providers. Although we do not actively initiate proprietary market positions in anticipation of future movements in the relative prices of the products we offer, through our net exposure we are likely to have open positions in various products at any given time. In the event of unfavorable market movements, we may experience losses on such positions. See “Our Retail

Segment - Sophisticated Risk Management” in Item 1. Business, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for further details regarding our risk management policies for the retail segment.

#### Institutional Revenue

Institutional revenue consists primarily of revenue from our GTX business, which provides a proprietary trading platform and sales and trading services to institutions. Revenue for our GTX business is generated primarily through commissions on trades executed on the GTX platform. We act as an agent for the trades executed on the GTX platform and, therefore, do not assume any market or credit risk in connection with those transactions. Our institutional revenue includes revenue generated by intercompany transactions with other segments/affiliates that are eliminated when calculating our consolidated net revenue.

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This intercompany revenue totaled approximately \$0.3 million and \$0.5 million, respectively, for the three and six months ended June 30, 2017.

### Futures Revenue

Futures revenue is comprised primarily of commissions earned on futures and futures options trades. We act as an agent for the trades executed in our futures segment and are not exposed to market risk in connection with that activity.

### Other Revenue

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

### Net Interest Revenue

Net interest revenue/expense consists primarily of the revenue generated by our cash and customer cash held by us at banks and on deposit as collateral with our liquidity providers, less interest paid to our customers.

Our cash and customer cash is generally invested in money market funds, which primarily invest in short-term United States government securities or treasury bills. Interest paid to customers varies primarily due to the net value of a customer account. A customer's net account value equals cash on deposit plus the mark-to-market of open positions as of the measurement date. Interest income and interest expense are recorded when earned and incurred, respectively. Net interest revenue was \$1.2 million for the three months ended June 30, 2017, compared to net interest revenue of \$0.3 million for the three months ended June 30, 2016.

### Expenses

Our expenses are principally comprised of the following:

#### Employee Compensation and Benefits

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

#### Selling and Marketing

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

#### Referral Fees

Referral fees consist of compensation paid to our white label partners and introducing brokers. We generally provide white label partners with the platform, systems, and back-office services necessary for them to offer trading services to their customers. Introducing brokers identify and direct customers to us.

Referral fees are largely variable and change principally based on the level of customer trading volume directed to us from our white label partners and introducing brokers, the specific terms of our agreements with the white label partners and introducing brokers, which vary on a partner-by-partner and regional basis, and the relative percentage of trading volume generated from particular relationships in any given period. The majority of our white label and introducing broker partners are paid based on the trading volume generated by the customers they introduce, directly or indirectly, to us, rather than on a revenue sharing basis. As such, during periods in which their customers' trading activity is not profitable for us, if the associated trading volume remains high, we may be required to make larger payments to these partners despite the fact that we are generating lower revenue from the customers that they have introduced. Our indirect business accounted for 30.9% and 35.3% of retail trading volume in the three and six months ended June 30, 2017, and 42.9% and 44.7% in the three and six months ended June 30, 2016, respectively. The

decline in indirect volume was due to our focus on partner optimization and improving margins, as well as an increase in direct volume as a result of FXCM.

#### Trading Expenses

Trading expenses consist of exchange fees paid to stock exchanges and other third-parties for exchange market data that we provide to our customers or use to create our own derived data products, as well as fees for news services and fees paid to prime brokers in connection with our institutional and futures segments.

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### General and Administrative

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

### Depreciation and Amortization

Depreciation and amortization consists of the recognition of expense for physical assets and software purchased for use over a period of several years and of the amortization of internally developed software.

### Purchased Intangible Amortization

Purchased intangible amortization consists of amortization related to intangible assets we acquired in connection with our acquisitions. The principal intangible assets acquired were technology, customer assets and a non-compete agreement. These intangible assets have useful lives ranging from one year to ten years.

### Communications and Technology

Communications and technology consists of communications fees, data fees, product development, software and maintenance expenses.

### Bad Debt Provision

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

### Restructuring Expenses

For the three and six months ended June 30, 2016, we incurred restructuring expenses, which reflected costs arising from headcount reductions and other exit costs, measured and disclosed in accordance with ASC 420 Exit or Disposal Cost Obligations and ASC 712 Compensation - Nonretirement Postemployment Benefits.

### Integration Expenses

For the three and six months ended June 30, 2016, we incurred integration expenses, which are acquisition-related costs that are incurred while integrating the acquired company into the consolidated group. These costs include retention bonuses paid to employees and the cost of retiring redundant assets.

### Legal Settlement

On April 28, 2016, we entered into a settlement agreement with the claimants in the Cameron Farley Ltd. matter. See note 14 for more detail. Pursuant to the terms of the settlement agreement, we agreed to make a one-time settlement payment in exchange for a full and final settlement of all claims. The settlement amount, net of insurance recoveries, totaled approximately \$9.2 million.

### Interest Expense on Long Term Borrowings

Interest expense on long term borrowings consists of interest expense on our 4.125% Convertible Senior Notes due 2018, issued in November 2013, and interest expense on our 4.125% Convertible Senior Notes due 2020, issued in April 2015 as part of the consideration for the City Index acquisition.

### Operating Metrics

We review various key operating metrics, which are described below, to evaluate the performance of our businesses.

For the Three Months Ended June 30,		For the Six Months Ended June 30,	
2017	2016	2017	2016

Retail

OTC Trading Volume (billions)	\$646.4	\$ 710.9	\$1,265.7	\$1,572.6
OTC Average Daily Volume (billions)	\$9.9	\$ 10.9	\$9.7	\$12.2
Active OTC Accounts <sup>(1)</sup>	134,120	135,369	134,120	135,369

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Client Assets (millions)	\$ 732.9	\$ 641.3	\$ 732.9	\$ 641.3
Institutional				
ECN Volume (billions)	\$ 715.7	\$ 526.9	\$ 1,475.3	\$ 1,058.5
ECN Average Daily Volume (billions)	\$ 11.0	\$ 8.1	\$ 11.3	\$ 8.2
Swap Dealer Volume (billions)	\$ 141.5	\$ 186.2	\$ 367.0	\$ 372.9
Swap Dealer Average Daily Volume (billions)	\$ 2.2	\$ 2.9	\$ 2.8	\$ 2.9
Futures				
Number of Futures Contracts	1,655,166	2,223,501	3,715,797	4,557,809
Futures Average Daily Contracts	26,272	34,742	29,726	36,462
Active Futures Accounts	7,885	8,822	7,885	8,822
Client Assets (millions)	\$ 214.4	\$ 419.5	\$ 214.4	\$ 419.5

(1) We have updated our historical active account disclosures to reflect a change in definition for certain accounts.

