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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2013

OR

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

For the Transition Period from __________ to __________.

Commission File Number 001-35008

GAIN CAPITAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of exchange on which registered
Common stock, $0.00001	New York Stock Exchange

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 28, 2013, was approximately $99 million.

As of March 17, 2014, the registrant had 39,762,579 shares of common stock, $0.00001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant's Definitive Proxy Statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year is incorporated by reference into Part III of this Form 10-K.

GAIN Capital Holdings, Inc.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

PART I

FORWARD-LOOKING INFORMATION

In this Annual Report on Form 10-K, 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 year ended on December 31, 2013.

This Annual Report on Form 10-K contains a number of forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 as amended. 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 consolidated financial statements and notes to consolidated financial statements included in this report and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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" below and discussed elsewhere herein. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those not presently known to us or that we currently deem immaterial, may also impair our business. We expressly disclaim any obligation to update any forward-looking statements, except as may be required by law.

ITEM 1. BUSINESS

OVERVIEW

We are a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. We service retail and institutional customers in more than 180 countries worldwide and conduct business from our offices in New York, New York; Bedminster, New Jersey; Chicago, Illinois; Powell, Ohio; Grand Rapids, Michigan; London, England; Tokyo, Japan; Sydney, Australia; Beijing, China; Hong Kong and Singapore.

We offer our customers access to a diverse range of over 12,500 financial products, including foreign exchange, or forex, precious metals, "contracts for difference", or CFDs, which are investment products with returns linked to the performance of underlying commodities, indices, individual equities, bonds and interest rate products, OTC options on forex, as well as futures and options on futures on more than 30 global exchanges. In the United Kingdom, we also 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.
The following table sets forth key financial data and operating metrics for our business:

	Key Financial Data (in millions) Year Ended December 31,				
	2013	2012	2011	2010	2009
Net Revenue	$ 266.4	$ 151.4	$ 181.5	$ 189.1	$ 153.3
Net income(1)	$ 31.3	$ 2.6	$ 15.7	$ 36.943	$ 28.0
Adjusted net income(2)	$ 33.9	$ 4.3	$ 15.7	$ 37.8	$ 28.0

	Key Operating Metrics (Unaudited) Year Ended December 31,				
	2013	2012	2011	2010	2009
Retail					
Funded Accounts	133,056	85,099	76,485	85,562	60,168
Active OTC Accounts (3)	98,696	60,219	63,435	64,313	52,755
Futures DARTs(4)	13,785	13,581	—	—	—
OTC Trading Volume (billions)	$ 1,796.7	$ 1,303.4	$ 1,574.0	$ 1,324.8	$ 1,246.7
Average Daily Volume (billions)	$ 6.9	$ 5.0	$ 6.0	$ 5.1	$ 4.8
Client Assets (millions)	$ 739.3	$ 446.3	$ 310.4	$ 256.7	$ 199.8
Institutional(5)					
Trading Volume (billions)	$ 3,961.0	$ 1,952.6	$ 853.9	$ 239.3	—
Average Daily Volume (billions)	$ 15.2	$ 7.5	$ 3.3	$ 0.9	—

(1) For the periods prior to the closing of our initial public offering in December 2010, our net income/(loss) was affected by the changes in our embedded derivative liability attributable to the redemption feature of our previously outstanding preferred stock. This redemption feature and the associated embedded derivative liability was no longer required to be recognized following the conversion of all of our preferred stock into common stock in connection with the completion of our initial public offering in December 2010.

(2) Adjusted net income is a non-GAAP financial measure and represents our net income excluding restructuring, acquisition and integration-related expenses, impairment on investment and gain on extinguishment of debt. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Key Income Statement Line Items and Key Operating Metrics” and “Reconciliation of Non-GAAP Financial Metrics,” for discussion and reconciliation of non-GAAP financial metrics.

(3) Represents accounts which executed a transaction over the last 12 months.

(4) Daily average revenue trades, or DARTs, represent the number of futures or options on futures trades in a given period over the number of trading days in that period.

(5) Our institutional channel includes our GTX business which was launched in March 2010, as well as additional institutional customers that trade through our other platforms.

Growth Strategies

We intend to grow our business and increase our profitability principally by employing the following growth strategies:

- Continue to enhance our proprietary trading platforms and innovative trading tools in order to attract customers and increase our market share;
- Strategically expand our operations and customer base through business acquisitions, investments and partnerships;
- Expand our product offerings to include other financial products to enable our customers to access an expanding range of products and to execute trading strategies across various products, potentially leading to more revenue per customer;
- Identify and enter high-growth markets in order to expand our presence globally in markets where we believe there are large revenue opportunities; and
- Capture additional market share by taking advantage of consolidation within the forex industry and by capitalizing on increasing confidence in retail forex as an asset class.

The following achievements demonstrate the focus on our growth strategies during 2013:

- The acquisition of Global Futures & Forex, Ltd., or GFT, which provided new partnerships in OTC trading, significantly expanded our non-forex product offerings, and deepened our global footprint, providing us with an increased presence in key European, Middle Eastern and Asian markets. Please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - GFT Transaction" for more information on our acquisition of GFT;
- The acquisition of the US-based retail forex business of FX Solutions LLC, a division of City Index Group;
- Enhancements to our mobile trading applications, including the ability for prospective customer to initiate account opening and for existing customers to fund their accounts via a mobile device, to support the rapid adoption of our mobile trading tools by our customers; and
- The launch of an innovative new third party platform, tradable, to our retail customers in the United States.

In addition, as part of our strategy to expand the range of non-forex products that we offer, in March 2014 we entered into purchase agreements with each of Global Asset Advisors, LLC ("GAA") and Top Third Ag Marketing LLC ("Top Third") providing for the purchase of 55% of the outstanding shares of GAA and Top Third from their major shareholders. For more information about these transactions, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Subsequent Events" elsewhere in this Form 10-K.

Our Retail Business

Our retail businesses represented 77.0% of our net revenue for the year ended December 31, 2013. We conduct our retail business primarily through our FOREX.com brand. As of December 31, 2013, we had over 133,000 funded retail accounts.

We provide our retail customers around the world with access to an exceptionally diverse range of 12,500 global financial markets, including spot forex, precious metals and CFDs on commodities, indices, individual equities and interest rate products, OTC options on forex, as well as exchange-traded products such as futures and options on futures. In the United Kingdom, we also offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment to residents of that country. We offer these products under the diverse regulatory environments in which we operate. For example, because of U.S. regulations, neither we, nor our subsidiaries, offer CFDs or spread bets in the United States or to U.S. residents.

We seek to attract and support our customers through direct and indirect channels. Our primary direct channel for our retail OTC business is our Internet website, FOREX.com, which is available in multiple languages, including English, Chinese, Japanese, Russian and Arabic. Our indirect channel includes our relationships with introducing brokers, who solicit customers on our behalf, and white label partners, who offer our offer our trading services to their customers under their own brand. Total retail trading volume sourced through direct and indirect channels was 61% and 39%, respectively, for the year ended December 31, 2013.

Customers for our exchange traded futures services on major U.S. and European futures and options exchanges are also sourced directly through our GAIN Capital Group, LLC subsidiary, as well as indirectly through a network of introducing brokers.

We generate revenue in our retail business in three 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, (2) commission revenue from customer trades that are transacted via an exchange, and (3) fees for financing positions and accessing real-time exchange data.

The following are the key components of our retail business:

Innovative trading tools

We have made significant investment in the development and support of our award-winning proprietary trading technology in order to provide our customers with an enhanced customer experience and multiple ways to trade and manage their accounts, tailored to their level of experience and preferred mode of access. In addition, we also selectively offer third party trading tools that we believe complement our proprietary offerings. We believe that our proprietary trading technology has and will continue to provide us with a significant competitive advantage because we have the ability to adapt quickly to our customers' changing needs, rapidly incorporate new products and features and offer our customers multiple ways to engage with us.

