UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77596 / April 12, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3764 / April 12, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17207

In the Matter of **INTL FCSTONE INC.,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against INTL FCStone Inc. ("INTL FCStone," the "Company," or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that[1]:

Summary

1. This matter arises from INTL FCStone's violations of the reporting, books and records, and internal control provisions of the Exchange Act. Between fiscal year 2010 and June 30, 2013, INTL FCStone overstated its operating revenues by $10 million and its net income by $6 million as a result of accounting errors in recording and reporting over-the-counter ("OTC") derivative trading gains at a subsidiary, INTL FCStone Markets, LLC ("IFM"). INTL FCStone's internal accounting controls failed to timely prevent or detect the accounting errors. In January 2014, INTL FCStone restated its financial statements, determined that certain of its controls were not designed or operating effectively, and reported the existence of a material weakness in internal control over financial reporting ("ICFR") as of September 30, 2013.

Respondent

2. INTL FCStone, a Delaware corporation based in New York, New York, provides execution and advisory services in commodities, currencies and international securities. INTL FCStone's common stock is registered under Section 12(b) of the Exchange Act and trades on the Nasdaq Global Market under the ticker symbol "INTL."

INTL FCStone Delays Filing its Fiscal Year 2013 Form 10-K

3. On December 17, 2013, INTL FCStone disclosed that it would delay the filing of its Form 10-K for its fiscal year ended September 30, 2013, as a result of errors in the reconciliation of IFM's accounting records to its back office system. The Company also disclosed that it was evaluating the effect these errors may have on previously filed consolidated financial statements and continuing to assess the Company's disclosure controls and procedures and ICFR for current and prior periods.

4. In its fiscal year 2013 Form 10-K filed on January 15, 2014, INTL FCStone restated its consolidated financial statements for fiscal years 2011 and 2012, restated certain financial information for fiscal year 2010, restated quarterly fiscal year 2012 financial information, revised its quarterly fiscal year 2013 financial information to correct immaterial errors, and disclosed a material weakness in ICFR related to accurate and timely accounting for certain over-the-counter derivative trading activities at September 30, 2013. The effect of the restatements on INTL FCStone's pre-tax income (loss) is reflected in the following chart (dollars in millions).

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Pre-Tax Income	FYE 9/30/2010	FYE 9/30/2011	Quarter Ended 12/31/11	Quarter Ended 3/31/12	Quarter Ended 6/30/12	Quarter Ended 9/30/12	FYE 9/30/12
As Originally Reported	$17.9	$59.5	$(0.7)	$3.6	$5.9	$10.5	$19.3
As Restated	16.0	55.4	(0.7)	2.5	3.6	10.4	15.8
Amount of Overstatement	$1.9	$4.1	$-0-	$1.1	$2.3	$0.1	$3.5
Percentage Overstatement	11.9%	7.4%	-0-%	44.0%	63.9%	1.0%	22.2%

The revisions to INTL FCStone's pre-tax income (loss) increased INTL FCStone's third quarter fiscal year 2013 from $4.1 million to $4.9 million (a $0.8 million, or a 16.3% understatement as originally reported). Additionally, INTL FCStone corrected errors related to intercompany physical sales which were not correctly eliminated. These errors overstated INTL FCStone's fiscal year 2011 and 2012 sales of physical commodities and cost of sales by $1.3 billion (1.9% of sales) and $2.6 billion (3.6% of sales), respectively. Additionally, these errors overstated the first, second and third quarter FY 2013 sales of physical commodities and cost of sales of 1.3%, 7.7%, and 10.6%, respectively (based on sales).

IFM's Asset Reconciliation Process

5. IFM used an internally-developed application to capture, store and report master records (i.e., customer/broker) and transactional data (i.e., quotes, orders, trades, etc.) for its OTC derivatives trading business. IFM refers to this system as "ETT," which stands for Electronic Trade Ticket. Information from ETT was a part of the system of books, records and accounts that INTL FCStone relied upon to prepare its consolidated financial statements. At month-end, IFM's accounting department reconciled information extracted from ETT to the activity recorded in the general ledger (the "Asset Reconciliation Process").

6. IFM relied on a manual Asset Reconciliation Process, which was performed and reviewed by the same person, the IFM controller. As a part of the Asset Reconciliation Process each month, the IFM controller manually ran queries to identify and extract transactional data from ETT, converted the extracted data to an Excel spreadsheet, and then reconciled the activity in ETT to the activity recorded in IFM's general ledger. IFM's controls and procedures failed to segregate the duties between the preparer and the reviewer of the Asset Reconciliation Process.

INTL FCStone Discovers the Accounting Errors

7. During its audit of INTL FCStone's consolidated financial statements for the year ended September 30, 2013, INTL FCStone's independent auditor questioned an item on the reconciliation between ETT and the general ledger. INTL FCStone's prompt investigation led to a more fulsome

examination of the Asset Reconciliation Process and caused management to conclude that its ICFR related to accurate and timely accounting for certain over-the-counter derivative trading activities were not reasonably designed to detect errors in recording trading gains to the general ledger.