### OTC Trading Volume

OTC trading volume is the U.S. dollar equivalent of the aggregate notional value of OTC trades executed by customers in our retail segment. Approximately 43.0% and 40.7% of our overall customer trading volume for the three and six months ended June 30, 2017, respectively, was generated in our retail segment, compared to 57.4% and 59.8% for the three and six months ended June 30, 2016, respectively.

### OTC Average Daily Volume

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

### Active OTC Accounts

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

### Client Assets

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

### ECN Volume

ECN volume is the U.S. dollar equivalent of the aggregate notional value of trades executed on our GTX platform.

### ECN Average Daily Volume

ECN average daily volume is the U.S. dollar equivalent of the aggregate notional value of trades executed on our GTX platform in a given period divided by the number of trading days in the given period.

### Swap Dealer Volume

Swap dealer volume is the U.S. dollar equivalent of the aggregate notional value of trades executed through our non-platform institutional trading services.

### Swap Dealer Average Daily Volume

Swap dealer average daily volume is the U.S. dollar equivalent of the aggregate notional value of trades executed through our non-platform institutional trading services in a given period divided by the number of trading days in the



given period.

#### Number of Futures Contracts

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

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Futures Average Daily Contracts

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

Active Futures Accounts

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

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

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

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

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

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

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## RESULTS OF OPERATIONS

## Revenue

	Three Months Ended June 30, (amounts in thousands)				Six Months Ended June 30, (amounts in thousands)				
	2017	2016	\$ Change	% Change	2017	2016	\$ Change	% Change	
REVENUE:									
Retail revenue	\$79,079	\$88,083	\$(9,004)	(10.2)%	\$118,010	\$183,125	\$(65,115)	(35.6)%	
Institutional revenue	7,435	7,209	226	3.1%	15,802	13,916	1,886	13.6%	
Futures revenue	9,565	12,743	(3,178)	(24.9)%	20,145	24,761	(4,616)	(18.6)%	
Other revenue	822	(60)	882	1,470.0%	1,833	1,513	320	21.2%	
Total non-interest revenue	96,901	107,975	(11,074)	(10.3)%	155,790	223,315	(67,525)	(30.2)%	
Interest revenue	1,289	443	846	191.0%	2,130	761	1,369	179.9%	
Interest expense	136	128	8	6.3%	299	232	67	28.9%	
Total net interest revenue	1,153	315	838	266.0%	1,831	529	1,302	246.1%	
Net revenue	\$98,054	\$108,290	\$(10,236)	(9.5)%	\$157,621	\$223,844	\$(66,223)	(29.6)%	

Our total net revenue decreased \$10.2 million, or 9.5%, for the three months ended June 30, 2017 compared to the three months ended June 30, 2016. Total net revenue decreased \$66.2 million, or 29.6%, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Retail revenue decreased \$9.0 million, or 10.2%, for the three months ended June 30, 2017 compared to the three months ended June 30, 2016. The decrease was primarily due to a decrease in volume related to indirect customers, as well as a slight decrease in revenue capture. Retail revenue decreased \$65.1 million, or 35.6%, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. The decrease was primarily related to a decrease in volume related to indirect customers with revenue capture trailing the prior year.

Institutional revenue increased \$0.2 million, or 3.1%, for the three months ended June 30, 2017 compared to the three months ended June 30, 2016. The increase was primarily due to an increase in volume from ECN and high frequency traders. Institutional revenue increased \$1.9 million, or 13.6%, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. The increase was primarily related to an increase in volume related to ECN.

Futures revenue decreased \$3.2 million, or 24.9%, for the three months ended June 30, 2017 compared to the three months ended June 30, 2016. The decrease was primarily related to a decrease in volume across all customer types, partially offset by a slight increase in revenue capture. Futures revenue decreased \$4.6 million, or 18.6%, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. The decrease was primarily related to a decrease in volume across all customer types.

Other revenue increased \$0.9 million and \$0.3 million, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The increases were primarily due to the impact of foreign currency revaluation.

## Expenses

Our total operating expenses for the three months ended June 30, 2017 decreased \$8.9 million, or 9.9%, compared to the three months ended June 30, 2016. Our total operating expenses for the six months ended June 30, 2017 decreased \$30.2 million, or 15.8%, compared to the six months ended June 30, 2016. The changes in expenses are discussed in more detail below.



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	Three Months Ended June 30, (amounts in thousands)				Six Months Ended June 30, (amounts in thousands)			
	2017	2016	\$ Change	% Change	2017	2016	\$ Change	% Change
Employee compensation and benefits	\$26,325	\$26,615	\$(290)	(1.1)%	\$50,540	\$53,008	\$(2,468)	(4.7)%
Selling and marketing	7,527	6,805	722	10.6%	16,783	13,244	3,539	26.7%
Referral fees	13,312	17,553	(4,241)	(24.2)%	29,753	38,216	(8,463)	(22.1)%
Trading expenses	7,178	7,761	(583)	(7.5)%	15,245	16,194	(949)	(5.9)%
General and administrative	12,768	15,027	(2,259)	(15.0)%	22,505	31,065	(8,560)	(27.6)%
Depreciation and amortization	4,340	3,559	781	21.9%	8,359	6,712	1,647	24.5%
Purchased intangible amortization	4,354	3,843	511	13.3%	7,956	7,765	191	2.5%
Communications and technology	4,602	5,684	(1,082)	(19.0)%	9,754	10,963	(1,209)	(11.0)%
Bad debt provision	(166)	1,189	(1,355)	(114.0)%	(94)	1,761	(1,855)	(105.3)%
Restructuring expenses	—	22	(22)	(100.0)%	—	803	(803)	(100.0)%
Integration expenses	—	1,043	(1,043)	(100.0)%	—	1,856	(1,856)	(100.0)%
Legal settlement	—	—	—	—%	—	9,412	(9,412)	(100.0)%
Total operating expense	80,240	89,101	(8,861)	(9.9)%	160,801	190,999	(30,198)	(15.8)%
OPERATING PROFIT/(LOSS)	17,814	19,189	(1,375)	(7.2)%	(3,180)	32,845	(36,025)	(109.7)%
Interest expense on long term borrowings	2,694	2,560	134	5.2%	5,359	5,152	207	4.0%
INCOME/(LOSS) BEFORE INCOME TAX EXPENSE/(BENEFIT)	15,120	16,629	(1,509)	(9.1)%	(8,539)	27,693	(36,232)	(130.8)%
Income tax expense/(benefit)	994	5,025	(4,031)	(80.2)%	(3,899)	7,372	(11,271)	(152.9)%

Employee compensation and benefits for the three months ended June 30, 2017 remained relatively flat compared to the three months ended June 30, 2016. Employee compensation and benefits for the six months ended June 30, 2017 decreased \$2.5 million, or 4.7%, compared to the six months ended June 30, 2016. The decrease was primarily due to a reduction in commission-based payments as a result of the decrease in volume for the period ended June 30, 2017.