Competitive pricing and fast, accurate trade execution

For our OTC business, we have leveraged our extensive experience in the global OTC markets to develop highly automated processes, which allows us to deliver tight bid/offer spreads generally reflective of currently available pricing in the markets we offer and to execute our customers' trades quickly and efficiently.

In this regard, we have longstanding relationships with a large number of institutional liquidity providers, which we believe allows us to offer our customers more competitive pricing with tighter bid/offer spreads than many of our competitors. In addition, we have developed a proprietary pricing engine that electronically aggregates quotes from our liquidity sources based on the midpoint price between the available "best bid" and "best offer." These automated trading processes enable us to provide our customers with high-speed trade executions. In 2013, we handled over 13 million trade requests through FOREX.com's proprietary platform and executed 99.8% of trades in less than one second, with an average execution speed of .08 seconds. We have established a set of standards we use to measure execution quality for FOREX.com, and we publish execution statistics on a monthly basis. The FOREX.com execution scorecard, which is available on our website, demonstrates our ability to provide fast, accurate trade executions, as well as our commitment to transparency in our business. We believe we are the only firm in our industry to voluntarily publish a monthly execution scorecard with the level of detail that we provide.

For our exchange-traded business, we have invested in high-speed connectivity to over 30 global electronic exchanges to deliver streaming quotes and high-speed executions.

Automated customer onboarding and account management

We have developed proprietary technology to automate or otherwise facilitate operational functions that are core to our business and that we believe are important to our ability to deliver a superior customer experience. This includes a highly automated account opening and customer verification processes, fast online account funding and withdrawals with a wide variety of automated payment methods, and on-demand delivery of customer information, such as account statements and other account-related reporting. In 2013, we also added account opening and funding functions to our mobile trading applications in order to improve the experience for the increasing number of customers who trade primarily through their mobile devices. Given the highly regulated and global nature of our business, these processes are customized to each regulatory jurisdiction in which we operate, and are further tailored to customer needs and preferences in specific countries in order to make it easier for clients in these countries to open accounts with us and then to fund and trade in those accounts. As a result, we are becoming increasingly successful at acquiring clients from countries in the world where we do not have a local office, particularly in the Middle East and Asia Pacific regions.

Sophisticated risk management

Because we are exposed to market and credit risk in connection with our retail trading activities, developing and maintaining robust risk management capabilities is a high priority.

We allow our customers to trade notional amounts greater than the funds they have on deposit with us through the use of leverage, making management of credit risk is a key focus for us. The maximum leverage available to retail traders is set by the regulator in each jurisdiction. We manage customer credit risk through a combination of providing trading tools that allow our customers to avoid taking on excessive risk and automated processes that close customer positions in accordance with our policies, in the event they exceed their credit limits. For example, our customer trading platforms provide a real-time margin monitoring tool to enable customers to know when they are approaching their margin limits. If a customer's equity falls below what is required to support one or more positions, we will automatically liquidate positions to bring the customer's account into margin compliance.

We have also developed policies and procedures to manage market risk in our business. When a retail customer executes a trade with us, the trade may be naturally hedged against an offsetting trade from another customer, hedged through an offsetting trade with one of our wholesale trading partners or may become part of our net exposure portfolio. For naturally hedged trades, we receive the entire bid/offer spread we offer our customers on the two offsetting transactions. For immediately offset trades, we earn the difference between the retail bid/offer spread we offer our customers and the wholesale bid/offer spread we receive from our wholesale trading partners. Customer trades in our net exposure portfolio are managed pursuant to our risk-management policies and procedures, including risk limits established by the Risk Committee of our Board of Directors, and we receive the net gains or losses generated through the management of our net exposure.

Our risk management policies and procedures have been developed to enable us to effectively manage our exposure to market risk, particularly in connection with the management of our net exposure. Our net exposure is evaluated each second and is continuously rebalanced throughout the trading day, thereby minimizing the risk we will be adversely affected by changes in the market prices of the products we hold. This real-time rebalancing of our portfolio enables us to curtail risk and to be profitable in both up and down market scenarios.

In our exchange-traded business, we are exposed to debit/deficit risk with our clients. If an adverse market move related to a client's position(s) occurs and we are unable to collect a margin call in a timely manner, the client account may incur a loss, resulting in a debit balance. If a client account were to incur a loss resulting in a debit balance and we were unable to collect such debit balance from our client, we would incur debit/deficit expense, which could have a material adverse effect on our results of operations. In recognition of this risk, we monitor all client accounts in near real time and have employed multiple risk mitigation measures to help ensure that our client accounts are properly margined at all times.

Our risk management policies and procedures are established and reviewed regularly by the Risk Committee of our Board of Directors. Our risk-management procedures require our team of senior traders to monitor risk exposure continuously and update senior management both informally over the course of the trading day and formally through real-time, intraday and end-of-day reporting. We do not take proprietary directional market positions and therefore do not initiate market positions for our own account in anticipation of future movements in the relative prices of the products that we offer.

Demonstrated White Label Capabilities

We have significant experience in successfully negotiating and maintaining white label partnerships. White label partners are firms that enter into an arrangement with us whereby we provide all of the front- and back-office services necessary for them to provide online trading services to their customers under their own brands. Our typical white label partner is either a financial services firm or an online broker, such as a broker-dealer or Futures Commission Merchant, or FCM, seeking to offer online trading capabilities to their customers. We enter into white label partnerships in order to expand into new markets where we are not authorized to operate directly or to gain access to a partner's existing client base. We compensate our white label partners with either a commission based on the trading volume generated by their customers or a share of net revenue generated by their customers. These relationships allow us to take advantage of market opportunities that would be costly and time-consuming to access by other means. We believe we are well-positioned to capture new partnership opportunities given our successful track record of supporting partners globally.

Customers

Our retail customers consist primarily of self-directed traders, who execute trades on their own behalf, and, to a lesser extent, managed account customers who have engaged an intermediary to make trading decisions on their behalf.

Our typical self-directed customer is generally comfortable making trading decisions and is specifically interested in trading leveraged products, which typically have a higher risk/reward profile. For the year ended December 31, 2013, self-directed customers represented approximately 96.6% of our retail trading volume.

The intermediaries engaged by our managed account customers, which we refer to as authorized traders, include professional money managers, which trade a significant amount of aggregated customer funds, and individuals that trade for a small number of customer accounts. For the year ended December 31, 2013, authorized traders collectively represented approximately 3.4% of our retail trading volume.

Sales and Marketing

In connection with our retail business, we look to acquire new customers as cost efficiently as possible, primarily through online marketing efforts such as advertising on third-party websites, search engine marketing and email marketing. Our experienced in-house marketing team creates highly targeted online campaigns tailored to experienced traders as well as marketing programs and materials designed to support and educate novice traders. We use sophisticated tracking and measurement techniques to monitor the results of individual campaigns and continually test and learn to optimize our overall marketing results.

Our principal lead-generation tool is to offer prospective customers access to free registered practice trading accounts for a 30-day trial period. From a prospective customer's point of view, we believe the registered practice trading account serves two important functions. First, it allows the prospective customer to evaluate our trading platform, tools and services. Second, for less experienced traders, it serves as an educational tool, providing the prospective customers with the opportunity to try trading in a risk-free environment, without committing any capital. During this trial period, our customer service team is available to assist and educate the prospective customers.

We also actively forge partnerships with introducing brokers in order to expand our customer base. We work with a variety of different types of introducing brokers, ranging from small, specialized firms that specifically identify and solicit customers interested in forex trading, to larger, more established financial services firms seeking to enhance their customer base by offering a broader array of financial products. Introducing brokers direct customers to us in return for either a commission on each referred customer's trading volume or a share of net revenue generated by each referred customer's trading activity.

Competition

The market for our retail services is rapidly evolving and highly competitive. Our competitors vary by region in terms of regulatory status, breadth of product offering, size and geographic scope of operations. Our main competitors can be categorized as follows:

- Regulated Forex Firms, such as Forex Capital Markets LLC and OANDA Corporation. Like us, these firms have also expanded globally over the past several years, and we consider them to be competitors in the United States, as well as in several of our key international markets.