8. During its review, INTL FCStone identified errors relating to differences between ETT's balances and the amounts that had been recorded in the general ledger at period-end. Specifically, INTL FCStone discovered : (1) a $4.0 million overstatement of trading gains on the transfer of certain cotton derivative positions between IFM's internal trading books during fiscal year 2011 (the "Cotton Positions Error"); (2) a $1.3 million and a $3.0 million overstatement of trading gains on certain energy derivative positions (the "ClearPort Error"); (3) a $1.1 million understatement of goodwill associated with the acquisition of Hanley (no income statement impact) and a $0.7 million overstatement of trading gains on certain derivative positions acquired as a part of the Hanley Group acquisition (the "Hanley Error"); and (4) certain other errors that INTL FCStone corrected as a part of the restatement (the "Other Errors").

<u>The Cotton Positions Error and the ClearPort Error</u>

9. The Asset Reconciliation Process failed to capture valuation errors related to certain trades that were moved between IFM's market-maker and back-to-back trading books. "Market-Maker" accounts include positions that expose the Company to market risk. "Back-to-back" accounts are generally fully hedged and managed to generate no significant profit or loss.

10. In November 2010, certain cotton positions in two market-maker accounts were transferred to IFM's back-to-back trading book. At the time the positions were moved, the value of the transferred positions reflected a $4.0 million loss. The accounting department did not properly account for the losses associated with the transferred cotton positions, which caused a $4.0 million overstatement of trading gains for fiscal year 2011.

11. In April 2011, four accounts with OTC derivatives positions that were cleared through CME ClearPort and characterized as "back-to-back" accounts were reclassified to "market-maker" accounts. At the end of April 2011, IFM recognized the change in the value of its market-maker accounts as trading gains for the month. However, in calculating the net change of its market-maker accounts, IFM erroneously considered the March 31, 2011 value of the four ClearPort accounts to be zero rather than $1.3 million, thereby creating a $1.3 million overstatement of trading gains in fiscal year 2011.

12. In subsequent months, IFM erroneously double-counted gains associated with the four ClearPort accounts. Because the operations department did not notify the accounting department about the ClearPort account reclassification, the ClearPort Error accounts were improperly included in two separately-generated manual revenue computations. In May 2013, the IFM controller discovered that certain adjustments to record revenue associated with these accounts had been recorded backwards. In response, the IFM controller made an adjustment to correct year-to-date fiscal year 2013 revenues. Corresponding adjustments, however, were not made to correct a $3.0 million overstatement of revenues related to fiscal years 2011 and 2012.

13. Two factors contributed to the ClearPort Error. First, existing controls were not designed to ensure that a change in classification of accounts from back-to-back to market-maker, or vice versa, was communicated to the accounting department. Second, controls over the reconciliation between trading system data and the general ledger and the review thereof were not designed to detect errors timely in recording trading gains to the general ledger.

The Hanley Error

14. On July 1, 2010, INTL FCStone acquired Chicago-based Hanley Group of companies, a trading firm that specialized in complex OTC structured products. Prior to the acquisition, one of Hanley's companies, HGC Trading, was a customer of IFM. IFM valued its derivative positions with HGC Trading within ETT. HGC Trading independently valued these same positions using HGC Trading's internal system, known as Option 1. Because ETT and Option 1 used different assumptions and valuation methodologies, IFM and HGC Trading maintained different valuations for the same derivative positions.

15. During the pre-acquisition due diligence, the risk department determined that HGC Trading's valuation exceeded IFM's by $1.1 million. However, the purchase accounting of the Hanley acquisition erroneously used the Option 1 valuations instead of the ETT valuations and therefore failed to properly account for the valuation differences, which caused INTL FCStone to overstate the value of the derivatives and understate goodwill by $1.1 million.

16. INTL FCStone also failed to account for changes in values of the derivative positions between the acquisition date and September 1, 2010, when IFM transferred HGC Trading's positions to IFM's accounting records. By September 2010, the valuation difference between the two systems had increased by $0.7 million. Consequently, INTL FCStone's revenues were overstated by an additional $0.7 million.

Other Errors

17. In addition to the above misstatements, INTL FCStone corrected certain immaterial errors with respect to the impact on the intercompany physical precious metal sales which it had not correctly eliminated for the consolidated income statements, resulting in a gross-up of physical commodities and costs of sales of physical commodities for fiscal years 2011 and 2012 as well as interim quarters within fiscal years 2012 and 2013. As a result of these errors, INTL FCStone's fiscal year 2011 and 2012 sales of physical commodities and cost of sales were overstated by $1.3 billion (1.9% of sales) and $2.6 billion (3.6% of sales), respectively.

Remedial Measures

18. In determining to accept the Respondent's Offer, the Commission considered the remedial acts undertaken by INTL FCStone.

Violations

19. As a result of the conduct described above, INTL FCStone violated Section 13(a) of the Exchange Act and Rules 13a-1, 13a-11, 13a-13 and 12b-20 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act file with the Commission information, documents, and annual, current and quarterly reports as the Commission may require, and mandate that periodic reports contain such further material information as may be necessary to make the required statements not misleading.

20. As a result of the conduct described above, INTL FCStone violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

21. Lastly, as a result of the conduct described above, INTL FCStone violated Section 13(b)(2)(B) which requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent INTL FCStone's Offer.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

B. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of $150,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying INTL FCStone as the Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to David L. Peavler, Division of Enforcement, Securities and Exchange Commission, Fort Worth Regional Office, 801 Cherry Street, Suite 1900, Fort Worth, Texas 76102.

By the Commission.

Brent J. Fields
Secretary