Selling and marketing expense increased \$0.7 million, or 10.6%, and \$3.5 million, or 26.7%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The increases were primarily related to increases in marketing expenditures for our retail segment to support our organic growth strategy during the three and six months ended June 30, 2017.

Referral fees decreased \$4.2 million, or 24.2%, and \$8.5 million, or 22.1%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were primarily related to the decrease in indirect volume during the three and six months ended June 30, 2017.

Trading expenses decreased \$0.6 million, or 7.5%, and \$0.9 million, or 5.9%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were primarily related to a reduction in exchange fee and market data payments for the three and six months ended June 30, 2017.

General and administrative expenses decreased \$2.3 million, or 15.0%, and \$8.6 million, or 27.6%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were due to a reduction in vendor payments, specifically in audit fees and regulatory assessments, and a reduction in rent due to renegotiation or extension of leased facilities, as well as a reduction in banking fees.

Communications and technology expenses decreased \$1.1 million, or 19.0%, and \$1.2 million, or 11.0%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were primarily related to a decrease in spend on third-party services during the three and six months ended June 30, 2017.



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On April 28, 2016, we entered into a settlement agreement with the claimants in the Cameron Farley Ltd. matter. Pursuant to the terms of the settlement agreement, we agreed to make a one-time settlement payment in exchange for a full and final settlement of all claims. The settlement amount, net of insurance recoveries, totaled approximately \$9.2 million.

Income tax expense for the three months ended June 30, 2017 decreased by \$4.0 million, with a tax expense of \$1.0 million compared to a tax expense of \$5.0 million in the three months ended June 30, 2016. Income tax expense for the six months ended June 30, 2017 decreased by \$11.3 million, with a tax benefit of \$3.9 million compared to a tax expense of \$7.4 million for the six months ended June 30, 2016.

Segment Results - Three and Six Months Ended June 30, 2017 Compared to Three and Six Months Ended June 30, 2016

Retail Segment (amounts in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	\$ Change	% Change	2017	2016	\$ Change	% Change
Net revenue	\$80,605	\$89,370	\$(8,765)	(9.8)%	\$120,691	\$186,075	\$(65,384)	(35.1)%
Employee compensation and benefits	16,630	16,897	(267)	(1.6)%	31,978	33,599	(1,621)	(4.8)%
Selling and marketing	7,244	6,546	698	10.7%	16,149	12,760	3,389	26.6%
Referral fees	9,826	13,699	(3,873)	(28.3)%	22,149	30,301	(8,152)	(26.9)%
Other operating expenses	15,978	20,749	(4,771)	(23.0)%	30,460	41,628	(11,168)	(26.8)%
Segment profit	\$30,927	\$31,479	\$(552)	(1.8)%	\$19,955	\$67,787	\$(47,832)	(70.6)%

Retail segment net revenue for the three months ended June 30, 2017 decreased \$8.8 million, or 9.8%, compared to the three months ended June 30, 2016. The decrease was primarily related to a decrease in volume related to indirect customers, as well as a slight decrease in revenue capture. Retail segment net revenue for the six months ended June 30, 2017 decreased \$65.4 million, or 35.1%, compared to the six months ended June 30, 2016. The decrease was primarily related to a decrease in volume related to indirect customers with revenue capture trailing the prior year, especially in the first quarter of 2017.

Employee compensation and benefits expenses for the retail segment decreased \$0.3 million, or 1.6%, and \$1.6 million, or 4.8%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were primarily due to the decrease in commission-based payments as a result of the decrease in volume for the three and six months ended June 30, 2017.

Selling and marketing expense for the retail segment increased \$0.7 million, or 10.7%, and \$3.4 million, or 26.6%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The increases were primarily related to increases in marketing expenditures to support our organic growth strategy during the three and six months ended June 30, 2017.

Referral fees for the retail segment decreased \$3.9 million, or 28.3%, and \$8.2 million, or 26.9%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were primarily related to the decrease in volume for the three and six months ended June 30, 2017.

Other operating expenses for the retail segment decreased \$4.8 million, or 23.0%, and \$11.2 million, or 26.8%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were due to a reduction in vendor payments, specifically in audit fees and regulatory assessments, as

well as a reduction in exchange fee and market data payments and rent payments due to renegotiation or extension of leased facilities.

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

Institutional Segment (amounts in thousands)

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	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	\$ Change	% Change	2017	2016	\$ Change	% Change
Net revenue	\$7,690	\$7,482	\$ 208	2.8 %	\$16,311	\$14,601	\$1,710	11.7 %
Employee compensation and benefits	3,588	3,462	126	3.6 %	7,630	6,664	966	14.5 %
Selling and marketing	10	35	(25 )	(71.4)%	31	41	(10 )	(24.4)%
Other operating expenses	2,928	2,518	410	16.3 %	6,155	4,959	1,196	24.1 %
Segment profit	\$1,164	\$1,467	\$ (303 )	(20.7)%	\$2,495	\$2,937	\$ (442 )	(15.0)%

Institutional segment net revenue for the three months ended June 30, 2017 increased \$0.2 million, or 2.8%, compared to the three months ended June 30, 2016. The increase was primarily due to an increase in volume from ECN and high frequency traders. Institutional segment net revenue for the six months ended June 30, 2017 increased \$1.7 million, or 11.7%, compared to the six months ended June 30, 2016. The increase was primarily related to an increase in ECN volume.

Employee compensation and benefits expenses for the institutional segment increased \$0.1 million, or 3.6%, and \$1.0 million, or 14.5%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The increases were primarily due to an increase in commissions and sales bonuses paid to employees as a result of the increase in volume, as well as headcount increases.