- Global Multi-Product OTC Trading Firms, including firms such as Interactive Brokers, IG Group Holdings plc, City Index Group and CMC Group. These firms generally offer a broad set of asset classes and earn a significant percentage of their revenue from non-forex products, including CFD trading on equity indices and commodities and exchange-traded products, such as futures, options and listed equities.

Our Institutional Business

For our institutional customers, we provide agency execution services and operate a trading venue. We offer access to markets and self-directed trading in foreign exchange, commodities, equities, options, and futures via an electronic agency-based platform. We also offer high touch sales and trading aided by a team of sales employees. For the year ended December 31, 2013, our institutional business represented 22.8% of our net revenue.

In contrast to our retail business, in our institutional business we primarily act as agent to transactions that are executed; however, we will commit capital on behalf of clients as needed, and typically earn commission equivalents (markup/markdown) for acting as agent between the principals to the trade. Our institutional business also facilitates client orders through program and riskless principal trades.

Electronic Execution Services

We offer our institutional customers electronic execution services, providing access to markets and self-directed trading via our electronic agency-based platform.

Through our GTX platform, an electronic communications network, or ECN, 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, or CTAs, and asset managers. GTX's unique centrally-cleared prime brokerage model supports true peer-to-peer trading capabilities, meaning every GTX client has an opportunity to add market liquidity to the venue by posting real-time bids and offers, as well as trade on the bid and offers of other participants. We act as an agent for the trades executed on the GTX platform and, therefore, do not assume any market or credit risk. We generate revenue by charging a commission on trades executed on the platform.

For professional traders who meet certain qualifications but do not have a credit line with a prime broker, our GTX Direct offering allows access to the liquidity of the GTX marketplace. Through GTX Direct, we agree to act as counterparty to trades executed through the GTX trading platform on our clients' behalf and earn a commission for each trade.

GTX is powered by software and services that we license from a third party. Pursuant to our agreements, we have obtained, subject to certain excluded customers and geographic regions, exclusive rights to use the software in the field of forex trading and non-exclusive rights to use such trading services in the fields of precious metals and hydrocarbon-related products trading.

Institutional Sales and Trading

Our institutional sales and trading business serves a broad range of participants across several asset classes, allowing clients to interact with the market based on their specific needs and preferences. As a result, we are able to attract a base of clients with diverse investment styles and strategies.

Nearly all of our revenues from institutional sales and trading are commissions derived from transaction execution services for institutional clients, conducted on an agency basis, as well as commission-equivalents generated on riskless principal transactions. Over the past several years we have built up this business primarily through a focus of our client service and an expansion of our sales and trading team.

Sales and Marketing

We have a direct sales team that is dedicated to building relationships with potential institutional customers and expanding our institutional business. Since its inception in 2010, our institutional business has quickly expanded to include customers throughout the United States, Europe and Asia.

Competition

In general, competition for business with institutional clients is based on a variety of factors, including technology, execution quality, client relationships, client service, cost and reputation.

GTX competes with other firms offering electronic trading platforms, such as ICAP, through its EBS offering; Reuters; FX Connect and Currenex, both owned by State Street Bank, KCG, through its Hotspot offering; Integral Development Corp.; and others.

Our institutional sales and trading group competes for clients with similar groups at leading derivatives brokers, including IG Group Holdings plc, CMC Group and Saxo Bank, as well as with boutique asset management firms.

Intellectual Property

We rely on a combination of trademark, copyright, trade secret and unfair competition laws in the United States and other jurisdictions to protect our proprietary technology, intellectual property rights and our brands (e.g., FOREX.com, GAIN Capital, GFT, GTX, Open E Cry and OEC). We also enter into confidentiality and invention assignment agreements with our employees and consultants, and confidentiality agreements with other third parties. We rigorously control access to our proprietary technology. Currently, we do not have any pending or issued patents.

We use a variety of service marks that have been registered with the U.S. Patent and Trademark Office, including: GAIN Capital (registered service mark), FOREX.com GAIN Capital Group (registered service mark), Trade Real-Time (registered service mark), ForexPro (registered service mark), ForexPremier (registered service mark), Forex Insider (registered service mark), ForexTrader (registered service mark), FOREX.com (registered service mark), ForexPlus (registered service mark), It's Your World. Trade It. (registered service mark), GFT (registered service mark), "GFT and Lion Head" (registered service mark), "Lion Head" (registered service mark), G3BO (registered service mark), GFT Markets (registered service mark), Dealbook (registered service mark), CFD 360 (Registered Service Mark), FX 360° (registered service mark), OEC (registered service mark), OEC One Link (registered service mark) and Open E Cry (registered service mark). We also use a variety of trademarks that have been registered with the U.S. Patent and Trademark Office, including: GFT (registered trademark), "GFT and Lion Head" (registered trademark), "Lion Head" (registered trademark), Dealbook360 (registered trademark), Dealbook (registered trademark), Foresight-A.I. (registered trademark) and Open E Cry (registered trademark).

Regulation

Overview

Our business and industry are highly regulated. Our operating subsidiaries are regulated in a number of jurisdictions, including the United States, the United Kingdom (through which we have accessed regulatory passport rights to operate in a number of European Economic Area jurisdictions), Japan, Australia, Hong Kong, Canada, Singapore and the Cayman Islands. Government regulators and self-regulatory organizations oversee the conduct of our business in many ways, and several perform regular examinations to monitor our compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of our business, including:

- sales and marketing activities, including our interaction with, and solicitation of, customers;
- trading practices, including the types of products and services we may offer;
- treatment of customer assets, including custody, control, safekeeping and, in certain countries, segregation of our customer funds and securities;
- maintaining specified minimum amounts of capital and limiting withdrawals of funds from our regulated operating subsidiaries;

- continuing education requirements for our employees;
- anti-money laundering practices;
- recordkeeping and reporting; and
- supervision regarding the conduct of directors, officers and employees.

In some jurisdictions in which we offer our products and services, we are not subject to regulation as a result of the nature of the market or the manner in which we conduct our business. We consult with legal counsel in jurisdictions in which we operate on a regular basis as to whether we have the required authorizations, licenses or approvals or whether we may conduct our business cross-border with residents in that jurisdiction without obtaining local regulatory authorization, approval or consent. In addition, on an on-going basis we proactively evaluate our activities in jurisdictions in which we are not currently licensed or registered. To the extent that we wish to serve customers in a jurisdiction in which we determine licensing or registration is required, we may also elect to direct such customers to a licensed white label or other partner, rather than pursuing licensing or registration ourselves.

Though we conduct our business in a manner which we believe complies with applicable local law, regulators may assert authority over activities that they deem to take place within the jurisdiction they regulate, and new laws, rules or regulations may be enacted that change the regulatory landscape and result in new, or clarify preexisting, registration or licensing requirements.

The primary responsibility for ensuring that we maintain compliance with all applicable regulatory requirements is vested in our legal and compliance departments. In addition, our legal and compliance departments are responsible for our ongoing training and education programs, supervision of our personnel required to be licensed by one or more of our regulators, review of sales, marketing and other communications and other related functions. In addition, all of our sales employees are licensed pursuant to applicable regulation.