Selling and marketing expenses for the institutional segment remained relatively flat for the three months ended June 30, 2017, compared to the three months ended June 30, 2016, and for the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

Other operating expenses for the institutional segment increased \$0.4 million, or 16.3%, and \$1.2 million, or 24.1%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The increases were primarily due to increased fees charged by our clearing firms as a result of the increase in volume.

Other operating expenses from the institutional segment include general and administrative expenses, communication and technology expenses and trading expenses.

## Futures Segment (amounts in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	\$ Change	% Change	2017	2016	\$ Change	% Change
Net revenue	\$10,013	\$12,857	\$ (2,844)	(22.1)%	\$20,980	\$25,060	\$ (4,080)	(16.3)%
Employee compensation and benefits	2,494	3,111	(617 )	(19.8)%	5,045	6,097	(1,052 )	(17.3)%
Selling and marketing	221	224	(3 )	(1.3 )%	486	443	43	9.7 %
Referral fees	3,486	3,854	(368 )	(9.5 )%	7,604	7,915	(311 )	(3.9 )%
Other operating expenses	3,233	3,846	(613 )	(15.9)%	6,975	7,829	(854 )	(10.9)%
Segment profit	\$579	\$1,822	\$ (1,243)	(68.2)%	\$870	\$2,776	\$ (1,906)	(68.7)%

Futures segment net revenue for the three months ended June 30, 2017 decreased \$2.8 million, or 22.1%, compared to the three months ended June 30, 2016. The decrease primarily resulted from a decrease in volume across all customer types, partially offset by a slight increase in revenue capture. Futures segment net revenue for the six months ended June 30, 2017 decreased \$4.1 million, or 16.3%, compared to the six months ended June 30, 2016. The decrease

primarily related to a decrease in trading volume.

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Employee compensation and benefits expenses decreased \$0.6 million, or 19.8%, and \$1.1 million, or 17.3%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were primarily due to lower commissions paid to employees as a result of the decrease in trading volume and related revenue.

Selling and marketing expenses for the futures segment remained relatively flat for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, and for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Referral fees for the futures segment decreased \$0.4 million, or 9.5%, and \$0.3 million, or 3.9%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases primarily related to the decrease in trading volume.

Other operating expenses for the futures segment decreased \$0.6 million, or 15.9%, and \$0.9 million, or 10.9%, for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The decreases were primarily due to a decrease in charges from our clearing brokers due to the decrease in trading volume.

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

## Corporate and Other (amounts in thousands)

	Three Months Ended June 30,					Six Months Ended June 30,				
	2017	2016	\$ Change	% Change	%	2017	2016	\$ Change	% Change	%
Other revenue	\$(254 )	\$(1,420)	\$1,166	82.1	%	\$(362 )	\$(1,894 )	\$1,532	80.9	%
Employee compensation and benefits	3,964	3,145	819	26.0	%	6,489	6,648	(159 )	(2.4 )	%
Selling and marketing	52	—	52	100.0	%	116	—	116	100.0	%
Other operating expenses	1,892	2,547	(655 )	(25.7 )	%	3,218	5,565	(2,347 )	(42.2 )	%
Loss	\$(6,162)	\$(7,112)	\$950	(13.4 )	%	\$(10,185)	\$(14,107)	\$3,922	(27.8 )	%

Corporate and other revenue increased \$1.2 million, or 82.1%, and \$1.5 million, or 80.9% for the three and six months ended June 30, 2017, respectively, compared to the three and six months ended June 30, 2016. The increases were largely due to changes in foreign currency revaluations.

Employee compensation and benefits expenses for employees not attributed to any of our operating segments, such as our executive officers, for the three months ended June 30, 2017 increased \$0.8 million, or 26.0%, compared to the three months ended June 30, 2016. The increase was primarily due to an increase in our estimated annual employee incentive compensation costs based on results for the three months ended June 30, 2017. Employee compensation and benefits expenses for employees not attributed to any of our operating segments for the six months ended June 30, 2017 remained flat compared to the six months ended June 30, 2016.

Selling and marketing expenses not attributed to any of our operating segments remained flat for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, and for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Other operating expenses not attributed to any of our operating segments decreased \$0.7 million, or 25.7%, and \$2.3 million, or 42.2%, for the three and six months ended June 30, 2017, respectively, compared to the three and six

months ended June 30, 2016. The decreases were primarily due to a reduction in corporate related insurance costs, temporary staffing costs, vendor payments, and a reduction in rent payments due to renegotiation or extension of leased facilities.

#### Liquidity and Capital Resources

We have historically financed our liquidity and capital needs primarily through the use of funds generated from operations by our subsidiaries, the issuance of debt and equity securities, including the 4.125% Convertible Senior Notes due 2018 that we

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issued in the fourth quarter of 2013 and the 4.125% Convertible Senior Notes due 2020 that were issued in 2015 in connection with our acquisition of City Index, and access to secured lines of credit. We plan to finance our future operating liquidity and regulatory capital needs in a manner consistent with our past practice. We expect that our capital expenditures for the next 12 months will be lower than 2016, as we continue to identify areas for savings and adapt to a disciplined capital expenditure approach.

We primarily hold and invest our cash at various financial institutions and in various investments, including cash held at banks, deposits at our liquidity providers and money market funds which invest in short-term U.S. government securities. 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.

As a holding company, nearly all of our funds from operations are generated by our operating subsidiaries. Historically, we have accessed these funds through receipt of dividends from these subsidiaries. The following table shows the amount of accumulated earnings held by our operating subsidiaries located outside the United States at June 30, 2017 (amounts in millions):

Entity Name	Accumulated Earnings
GAIN Capital Forex.com Australia, Pty. Ltd.	\$ —
Trade Facts Ltd.	3.5
GAIN Capital-Forex.com Hong Kong, Ltd.	—
GAIN Capital Australia Pty Ltd.	5.2
GAIN Capital-Forex.com Canada Ltd.	—
GAIN Capital-Forex.com U.K., Ltd.	10.5
Forex.com Japan Co., Ltd.	—
GAIN Capital UK, Ltd.	29.4
GAIN Capital Singapore Pte. Ltd.	—
GAIN Global Markets, Inc.	—
Faraday Research LLP	0.6
GTX Bermuda Ltd.	15.4
GAIN Global Markets Bermuda, Ltd.	—
Total	\$ 64.6

As noted above, at June 30, 2017, we had approximately \$64.6 million of undistributed earnings of our operating foreign subsidiaries indefinitely invested outside the United States. In connection with the previously announced restatement of our financial statements for the years ended December 31, 2014 and 2013 and certain quarters of 2015, we took a charge for U.S. taxes that would arise if \$48.3 million of these earnings were repatriated to the United States. Accordingly, these funds could in fact be repatriated without the need to pay any additional U.S. taxes. The remaining earnings are indefinitely invested outside the United States and are expected to be reinvested in the working capital and other business needs of the foreign subsidiaries. If the remaining earnings had been repatriated into the United States as of June 30, 2017, in the form of dividends or otherwise, we would have been subject to additional income taxes of approximately \$6.1 million.

Several of our operating subsidiaries are subject to requirements of regulatory bodies, including the CFTC and NFA in the United States, the FCA in the United Kingdom, the FSA, METI and MAFF in Japan, the SFC in Hong Kong, IIROC and the OSC in Canada and the CIMA in the Cayman Islands, relating to liquidity and capital standards, which limit funds available for the payment of dividends to GAIN Capital Holdings, Inc. As a result, we may be unable to access funds which are generated by our operating subsidiaries when we need them.

## Regulatory Capital Requirements

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of June 30, 2017 and the actual amounts of capital that were maintained on that date (amounts in millions):

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Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital
GAIN Capital Group, LLC	\$ 35.2	\$ 45.5	\$ 10.3
GAIN Capital Securities, Inc.	0.1	0.4	0.3
Trade Facts, Ltd.	0.6	3.1	2.5
GAIN Capital-Forex.com Hong Kong, Ltd.	1.9	4.5	2.6
GAIN Capital Australia Pty Ltd.	0.8	8.4	7.6
GAIN Capital-Forex.com Canada Ltd.	0.2	1.3	1.1
GAIN Capital-Forex.com U.K., Ltd.	5.1	16.7	11.6
GAIN Capital Japan Co., Ltd.	1.3	8.9	7.6
GAIN Global Markets, Inc.	0.8	1.4	0.6
GAIN Capital UK, Ltd.	91.4	191.7	100.3
GAIN Capital Singapore Pte, Ltd.	0.4	10.9	10.5
Global Assets Advisors, LLC	0.1	1.4	1.3
GAIN Capital Payments Ltd.	0.1	0.6	0.5
Total	\$ 138.0	\$ 294.8	\$ 156.8

Our futures commission merchant and forex dealer subsidiary, GCG, LLC, is subject to the Commodity Futures Trading Commission Net Capital Rule (Rule 1.17) and NFA Financial Requirements, Sections 11 and 12. Under applicable provisions of these regulations, GCG is required to maintain adjusted net capital of the greater of \$1.0 million or 8% of Customer and Non-Customer Risk Maintenance Margin, or \$20 million plus 5% of all liabilities owed to retail customers exceeding \$10 million, plus 10% of all liabilities owed to eligible contract participant counterparties acting as a dealer that are not an affiliate. Net capital represents current assets less total liabilities as defined by CFTC Rule 1.17. GCG's current assets primarily consist of cash and cash equivalents reported on its balance sheet as cash, receivables from brokers and trading securities, which are generally short-term U.S. government securities. GCG's total liabilities include payables to customers, accrued expenses, accounts payable, sales and marketing expense payable, introducing broker fees payable and other liabilities. From net capital we take certain percentage deductions or haircuts against assets held based on factors required by the Commodity Exchange Act to calculate adjusted net capital. GCG's net capital and adjusted net capital changes from day to day. As of June 30, 2017, GCG had net capital of approximately \$45.5 million and net capital requirements and haircut charges of \$35.2 million. As of June 30, 2017, GAIN Capital Group's excess net capital was \$10.3 million. We believe that we currently have sufficient capital to satisfy these on-going minimum net capital requirements. In accordance with CFTC regulation 1.12 and NFA Financial Requirements Section 1, a 20.0% decrease in GCG's net capital and a 30.0% decrease in excess net capital due to a planned equity withdrawal requires regulatory notification and/or approval.

GCUK1, GCUK2 and Trade Facts are all registered in the U.K. and are regulated by the Financial Conduct Authority in respect of their trading activity. These U.K. Entities are required to comply with relevant U.K. and E.U. legislation and regulation.

GCUK1 is regulated by the FCA, as a full scope €730k IFPRU Investment Firm. GCUK1 is required to maintain the greater of approximately \$1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration and market risk. At June 30, 2017, GCUK1 maintained \$11.6 million more than the minimum required regulatory capital for a total of 3.3 times the required capital. Following the successful integration of City Index in the UK, GCUK1 no longer has any clients and is no longer conducting any operational activities. It is currently in the process of deregistering its license with FCA. Until that time, GCUK1 will maintain its regulatory capital in line with requirements.

GCUK2 is regulated by the FCA as a full scope €730k IFPRU Investment Firm. GCUK2 is required to maintain the greater of approximately \$1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration and market risk. At June 30, 2017, GCUK2 maintained \$100.3 million more than the minimum required regulatory capital for a total of 2.1 times the required capital.

Trade Facts is regulated by the FCA as a BIPRU Limited License Firm. Trade Facts is required to maintain a base financial resources requirement of approximately \$0.05 million (€0.05 million) and a capital requirement of the higher of either credit



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risk plus market risk or fixed overhead requirement. At June 30, 2017, Trade Facts maintained \$2.5 million more than the minimum required regulatory capital for a total of 5.2 times the required capital.

Effective from 2016, the FCA began transitioning in additional capital requirements in the form of a conservation buffer and a countercyclical capital buffer as set out in Capital Requirements Directive, or CRD IV, Article 160 Transitional Provisions for Capital Buffers. The transitional period began on January 1, 2016 and the minimum common equity tier 1 capital ratio requirement, currently at 5.75% for the year of 2017, will incrementally increase to 7.0% as of January 1, 2019. Given the nature of our UK-regulated firms' activities, the effect of the countercyclical buffer is expected to be negligible.

GAIN Capital Payments Ltd. is regulated in the U.K by the FCA and is authorized to carry out payment services under the Payment Services Regulations 2009. The regulatory capital must be the greater of either (i) \$0.1 million (€0.1 million) or (ii) requirements determined by the fixed overhead requirement. At June 30, 2017, GAIN Capital Payments Ltd. maintained the minimum required regulatory capital.