U.S. Regulation

In the United States, the CFTC and the NFA regulate our forex trading activities. Historically, the principal legislation covering our U.S. forex business was the Commodity Exchange Act, which provides for federal regulation of all commodities and futures trading activities and requires all futures and commodity options to be traded on organized exchanges. In recent years, as in the case of other companies in the financial services industry, our forex business has been subject to increasing regulatory oversight. Specifically, in 2008, the Congress passed the CFTC Reauthorization Act, which amended the Commodity Exchange Act to grant the CFTC express authority to regulate the retail forex industry. On October 18, 2010, the CFTC adopted a series of rules which regulate various aspects of our business, including:

- creating “retail foreign exchange dealers,” or RFEDs, a new regulated category of forex brokers focused on retail investors that are permitted to act as counterparty to retail forex transactions;
- imposing an initial minimum security deposit amount of 2.0% of the notional value for retail forex transactions in “major currency” pairs and 5.0% of the notional value for all other retail forex transactions;
- providing that introducing brokers must either (i) register with the CFTC and become members of the NFA or apply for an exemption from registration and (ii) meet the minimum net capital requirements applicable to futures and commodity options introducing brokers or enter into a guarantee agreement with a CFTC-regulated forex dealer member and permitting only one such guarantee agreement per introducing broker;
- requiring that a risk disclosure statement be provided to every retail forex customer, including disclosure of the number of profitable and unprofitable non-discretionary accounts maintained by the forex broker during the four most recent calendar quarters;
- prohibiting RFEDs, FCMs and introducing brokers from including statements in sales and marketing materials that would appear to convey to potential retail forex customers that there is a guaranty against loss, and requiring that FCMs, RFEDs and introducing brokers provide retail forex customers with enhanced written disclosure statements that, among other things, inform customers of the risk of loss; and
- requiring RFEDs to maintain net capital of at least $20.0 million, plus 5.0% of the RFED’s customer obligations in excess of $10.0 million. In addition, in the event an RFED’s net capital position falls below 110.0% of the minimum net capital requirement, the RFED would be subject to additional reporting requirements.

Our exchange-traded futures business, which is carried on by our subsidiary Gain Capital Group, LLC, is subject to the CFTC Net Capital Rule (Regulation 1.17). Our OTC foreign exchange business carried on by our subsidiary Gain Capital Group, LLC under the Forex.com brand, is also subject to the CFTC Net Capital Rule (Regulation 5.7). Under applicable provisions of these regulations, Gain Capital Group, LLC is required to maintain adjusted net capital of the greater of $1.0 million or 8% of Customer and Non-Customer Maintenance Margin or $20,000,000 plus 5% of all liabilities owed to customers exceeding $10,000,000. At December 31, 2013, Gain Capital Group, LLC maintained $14.5 million more than the required minimum regulatory capital for a total of 1.6 times the required capital and at all times maintained compliance with all applicable regulations.

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. Specifically, the Dodd-Frank Act includes:

- rules that, beginning in October 2010, require us to ensure that our customers residing in the United States have accounts open only with our NFA-member operating entity, GAIN Capital Group, LLC;
- amendments to the Commodity Exchange Act that, beginning on July 15, 2011, required essentially all retail transactions in any commodity other than foreign currency to be executed on an exchange, rather than OTC;
- a requirement that federal banking regulators adopt new rules regarding the conduct and operation of retail forex businesses by banks; and
- a requirement that the SEC adopt rules regarding the conduct and operation of retail forex businesses by broker-dealers.

The Dodd-Frank Act also 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. Effective February 27, 2013, GAIN GTX, LLC, became registered with the CFTC and NFA as a swap dealer. Certain of our other subsidiaries may be required to register, or may register voluntarily, as swap dealers.

Swap dealers are subject to a comprehensive regulatory regime with new obligations for the swaps activities for which they are registered, including adherence to risk management policies, supervisory procedures, trade record and real time reporting requirements as well as proposed rules for new minimum capital requirements. Swap dealers also are subject to additional duties, including internal and external business conduct and documentation standards with respect to their swap counterparties. Swap dealers are also subject to rules under the Dodd-Frank Act regarding segregation of customer collateral for cleared transactions, position limits, large trader reporting regimes, compensation requirements and anti-fraud and anti-manipulation requirements related to activities in swaps.

The specific parameters of these swap dealer requirements are being developed by the CFTC and other regulators. The full impact of the regulation on GAIN GTX and any other of our subsidiaries that register as a swap dealer remains unclear. It is likely, however, that these entities will face increased costs due to the registration and regulatory requirements listed above. Complying with the proposed regulation of swap dealers could require us to restructure our businesses, require extensive systems changes, require personnel changes or raise additional potential liabilities and regulatory oversight. Compliance with swap-related regulatory capital requirements may require us to devote more capital to our GTX business. 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.

U.S. Patriot Act and Anti-Money Laundering

Like other companies in the financial services industry, we are subject to a variety of statutory and regulatory requirements concerning our relationships with customers and the review and monitoring of their transactions. Specifically, we are subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the Patriot Act, which requires that we maintain a comprehensive anti-money laundering, or AML, program, a customer identification program, or CIP, designate an AML compliance officer, provide specified employee training and conduct an annual independent audit of our AML program. Consistent with the Patriot Act, our CIP includes both documentary and non-documentary review and analysis of potential customers. Under our CIP, we review each prospective customer’s identity internally and also contract with third-party firms that perform extensive background checks on each prospective customer, including through review of the U.S. Treasury Department’s Office of Foreign Assets and Control, Specially Designated Nationals and Blocked Persons lists. These procedures and tools, coupled with our periodic training, assist us in complying with the Patriot Act, as well as the CFTC’s and NFA’s applicable AML and CIP requirements.

International Regulation

We have provided below a brief description of the key regulatory aspects governing our operations in the jurisdictions in which we have registered with, or obtained a license from, the local regulator, as well as material regulatory developments affecting our business in other jurisdictions important to our business, including developments that have presented risks or uncertainties for our operations.

United Kingdom

GAIN Capital Forex.com UK Limited, or GCUK, is registered in the UK and regulated by the Financial Conduct Authority, or FCA, as a full scope €730k BIPRU Investment Firm. GCUK is required to maintain the greater of $1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration, market and forex risk. The regulatory capital held is required to be in excess of 110% of applicable requirements at all times. At December 31, 2013, GCUK maintained $37 million more than the required minimum regulatory capital for a total of 2.8 times the required capital and at all times maintained compliance with all applicable regulations.

GFT Global Markets UK Limited, or GFTUK, is registered in the UK and regulated by the FCA as a full scope €730k BIPRU Investment Firm and is subject to the same regulatory capital requirements as GCUK. At December 31, 2013, GFTUK maintained $10 million more than the required minimum regulatory capital for a total of 1.3 times the required capital and at all times maintained compliance with all applicable regulations. Effective February 28, 2014, substantially all of GFTUK's business and operations were transferred to GCUK.

Japan

Forex.com Japan Co., Ltd., or GC Japan, is a registered Type I financial instruments business firm regulated by the Financial Services Agency of Japan in accordance with Financial Instruments and Exchange Act (Law No. 25 of 1948, as amended). GC Japan is a member of the Financial Futures Association of Japan. GC Japan is subject to a minimum capital adequacy ratio of 120%, which is derived by dividing Net Capital (as defined in Law No. 25) by the sum of GC Japan's market, counterparty credit risk and operational risk. At December 31, 2013, GC Japan maintained $6.4 million more than the required minimum regulatory capital for a total of 3.0 times the required capital and at all times maintained compliance with all applicable regulations.

GC Japan is also regulated by the Japan Ministry of Economy, Trade and Industry, or the METI, and the Japan Ministry of Agriculture, Forestry and Fisheries, or the MAFF, and is a member of the Financial Futures Association of Japan. As required under applicable law, on January 1, 2011, we obtained a license from the METI and MAFF.

Australia

GAIN Capital Forex.com Australia, Pty. Ltd., or GCAU, is regulated under the laws of Australia, including the *Corporations Act 2001* (Commonwealth of Australia). The Australian Securities and Investments Commission, or ASIC, is the corporate, markets and financial services regulator in Australia responsible for administering aspects of the *Corporations Act 2001*. GCAU holds an Australian Financial Services License that has been issued by ASIC. GCAU is required to maintain a minimum capital requirement of $0.4 million (0.5 million AUD). At December 31, 2013, GCAU maintained $2.1 million more than the required minimum regulatory capital for a total of 5.8 times the required capital and at all times maintained compliance with all applicable regulations.