In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act. A number of significant provisions contained in the law affect, or will affect once implementing regulations are adopted by the appropriate federal agencies, our business. Among other things, the Dodd-Frank Act provides for additional regulation of swaps and security-based swaps, including some types of foreign exchange and metals derivatives in which we engage. The Dodd-Frank Act requires the registration of swap dealers with the CFTC and imposes significant regulatory requirements on swap dealers and swap execution facilities. Effective February 27, 2013, GAIN GTX, LLC became provisionally registered with the CFTC and NFA as a swap dealer. Effective June 2016, GTX SEF, LLC became permanently registered with the CFTC as a swap execution facility, replacing the temporary registration previously granted in April 2014. Certain of our other subsidiaries may be required to register, or may register voluntarily, as swap dealers and/or swap execution facilities.

Swap dealers and swap execution facilities are subject to a comprehensive regulatory regime with new obligations for the swaps activities for which they are registered, including adherence to risk management policies, supervisory procedures, trade record and real time reporting requirements as well as proposed rules for new minimum capital requirements. GAIN GTX, LLC and GTX SEF, LLC have faced, and may continue to face, increased costs due to the registration and regulatory requirements listed above, as may any other of our subsidiaries that register as a swap dealer and/or swap execution facility. In particular, the CFTC has proposed rules that would require a swap-dealer to maintain regulatory capital of at least \$20 million. Compliance with this or other swap-related regulatory capital requirements may require us to devote more capital to our GTX business or otherwise restructure our operations, such as by combining our GTX business with other regulated subsidiaries that must also satisfy regulatory capital requirements. The increased costs associated with compliance, and the changes that will be required in our OTC and clearing businesses, may adversely impact our results of operations, cash flows or financial condition.

### Operating Cash

We are required to maintain cash on deposit with our liquidity providers in order to conduct our hedging activities. As of June 30, 2017, we posted \$80.7 million in cash with liquidity providers. As of June 30, 2017, our total client assets were \$947.3 million compared to \$945.5 million as of December 31, 2016, an increase of \$1.8 million. Total client assets represent amounts due to clients, including deposits and unrealized gains or losses arising from open positions.

The table set forth below provides a measure of our available liquidity as of June 30, 2017 and as of December 31, 2016. We use this non-GAAP measure to evaluate our ability to continue to fund growth in our business (amounts in millions):

June 30, 2017	December 31, 2016
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Cash and cash equivalents	\$193.1	\$234.8
Receivables from brokers	80.7	61.1
Net operating cash	273.8	295.9
Less: Minimum regulatory requirements	(138.0 )	(113.0 )
Liquidity <sup>(1)</sup>	\$135.8	\$182.9

(1) Our Convertible Senior Notes due 2018 and 2020 are excluded given their long-dated maturity

The decrease in our liquidity for the six months ended June 30, 2017 consisted primarily of the net loss of \$4.9 million, an increase in minimum regulatory requirements of \$25.0 million, payments to FXCM of \$7.0 million and purchase of treasury stock of \$9.4 million.

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### Convertible Senior Notes

On November 27, 2013, we issued \$80.0 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2018 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the note offering were approximately \$77.9 million, after deducting discounts to the initial purchasers and estimated offering expenses payable by the company.

The notes bear interest at a fixed rate of 4.125% per year, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2014. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election. The notes will mature on December 1, 2018, unless earlier converted, redeemed or repurchased.

On April 1, 2015, as part of the consideration for our acquisition of City Index, we issued \$60.0 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2020 to City Index Group Limited. These notes bear interest at a fixed rate of 4.125% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2015. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election, subject to certain limitations. The notes will mature on April 1, 2020, unless earlier converted, redeemed or repurchased. We may not redeem the notes until the two year period prior to the maturity date of the notes.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. ASC 470-20 requires an entity to separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash (such as our 4.125% Convertible Senior Notes and the convertible notes issued in connection with our acquisition of City Index) in a manner that reflects the issuer's economic interest cost for non-convertible debt. The liability component of the notes is initially valued at the fair value of a similar debt instrument that does not have an associated equity component and, for our 4.125% Convertible Senior Notes, is reflected as a liability in our Condensed Consolidated Balance Sheet in an amount equal to the fair value, which, as of June 30, 2017 and December 31, 2016, was \$127.3 million and \$124.8 million, respectively. The equity component of the notes is included in the additional paid-in capital section of our stockholders' equity on our Condensed Consolidated Balance Sheets, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The equity component, as of June 30, 2017 and December 31, 2016, for our 4.125% Convertible Senior Notes was \$27.4 million and \$27.4 million, respectively. This original issue discount is amortized to non-cash interest expense over the term of the notes, and, as a result, we record a greater amount of interest expense in current periods. Accordingly, we will report lower net income in our financial results than would have been recorded had we reflected only cash interest expense in our Consolidated Income Statement because ASC 470-20 will require the interest expense associated with the notes to include both the current period's amortization of the original issue discount and the notes' cash coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as our 4.125% Convertible Senior Notes due 2018 and our 4.125% Convertible Senior Notes due 2020) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings (loss) per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in

shares, were issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings (loss) per share could be adversely affected.

#### Cash Flow

The following table sets forth a summary of our cash flow for the six months ended June 30, 2017 and the six months ended June 30, 2016 (amounts in thousands):

	For the Six Months Ended June 30,	
	2017	2016
Net cash used in by operating activities	\$(15,812)	\$(53,246)
Net cash used in investing activities	(17,142 )	(12,185 )
Net cash used in financing activities	(15,717 )	(11,267 )

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Effect of exchange rate changes on cash and cash equivalents	7,048	(5,743 )
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	\$(41,623)	\$(82,441)

### Operating Activities

Cash used for operating activities was \$15.8 million for the six months ended June 30, 2017, compared to \$53.2 million for the six months ended June 30, 2016. For the six months ended June 30, 2017, operating cash was reduced by \$20.0 million as a result of receivables from brokers decrease as compared to \$98.0 million decrease in the six months ended June 30, 2016. In addition, the net loss reduced operating cash by \$4.7 million for the six months ended June 30, 2017 compared to a contribution from net income of \$20.3 million for the six months ended June 30, 2016. Cash outflows for accrued compensation decreased operating cash by \$4.9 million for the six months ended June 30, 2017 compared to \$3.1 million for the six months ended June 30, 2016.

### Investing Activities

Cash used for investing activities was \$17.1 million for the six months ended June 30, 2017 compared to \$12.2 million for the six months ended June 30, 2016. The increase in cash used for investing activities was due to the acquisition of the FXCM customer accounts in the six months ended June 30, 2017.