Effective January 31, 2014, ASIC increased the Net Tangible Assets (NTA) requirement, as part of RG166: Licensing: Financial Requirements, for OTC Derivative issuers. ASIC requires retail OTC derivative issuers to have at all times the greater of AU$ 1,000,000 or 10% of average revenue on hand at all times. RG166 outlines that, at the minimum, 50% of the NTA requirement is required to be held in cash or cash equivalents and 50% in liquid assets. OTC derivative issuers must report to ASIC if their NTA falls below 110% of the requirement within 3 business days after becoming aware of the event.

ASIC has also recently implemented additional reporting regulations. As part of phase 2 of RG251 under ASIC, GAIN Capital FOREX.com Australia Ltd will be required to begin transaction reporting on October 1st, 2014 and position reporting on April 1st, 2015. Australian Financial Service Licensees (AFSL) are required to report commodity, credit, equity, interest, and foreign exchange derivatives transactions and positions. AFSL holders will need to report to ASIC approved trade repositories under the Corporations Act as per the reporting requirement.

Hong Kong

Our Hong Kong subsidiary, GAIN Capital Forex.com Hong Kong Limited, or GCHK, is a Type 3 leveraged foreign exchange trading firm registered with the Securities and Futures Commission, or SFC, and operates as an approved introducing agent. During the third quarter of 2011, GCHK received approval to begin offering forex and CFD trading directly to customers in Hong Kong. GCHK is subject to the requirements of section 145 of the Securities and Futures Ordinance (Cap.571). Under this rule, GCHK is required to maintain a minimum liquid capital requirement of the higher of $1.9 million or the sum of 1.5% of its aggregate gross foreign currency position and 5% of its adjusted liabilities and clients' margin calculated in accordance with applicable rules. At December 31, 2013, GCHK maintained $1.9 million more than the required minimum regulatory capital for a total of 2.0 times the required capital and at all times maintained compliance with all applicable regulations.

Cayman Islands

GAIN Global Markets, Inc., or GGMI, our Cayman Island subsidiary, is a registered securities arranger with the Cayman Islands Monetary Authority. GGMI is required to maintain a capital level that is the greater of one quarter of relevant annual expenditure, or $100,000. At December 31, 2013, GGMI maintained $0.2 million more than the required minimum regulatory capital for a total of 3.0 times the required capital and at all times maintained compliance with all applicable regulations.

Canada

GAIN Capital - Forex.com Canada, Ltd., or GCCA, is a Dealer Member of the Investment Industry Regulatory Organization of Canada and regulated under the laws of Canada, including the Canadian Investor Protection Fund. In Canada, the securities industry is governed by provincial or territorial legislation, and there is no national regulator. Local legislation differs from province to province and territory to territory, but generally requires that forex dealing representatives register with applicable regulators and self-regulatory organizations in order to offer forex and/or CFD products to retail clients. GCCA's principal provincial regulator is the Ontario Securities Commission, or OSC. GCCA is required to maintain risk-adjusted capital in excess of the minimum capital requirement. At December 31, 2013, GCCA maintained $1.8 million more than the required minimum regulatory capital for a total of 10.0 times the required capital and at all times maintained compliance with all applicable regulations.

Singapore

Our Singapore subsidiary, GFT Global Markets Asia Pte Limited , or GFT SG, is a sole proprietorship foreign exchange trading firm registered with the Monetary Authority of Singapore, or MAS, and operates as an approved holder of Capital Markets Services License. GFT SG is subject to the requirements of MAS and pursuant to the Securities and Futures Act (Cap.289) and a Commodity Brokers License granted under the Commodity Trading Act by the International Enterprise of Singapore. Under these rules, GFT SG is required to maintain a minimum liquid capital requirement of $1.6 million (2.0 million SGD). At December 31, 2013, GFT SG maintained $0.1 million than the required minimum regulatory capital for a total of 1.0 times the required capital and at all times maintained compliance with all applicable regulations.

Global Anti-Money Laundering

Our anti-money laundering and customer identification programs are designed to comply with applicable rules and regulations on a global basis. In addition, we have developed proprietary methods for risk-management and continue to add specialized processes, queries and automated reports designed to identify potential money laundering, fraud and other suspicious activities.

Employees

As of December 31, 2013, we had 551 employees. None of our employees are covered by collective bargaining agreements.

Corporate Information

We were incorporated in Delaware in October 1999 as GAIN Capital, Inc. Our principal executive offices are located at Bedminster One, 135 Route 202/206, Bedminster, New Jersey 07921. We operate our trading risk management and most administrative services out of our New York, New York, Bedminster, New Jersey; Chicago, Illinois, Powell, Ohio; Grand Rapids, Michigan; London, England; Tokyo, Japan; Sydney, Australia; Beijing, China; Hong Kong and Singapore offices. A complete list of our subsidiaries can be found in Exhibit 21.1.

Available Information

GAIN maintains a corporate website with the address *www.gaincapital.com*. Its intended use is as a regular means of disclosing material public information and for complying with disclosure obligations under Regulation FD promulgated by the SEC. Such disclosures are included on the website under the heading “Investor Relations.” Accordingly, investors should monitor such portions of the website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

We are not incorporating information contained in the website by reference into this Annual Report on Form 10-K. We will make available, free of charge through the website under the heading “Investor Relations,” our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to these reports as soon as reasonably practicable after electronically filing such material with, or furnishing such material to, the SEC. In addition, we make available on our website (i) our Proxy Statements and reports filed by officers and directors under Section 16(a) of the Exchange Act, (ii) the charters for the committees of our Board of Directors, including the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Committee and (iii) our Code of Business Conduct and Ethics governing our directors, officers and employees. We intend to disclose on our website any amendments to, or waivers from, our Code of Business Conduct and Ethics that are required to be disclosed pursuant to the rules of the SEC and the New York Stock Exchange.

Materials filed with the SEC can also be read or copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC also maintains a website, *www.sec.gov*, containing the reports, proxy statements and other information that we file with the SEC.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

Our revenue and profitability are influenced by trading volume and currency volatility, which are directly impacted by domestic and international market and economic conditions that are beyond our control.

During recent years, there has been significant disruption and volatility in the global financial markets. Many countries, including the United States and some member countries of the European Union, have recently experienced recessionary conditions. Our revenue is influenced by the general level of trading activity in the global financial markets. Our revenue and operating results may vary significantly from period to period due primarily to movements and trends in the world's financial markets and to fluctuations in trading levels. We have generally experienced greater trading volume in periods of volatile markets. In the event we experience lower levels of market volatility, our revenue and profitability will likely be negatively affected as occurred during the first, third and fourth quarters of 2012, when volatility levels were at or below previous four year lows. In addition, our customer base is primarily comprised of individual retail customers who view trading in the markets we offer as an alternative investment class. If global economic conditions limit the disposable income of our customers, our business could be materially adversely affected as our customers may choose to curtail their trading, which could result in reduced customer trading volume and trading revenue.

Like other financial services firms, our business and profitability are directly affected by elements that are beyond our control, such as economic and political conditions, broad trends in business and finance, changes in the volume of market transactions, changes in supply and demand for currencies, movements in currency exchange rates, changes in the financial strength of market participants, legislative and regulatory changes, changes in the markets in which such transactions occur, changes in how such transactions are processed and disruptions due to terrorism, war or extreme weather events. Any one or more of these factors, or other factors, may adversely affect our business and results of operations and cash flows. A weakness in equity markets, such as the current economic slowdown causing a reduction in trading volume in U.S. or foreign securities and derivatives, could result in reduced trading activity by our customers and, therefore, could have a material adverse effect on our business, financial condition and results of operations and cash flows. As a result, period-to-period comparisons of our operating results may not be meaningful and our future operating results may be subject to significant fluctuations or declines.

Our risk-management policies and procedures may not be effective and may leave us exposed to unidentified or unexpected risks.

We are dependent on our risk-management policies and the adherence to such policies by our trading staff. Our policies, procedures and practices used to identify, monitor and control a variety of risks, including risks related to human error, customer defaults, market movements, fraud and money-laundering, are established and reviewed by the Risk Committee of our Board of Directors. Some of our methods for managing risk are discretionary by nature and are based on internally developed controls and observed historical market behavior, and also involve reliance on standard industry practices. These methods may not adequately prevent losses, particularly as they relate to extreme market movements, which may be significantly greater than historical fluctuations in the market. Our risk-management methods also may not adequately prevent losses due to technical errors if our testing and quality control practices are not effective in preventing software or hardware failures. In addition, we may elect to adjust our risk-management policies to allow for an increase in risk tolerance, which could expose us to the risk of greater losses. Our risk-management methods rely on a combination of technical and human controls and supervision that are subject to error and failure. These methods may not protect us against all risks or may protect us less than anticipated, in which case our business, financial condition and results of operations and cash flows may be materially adversely affected.

We may incur material trading losses from our trading activities.

A significant portion of our revenue and operating profits have historically been derived from our retail and institutional foreign exchange trading business. Through our forex trading activities, we attempt to derive a profit from the difference between the prices at which we buy and sell, or sell and buy, foreign currencies. We may incur trading losses for a variety of reasons, including:

- price changes in foreign currencies;
- lack of liquidity in foreign currencies in which we have positions; and
- inaccuracies in our proprietary pricing mechanism, or rate engine, which evaluates, monitors and assimilates market data and reevaluates our outstanding currency quotes, and is designed to publish prices reflective of prevailing market conditions throughout the trading day.

These risks may affect the prices at which we are able to sell or buy foreign currencies or may limit or restrict our ability to either resell foreign currencies that we have purchased or repurchase foreign currencies that we have sold.
In addition, competitive forces often require us to match the breadth of quotes our competitors display and to hold varying amounts and types of foreign currencies at any given time. By having to maintain positions in certain currencies, we are subjected to a high degree of risk. We may not be able to manage such risk successfully and may experience significant losses from such activities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The expansion of our trading activities into other financial products, including futures, futures options, contracts for difference, or CFDs, binaries, spread bets, over-the-counter, or OTC, currency derivatives, listed securities and gold and silver spot trading entails significant risk, and unforeseen events in such business could have an adverse effect on our business, financial condition and results of operations and cash flows.

As a result of our recent acquisition of GFT, we expect the proportion of our revenue derived from CFDs and other non-forex products to increase materially in future periods. All of the risks that pertain to our trading activities in the forex market also apply to our CFDs, binaries, spread bets, futures, futures options, OTC currency derivatives and gold and silver spot trading products and any other products we may offer in the future. These risks include market risk, counterparty risk, liquidity risk, technology risk, third-party risk and risk of human error. In addition, unexpected events can occur that can result in great financial loss to us, including our inability to effectively integrate new products into our existing trading platform or our failure to properly manage the market risks associated with making markets for new products. The profit margins for these new products may not be similar to the profit margins we have realized with respect to forex trading.

To the extent our current CFD product offerings constitute an offer or sale of securities under the U.S. federal securities laws, we will need to comply with those U.S. federal securities laws. Our CFD product offerings are not currently registered with the SEC or any other U.S. regulator. To the extent our CFD offerings constitute OTC futures contracts or other financial derivative instruments, they are prohibited under the provisions of the U.S. Commodity Exchange Act. To the extent our CFD offerings are determined to constitute swaps or security-based swaps under the Dodd-Frank Act, the Commodity Exchange Act or the federal securities laws, we would be required to comply with such U.S. laws with respect to such offerings. Failure to effectively manage these risks or properly comply with local laws or regulations relating to our product offerings, including U.S. federal securities laws, may expose us to fines, penalties or other sanctions that could have a material adverse effect upon our business, financial condition and results of operations and cash flows. Our non-U.S. operating subsidiaries offer and sell CFDs outside the United States to non-U.S. persons. CFDs are not and may not be offered in the United States by us, including by any of our U.S. and non-U.S. subsidiaries, and are not eligible for resale to U.S. persons.

In our exchange traded futures business, we are exposed to debit/deficit risk with our clients. If an adverse market move relative to a client's position(s) occurs and we are unable to collect a margin call in a timely manner, the client account may incur a loss, resulting in a debit balance, which could be material and have a material adverse effect upon our financial condition and results of operations.

Any future acquisitions may result in significant transaction expenses, integration and consolidation risks and risks associated with entering new markets, and we may be unable to profitably operate our consolidated company.

We intend to continue to pursue acquisitions as part of our strategy to increase the range of products that we offer, especially into non-forex products, and to expand our businesses into new markets and geographies. Any future acquisitions may result in significant transaction expenses and present new risks associated with offering new products or entering new markets and integrating the acquired companies. Other areas where we may face risks include:

- diversion of management time and focus from operating our business to address challenges that may arise in integrating the acquired business;
- transition of operations, users and customers onto our existing platforms or onto platforms of the acquired company;
- failure to successfully further develop the acquired business;
- failure to realize anticipated operational or financial synergies;
- implementation or remediation of controls, procedures, and policies at the acquired company;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries;
- liability for activities of the acquired company before the acquisition, such as violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities; and

- integration of the acquired business' accounting, human resource and other administrative systems, and coordination of trading and sales and marketing functions.

Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, amortization expenses, impairment of goodwill and purchased long-lived assets, and restructuring charges, any of which could harm our financial condition or results. Additionally, any new businesses that we may acquire, once integrated with our existing operations, may not produce expected or intended results. Our failure to address these risks or other problems encountered in connection with our future acquisitions could cause us to fail to realize the anticipated benefits of such acquisitions or incur unanticipated liabilities, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The accounting method for convertible debt securities that may be settled in cash, such as our 4.125% Convertible Senior Notes due 2018, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board, or 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) 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 was reflected as a liability in our consolidated balance sheet in an amount equal to the fair value. The equity component of the notes is included in the additional paid-in capital section of our stockholders' equity on our consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. 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 non-cash 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 debt discount and the notes' 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) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, were issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including our 4.125% Convertible Senior Notes that were issued in November 2013, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt because of factors beyond our control. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Any disruption or corruption of our proprietary technology could have a material adverse effect on our business, financial condition and results of operations and cash flows.

We rely on our proprietary technology to receive and properly process internal and external data. Any disruption in the proper functioning or any corruption of our software or erroneous or corrupted data may cause us to make erroneous trades, accept customers from jurisdictions where we do not possess the proper licenses, authorizations or permits or require us to suspend our services, any of which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Systems failures could cause interruptions in our services or decreases in the responsiveness of our services, which could harm our business.

If our systems fail to perform, we could experience disruptions in operations, slower response times or decreased customer satisfaction. Our ability to facilitate transactions successfully and provide high quality customer service depends on the efficient and uninterrupted operation of our computer and communications hardware and software systems. These systems have in the past experienced periodic interruptions and disruptions in operations, which we believe will continue to occur from time to time. Our systems also are vulnerable to damage or interruption from human error, natural disasters, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. We do not have fully redundant capabilities. While we currently maintain a disaster recovery plan, or DRP, which is intended to minimize service interruptions and secure data integrity, our DRP may not work effectively during an emergency. Any systems failure that causes an interruption in our services or decreases the responsiveness of our services could impair our reputation, damage our brand name and materially adversely affect our business, financial condition and results of operations and cash flows.

We may not be able to develop and adopt new technologies in a timely fashion, which could adversely impact our ability to compete in the markets in which we operate.

Our success in the past has largely been attributable to our proprietary technology that has taken many years to develop. If our competitors develop more advanced technologies, we may be required to devote substantial resources to the development of more advanced technology to remain competitive. Our industry is characterized by rapidly changing technology, evolving industry standards and changing trading systems, practices and techniques. We may not be able to keep up with these rapid changes in the future, develop new technology, realize a return on amounts invested in developing new technologies or remain competitive in the future.