### Financing Activities

Cash used for financing activities was \$15.7 million for the six months ended June 30, 2017 compared to cash used for financing activities of \$11.3 million for the six months ended June 30, 2016. The increase in cash used for financing activities was primarily due to the increase in stock buybacks for the six months ended June 30, 2017, as well as an increase in the dividend rate to \$0.06 per share for the six months ended June 30, 2017 compared to \$0.05 per share for the six months ended June 30, 2016.

### Capital Expenditures

Capital expenditures were \$10.2 million for the six months ended June 30, 2017 compared to \$12.2 million for the six months ended June 30, 2016. Capital expenditures for both periods primarily related to the development of various trading platforms and websites.

### Contractual Obligations

For the six months ended June 30, 2017, there were no significant changes to our vendor or operating lease obligations from those disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016.

### Off-Balance-Sheet Arrangements

At June 30, 2017 and December 31, 2016, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### Critical Accounting Policies and Estimates

For the six months ended June 30, 2017, there were no significant changes to our critical accounting policies and estimates from those disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will impact our Condensed Consolidated Financial Statements. Our net interest revenue is directly affected by the short-term interest rates we earn from re-investing our cash and our customers' cash. As a result, a portion of our interest income will decline if interest rates

fall. Short-term interest rates are

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highly sensitive to factors that are beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities. Our cash and cash equivalents and customer cash and cash equivalents are held in cash and cash equivalents including cash at banks, deposits at liquidity providers, money market funds that invest in short-term U.S. government securities. The interest rates earned on these deposits and investments affects our interest revenue. We estimate that as of June 30, 2017, an immediate 100 basis point increase in short-term interest rates would result in approximately \$10.3 million more in annual pretax income.

### Foreign Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of our earnings and assets. Entities that have assets and liabilities denominated in currencies other than the primary economic environment in which the entity operates are subject to re-translation.

We monitor our exchange rate exposure and may make settlements to reduce our exposure. We do not take proprietary directional market positions.

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. These items may give rise to foreign currency transaction gains and losses. As a result, our results of operations and financial position are exposed to changing currency exchange rates. We enter into hedging transactions to mitigate our exposure to foreign currency exchange rates. These hedging transactions may not be successful.

### Credit Risk

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

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

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

#### Market Risk

We are exposed to market risk in connection with our retail trading activities. Because we act as counterparty to our retail customers' transactions, we are exposed to risk on each trade that the market price of our position will decline. Accordingly, accurate and efficient management of our net exposure is a high priority, and as such we have developed both automated and



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manual policies and 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 as well as assessment of a range of market inputs, including trade size, dealing rate, customer margin and market liquidity. Our risk-management procedures require our team of senior traders to monitor risk exposure on a continuous basis and update senior management both informally over the course of the trading day and formally through intraday and end of day reporting. A key component of our approach to managing market risk is that we do not initiate market positions for our own account in anticipation of future movements in the relative prices of products we offer. To facilitate our risk-management activities, we maintain levels of capital in excess of those currently required under applicable regulations. As of June 30, 2017, we maintained aggregate capital levels of \$294.8 million, which represented approximately 2.1 times the capital we were required to hold under applicable regulations.

### Cash Liquidity Risk

In normal conditions, our market making business and related services is self-financing as we generate sufficient cash flows to pay our expenses as they become due. As a result, we generally do not face the risk that we will be unable to raise cash quickly enough to meet our payment obligations as they arise. Our cash flows, however, are influenced by customer trading volume, currency volatility and liquidity in foreign currencies pairs in which we have positions. These factors are directly impacted by domestic and international market and economic conditions that are beyond our control. In an effort to manage this risk, we have secured a substantial liquidity pool by establishing trading relationships with several financial institutions. These relationships provide us with sufficient access to liquidity to allow us to consistently execute significant trades in varying market conditions at the notional amounts our customers desire by providing us with as much as 50:1 leverage on the notional amounts of our available collateral we have on deposit with such financial institutions. We generally maintain collateral on deposit, which includes our funds and our customers' funds, with our liquidity providers. Collateral on deposit ranged from \$106.0 million to \$245.0 million in the aggregate during the six months ended June 30, 2017.

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

### Operational Risk

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

### Regulatory Capital Risk

Various domestic and foreign government bodies and self-regulatory organizations responsible for overseeing our business activities require that we maintain specified minimum levels of regulatory capital in our operating subsidiaries. If not properly monitored or adjusted, our regulatory capital levels could fall below the required minimum amounts set by our regulators, which could expose us to various sanctions ranging from fines and censure to imposing partial or complete restrictions on our ability to conduct business. To mitigate this risk, we continuously

evaluate the levels of regulatory capital at each of our operating subsidiaries and adjust the amounts of regulatory capital in each operating subsidiary as necessary to ensure compliance with all regulatory capital requirements. These requirements may increase or decrease from time to time as required by regulatory authorities. We also maintain excess regulatory capital to provide liquidity during periods of unusual or unforeseen market volatility, and we intend to continue to follow this policy. In addition, we monitor regulatory developments regarding capital requirements so that we may be prepared for increases in the required minimum levels of regulatory capital that may occur from time to time in the future.

#### Regulatory Risk

We operate in a highly regulated industry and are subject to the risk of sanctions from U.S., federal and state, and international authorities if we fail to comply adequately with regulatory requirements. Failure to comply with applicable regulations could

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result in financial, operational and other penalties. Our authority to conduct business could be suspended or revoked. In addition, efforts to comply with applicable regulations may increase our costs or limit our ability to pursue certain business opportunities. Federal and state regulations significantly limit the types of activities in which we may engage. Please refer to Part I, Item 1A under the heading “Risk Factors” within our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for more information.

**ITEM 4. CONTROLS AND PROCEDURES**

**(a) Evaluation of Disclosure Controls and Procedures**

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

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

**(b) Changes in Internal Control over Financial Reporting**

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

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## PART II – OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

For the six months ended June 30, 2017, we incorporate herein by reference the discussions set forth under “Legal Proceedings” in Part I, Item 3 of our Form 10-K for the year ended December 31, 2016.

## ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 describes the various important risk factors facing our business in Part I, Item 1A under the heading “Risk Factors.” There have been no material changes to the risk factors disclosed in that section of our Annual Report on Form 10-K, which is incorporated herein by reference.

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

## (a) Unregistered Sales of Equity Securities

None.