We may not be able to protect our intellectual property rights or may be prevented from using intellectual property necessary for our business.

We rely on a combination of trademark, copyright, trade secret and unfair competition laws in the United States and other jurisdictions to protect our proprietary technology, intellectual property rights and our brands. We do not have any patents. While we rigorously control access to our proprietary technology and enter into confidentiality and invention assignment agreements with our employees, consultants and other third parties, it is possible that third parties may copy or otherwise obtain and use our proprietary technology without authorization or otherwise infringe on our rights. Such unauthorized use and infringement would undermine the competitive benefits offered by our proprietary technology and could adversely impact our business and results of operations.

We also license or are permitted to use intellectual property or technologies owned by others, such as the trading platform used by our GTX business. In the event such intellectual property or technology becomes material to our business, the loss of our license or our inability to otherwise continue use of such technologies would have a material adverse effect on our business. We may also face claims of infringement that could interfere with our ability to use technology that is material to our business operations.

Attrition of customer accounts and failure to attract new accounts in a cost-effective manner could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Our customer base is primarily comprised of individual retail customers who generally trade with us for short periods. Although we offer products and tailored services designed to educate, support and retain our customers, our efforts to attract new customers or reduce the attrition rate of our existing customers may not be successful. If we are unable to maintain or increase our customer retention rates or generate a substantial number of new customers in a cost-effective manner, our business, financial condition and results of operations and cash flows would likely be adversely affected. Although we have spent significant financial resources on sales and marketing expenses and related expenses and plan to continue to do so, these efforts may not be cost-effective at attracting new customers. In particular, we believe that rates for desirable advertising and marketing placements, including online, search engine, print and television advertising, are likely to increase in the foreseeable future, and we may be disadvantaged relative to our larger competitors in our ability to expand or maintain our advertising and marketing commitments. Additionally, our sales and marketing methods are subject to regulation by the Commodity Futures Trading Commission, or CFTC, and National Futures Association, or NFA, in the United States and other regulators in non-US jurisdictions. The rules and regulations of these organizations impose specific limitations on our sales methods, advertising and marketing. If we do not achieve our advertising objectives, our profitability and growth may be materially adversely affected.

We are subject to litigation risk which could adversely affect our reputation, business, financial condition and results of operations and cash flows.

Many aspects of our business involve risks that expose us to potential liability under U.S. federal and state laws, as well as the rules and enforcement efforts of our regulators and self-regulatory organizations worldwide. These risks include, among others, disputes over trade terms with customers and other market participants, customer losses resulting from system delay or failure and customer claims that we or our employees executed unauthorized transactions, made materially false or misleading statements or lost or diverted customer assets in our custody. We may also be subject to regulatory investigation and enforcement actions seeking to impose significant fines or other sanctions, which in turn could trigger civil litigation for our previous operations that may be deemed to have violated applicable rules and regulations in one or more jurisdictions.

The volume of claims and the amount of damages and fines claimed in litigation and regulatory proceedings against financial services firms has been increasing and may continue to increase. The amounts involved in the trades we execute, together with rapid price movements in our currency pairs, can result in potentially large damage claims in any litigation resulting from such trades. Dissatisfied customers, regulators or self-regulatory organizations may make claims against us regarding the quality of trade execution, improperly settled trades, mismanagement or even fraud, and these claims may increase as our business expands.

Litigation may also arise from disputes over the exercise of our rights with respect to customer accounts and collateral. Although our customer agreements generally provide that we may exercise such rights with respect to customer accounts and collateral as we deem reasonably necessary for our protection, our exercise of these rights may lead to claims by customers that we did so improperly.

We may also have to rely on litigation to enforce our intellectual property rights, protect our trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Even if we prevail in any litigation or enforcement proceedings against us, we could incur significant legal expenses defending against the claims, even those without merit. Moreover, because even claims without merit can damage our reputation or raise concerns among our customers, we may feel compelled to settle claims at significant cost. The initiation of any claim, proceeding or investigation against us, or an adverse resolution of any such matter could have a material adverse effect on our reputation, business, financial condition and results of operations and cash flows.

We may be subject to customer litigation, financial losses, regulatory sanctions and harm to our reputation as a result of employee misconduct or errors that are difficult to detect and deter.

There have been a number of highly publicized cases involving fraud or other misconduct by employees of financial services firms in recent years. Our employees could execute unauthorized transactions for our customers, use customer assets improperly or without authorization, carry out improper activities on behalf of customers or use confidential customer or company information for personal or other improper purposes, as well as improperly record or otherwise try to hide improper activities from us.

In addition, employee errors, including mistakes in executing, recording or reporting transactions for customers, may cause us to enter into transactions that customers disavow and refuse to settle. Employee errors expose us to the risk of material losses until the errors are detected and the transactions are unwound or reversed. The risk of employee error or miscommunication may be greater for products that are new or have non-standardized terms. Further, such errors may be more likely to occur in the aftermath of any acquisitions during the integration of or migration from technological systems. Misconduct by our employees or former employees could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It may not be possible to detect or deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our employees may also commit good faith errors that could subject us to financial claims for negligence or otherwise, as well as regulatory actions.

Misconduct by employees of our customers can also expose us to claims for financial losses or regulatory proceedings when it is alleged we or our employees knew or should have known that an employee of our customer was not authorized to undertake certain transactions. Dissatisfied customers can make claims against us, including claims for negligence, fraud, unauthorized trading, failure to supervise, breach of fiduciary duty, employee errors, intentional misconduct, unauthorized transactions by associated persons or failures in the processing of transactions.

Any restriction in the availability of credit and debit cards as a payment option for our customers could adversely affect our business, financial condition and results of operations and cash flows.

We currently allow our customers to use credit and debit cards to fund their accounts with us. For the year ended December 31, 2013, approximately 59% of the notional value of our U.S. customer deposits were funded through credit and debit cards. The National Futures Association, or NFA, has recently requested comments from its members, including our company, about a proposed prohibition on the use of credit cards to fund retail trading accounts in the U.S. If the NFA's proposed prohibitions, or other similar regulations elsewhere in the world, are adopted, or if credit card issuing institutions restrict the use of credit and debit cards as a means to fund retail accounts, then the elimination or reduction in the availability of credit cards as a means to fund customer accounts, or any increase in the fees associated with such use, would deprive our customers of a secure and convenient method of funding their accounts, particularly during non-banking hours. If customers are unable or unwilling to utilize alternative methods of funding their accounts, the resulting reduction in trading volume by our customers could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Our customer accounts may be vulnerable to identity theft and credit card fraud.

Credit card issuers have adopted credit card security guidelines as part of their ongoing efforts to prevent identity theft and credit card fraud. We continue to work with credit card issuers to ensure that our services, including customer account maintenance, comply with these rules. When there is unauthorized access to credit card data that results in financial loss, there is the potential that we could experience reputational damage and parties could seek damages from us.

If our reputation is harmed, or the reputation of the online financial services industry as a whole is harmed, our business, financial condition and results of operations and cash flows may be materially adversely affected.

Our ability to attract and retain customers and employees may be adversely affected if our reputation is damaged. If we fail, or appear to fail, to deal with issues that may give rise to reputation risk, our business prospects could be materially adversely affected. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, client data protection, record keeping, sales and trading practices, and the proper identification of the legal, credit, liquidity, and market risks inherent in our business. Failure to appropriately address these issues could also give rise to additional legal risk to us, which could, in turn, increase the size and number of claims and damages asserted against us or subject us to regulatory enforcement actions, fines and penalties. Any such sanctions could materially adversely affect our reputation, thereby reducing our ability to attract and retain customers and employees.

In addition, our ability to attract and retain customers may be adversely affected if the reputation of the online financial services industry as a whole or the forex industry is damaged. In recent years, a number of financial services firms have suffered significant damage to their reputations from highly publicized incidents that in turn resulted in significant and in some cases irreparable harm to their business. A perception of instability within the online financial services industry also could materially adversely affect our ability to attract and retain customers.