## (b) Purchase of Equity Securities by the Issuer

The following table presents information regarding our purchases of common stock in the six months ended June 30, 2017:

Period <sup>(1)</sup>	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)(2)</sup>
January 1, 2017-January 31, 2017	283,436	\$ 7.06	283,436	\$ 22,539,824
February 1, 2017-February 28, 2017	188,013	\$ 7.98	188,013	\$ 21,036,448
March 1, 2017-March 31, 2017	140,974	\$ 8.15	140,974	\$ 19,884,029
April 1, 2017-April 30, 2017	125,186	\$ 7.58	125,186	\$ 18,932,263
May 1, 2017-May 31, 2017	263,238	\$ 6.08	263,238	\$ 17,327,119
June 1, 2017-June 30, 2017	372,838	\$ 5.90	372,838	\$ 15,119,768

(1) On May 16, 2011, the Company announced that its Board of Directors approved a share repurchase plan, which authorized the expenditure of up to \$10.0 million for the purchase of the Company’s common stock. On May 6, 2013, the Company announced that the Board of Directors approved to increase the total amount available for the purchase of the Company’s common stock by \$15.0 million. On May 3, 2016, the Company’s Board of Directors approved to increase the total amount available for the purchase of the Company’s common stock by an additional \$15.0 million. On November 3, 2016, the Company announced that its Board of Directors had increased the total amount available for the repurchase of the Company’s common stock under the Company’s share repurchase plan to \$30.0 million.

(2) Transaction fees related to the share purchases are deducted from the total remaining allowable expenditure amount.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Credit Facility

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On August 3, 2017, GAIN Capital Holdings, Inc. (the "Borrower") entered into a Credit Agreement, dated as of August 2, 2017 (the "Credit Agreement"), with Barclays Bank PLC ("Barclays"), as Administrative Agent, Collateral Agent, Arranger and Documentation Agent, Sterling National Bank as Joint Bookrunner ("Sterling"), and the other lenders from time to time party thereto (together with Barclays and Sterling, the "Lenders"). The Credit Agreement is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

The Credit Agreement provides for a U.S \$50,000,000 senior secured first lien revolving credit facility (the "Facility"), to be made available upon the terms and conditions hereinafter set forth. Upon request of the Borrower, the Facility may be increased by up to \$25 million, with a minimum increase of \$5 million. Each Lender has the absolute discretion to provide all or any part of the requested increase, or to decline to participate in the increase. Amounts available under the Facility may be borrowed, repaid and reborrowed on and after the closing date until the third anniversary of the closing date (the "Maturity Date"). All amounts outstanding under the Facility will initially bear interest, at the Borrower's option, at a rate per annum equal to (i) the "Cost of Funds Rate" or, if applicable, "Base Rate" plus 1.75% per annum, or (ii) "LIBOR Rate" plus 2.75% per annum, in each case as such terms are defined in the Credit Agreement. Beginning on the date on which the Borrower delivers to the Lenders financial statements for the first full fiscal quarter after the closing date, the applicable margin for the Facility will be determined on a sliding scale based on the Borrower's Consolidated Gross Leverage Ratio (as defined in the Facility).

All obligations under the Facility are guaranteed by each of the Borrower's direct or indirect wholly-owned domestic subsidiaries (excluding Borrower's regulated subsidiaries) (collectively, the "Guarantors"). The obligations of the Borrower and the Guarantors under the Facility are secured by a first priority security interest in all of the capital stock of each subsidiary of the Borrower owned by the Borrower or a Guarantor (collectively, the "Collateral"), which pledge, in the case of any foreign subsidiary, is limited to 65.0% of the voting stock of such foreign subsidiary and is limited to foreign subsidiaries directly owned by the Borrower or a Guarantor.

The Facility contains customary financial covenants, tested quarterly, including with respect to the Borrower's Consolidated Gross Leverage Ratio, Consolidated Interest Coverage Ratio and Minimum Net Capital, in each case as such terms are defined in the Credit Agreement. The Facility contains such representations and warranties by the Borrower and the Guarantors as are customary for transactions and facilities of this type, subject to baskets for permitted acquisitions, dispositions, incurrence of additional indebtedness and similar transactions.

In addition to other events of default that are customary for transactions and facilities of this type (subject to applicable grace periods and materiality standards), the Facility shall become immediately due and payable on the date that is one month prior to the maturity date of the Borrower's existing convertible notes due 2018 (the "Existing Notes"), unless on or prior to such date (i) the Existing Notes have been fully refinanced or (ii) the Borrower has established a cash reserve in an amount at least equal to the redemption cost of all Existing Notes then outstanding; provided that each Lender in its sole discretion shall be entitled to waive such prepayment and cancellation in respect of its commitment.

## ITEM 6.EXHIBITS

### Exhibit No. Description

10.1 \*\* Credit Facility,  
dated as of  
August 2, 2017,  
by and among  
GAIN Capital  
Holdings, Inc.,  
Barclays Bank

PLC, Sterling  
National Bank  
and the lenders  
set forth therein.

\*

31.1 Certification of  
Chief Executive  
Officer pursuant  
to rule 13a-14(a)  
under the  
Securities  
Exchange Act of  
1934, as  
amended.\*

31.2 Certification of  
Chief Financial  
Officer pursuant  
to rule 13a-14(a)  
under the  
Securities  
Exchange Act of  
1934, as  
amended.\*

32.1 Certification of  
Chief Executive  
Officer as  
required by  
section 906 of  
the  
Sarbanes-Oxley  
Act of 2002.\*

32.2 Certification of  
Chief Financial  
Officer as  
required by  
section 906 of  
the  
Sarbanes-Oxley  
Act of 2002.\*

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101.INS	XBRL Instance XBRL
101.SCH	Taxonomy Extension Schema XBRL
101.CAL	Taxonomy Extension Calculation XBRL
101.DEF	Taxonomy Extension Definition XBRL
101.LAB	Taxonomy Extension Labels XBRL
101.PRE	Taxonomy Extension Presentation

\* Filed herewith.  
Schedules have  
been omitted  
pursuant to  
Item 601(b)(2)

\*\* of Regulation  
S-K and will be  
provided  
supplementally  
to the SEC  
upon request.



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SIGNATURES

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

GAIN Capital Holding, Inc.

Date: August 8, 2017 /s/ Glenn H. Stevens  
Glenn H. Stevens  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: August 8, 2017 /s/ Nigel Rose  
Nigel Rose  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)