The loss of our key employees could materially adversely affect our business, including our ability to grow our business.

Our key employees, including Glenn Stevens, our chief executive officer, have significant experience in the forex industry and have made significant contributions to our business. In addition, other senior employees have made significant contributions to our business. Our continued success is dependent upon the retention of these and other key executive officers and employees, as well as the services provided by our trading staff, technology and programming specialists and a number of other key managerial, marketing, planning, financial, technical and operations personnel. The loss of such key personnel could have a material adverse effect on our business. In addition, our ability to grow our business is dependent, to a large degree, on our ability to retain such employees.

The industries in which we operate are highly competitive and we may be adversely affected if we are unable to compete effectively.

The forex market has only recently become accessible to retail investors and is a rapidly evolving industry characterized by intense competition and evolving domestic and global regulatory oversight and rules. Tighter spreads and increased competition could make our business less profitable. Our prospects may be materially adversely affected by our ability to adapt to these changes and effectively manage the risks, expenses and difficulties frequently encountered in the operation of a business in a rapidly evolving industry. We face similar competitive pressure in the other industries in which we operate, including with regard to our institutional and exchange traded futures products.

In addition, our competitors include sophisticated institutions which have larger customer bases, more established name recognition and substantially greater financial, marketing, technological and personnel resources than we do. These advantages may enable them, among other things, to:

- develop products and services that are similar to ours, or that are more attractive to customers than ours in one or more of our markets;
- provide products and services we do not offer;
- provide execution and clearing services that are more rapid, reliable, efficient or less expensive than ours;
- offer products and services at prices below ours to gain market share and to promote other businesses, such as forex options, futures, listed securities, CFDs, precious metals and OTC derivatives;
- adapt at a faster rate to market conditions, new technologies and customer demands;
- offer better, faster and more reliable technology;
- outbid us for desirable acquisition targets;
- more efficiently engage in and expand existing relationships with strategic alliances;
- market, promote and sell their products and services more effectively; and
- develop stronger relationships with customers.

These competitors, including commercial and investment banking firms, may have access to capital in greater amounts and at lower costs than we do, and, therefore, may be better able to respond to changes in the industries in which we operate, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally. Access to capital is critical to our business to satisfy regulatory obligations and liquidity requirements. Among other things, access to capital determines our creditworthiness, which if perceived negatively in the market could materially impair our ability to attract customer assets. Access to capital also determines the degree to which we can expand our operations. Therefore, if we are unable to maintain or increase our capital on competitive terms, we could be at a significant competitive disadvantage, and our ability to maintain or increase our revenue and earnings could be materially impaired. Also, new or existing competitors in our markets could make it difficult for us to maintain our current market share or increase it in desirable markets. Increased competition could also result in narrowing bid/offer spreads, which could materially adversely affect our business, financial condition and results of operations and cash flows. Any reduction in revenues without a commensurate reduction in expenses would decrease our profitability. We may not be able to compete effectively against these firms, particularly those with greater financial resources, and our failure to do so could materially and adversely affect our business, financial condition and results of operations and cash flows.

We may be unable to effectively manage our growth.

As we continue to seek to grow our business, both organically and by selectively pursuing acquisitions, we may need to expand and upgrade the reliability and scalability of our transaction processing systems, network infrastructure and other aspects of our proprietary technology. We may not be able to expand and upgrade our technology systems and infrastructure to accommodate increases in our business activity in a timely manner, which could lead to operational breakdowns and delays, loss of customers, a reduction in the growth of our customer base, increased operating expenses, financial losses, increased litigation or customer claims, regulatory sanctions or increased regulatory scrutiny. In addition, we will need to continue to attract, hire and retain highly skilled and motivated executives and employees. We may not be able to attract or retain the executives and employees necessary to manage our growth effectively.

We may be unable to respond to customers' demands for new services and products and our business, financial condition and results of operations and cash flows may be materially adversely affected.

The market for Internet-based and mobile trading is characterized by:

- changing customer demands;
- the need to enhance existing services and products or introduce new services and products;
- evolving industry practices; and
- rapidly evolving technology solutions.

New services and products provided by our competitors may render our existing services and products less competitive. Our future success will depend, in part, on our ability to respond to customers' demands for new services and products on a timely and cost-effective basis and to adapt to address the increasingly sophisticated requirements and varied needs of our customers and prospective customers. We may not be successful in developing, introducing or marketing new services and products. In addition, our new service and product enhancements may not achieve market acceptance. Any failure on our part to anticipate or respond adequately to customer requirements or changing industry practices, or any significant delays in the development, introduction or availability of new services, products or service or product enhancements could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Our international operations present special challenges and our failure to adequately address such challenges or compete in these markets, either directly or through joint ventures with local firms, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

In 2013, we generated approximately 79% of our retail trading volume from customers outside the United States. Expanding our business in new markets is an important part of our growth strategy. Due to certain cultural, regulatory and other challenges relevant to those markets, however, we may be at a competitive disadvantage in those regions relative to local firms or to international firms that have a well-established local presence. These challenges include:

- less developed or mature local technological infrastructure and higher costs, which could make our products and services less attractive or accessible in emerging markets;
- difficulty in complying with the diverse regulatory requirements of multiple jurisdictions, which may be more burdensome, not clearly defined and subject to unexpected changes, potentially exposing us to significant compliance costs and regulatory penalties;
- less developed and established local financial and banking infrastructure, which could make our products and services less accessible;
- reduced protection of intellectual property rights;
- inability to enforce contracts;
- difficulties and costs associated with staffing and managing foreign operations, including reliance on newly hired local personnel;
- tariffs and other trade barriers;
- currency and tax laws that may prevent or restrict the transfer of capital and profits among our various operations around the world; and
- time zone, language and cultural differences among personnel in different areas of the world.

In addition, in order to be competitive in these local markets, or in some cases because of restrictions on the ability of foreign firms to do business locally, we may seek to operate through joint ventures with local firms. Doing business through joint ventures may limit our ability to control the conduct of the business and could expose us to reputational and greater operational risks. We may also face intense competition from other international firms over relatively scarce opportunities for market entry. Given the intense competition from other international brokers that are also seeking to enter these new markets, we may have difficulty finding suitable local firms willing to enter into the kinds of relationships with us that we may need to gain access to these markets. This competition could make it difficult for us to expand our business internationally as planned.

If our operating subsidiaries are unable to pay us dividends when needed, we may be unable to satisfy our obligations when they arise.

As a holding company with no material assets other than the stock of our operating subsidiaries, nearly all of our funds generated from operations are generated by our operating subsidiaries. Historically, we have accessed these funds through receipt of dividends from these subsidiaries. Some of our subsidiaries are subject to regulation and requirements of various regulatory bodies, including the CFTC and NFA in the United States, the Financial Services Authority in the United Kingdom, the Financial Services Agency, or FSA, the Japan Ministry of Economy, Trade and Industry, or JETI, the Japan Ministry of Agriculture, Forestry and Fisheries in Japan, or JAFF, the Securities and Futures Commission in Hong Kong, the Investment Industry Regulatory Organization of Canada, or IIROC, in Canada and the Cayman Islands Monetary Authority in the Cayman Islands, relating to liquidity and capital standards, which may have the effect of limiting funds available for the payment of dividends to the holding company. Accordingly, if our operating subsidiaries are unable to pay us dividends and make other payments to us when needed, due to regulatory restrictions or otherwise, we may be unable to satisfy our obligations when they arise.

Risks Related to Regulation

Failure to comply with the rapidly evolving laws and regulations governing our businesses may result in regulatory agencies taking action against us, which could significantly harm our business.

Substantially all of our operations involving the execution and clearing of transactions in foreign currencies, CFDs, gold and silver and securities are conducted through subsidiaries that are regulated by governmental bodies or self-regulatory organizations, including in the United States, the United Kingdom, Japan, Australia, Hong Kong, Canada, Singapore and the Cayman Islands. Many of the regulations we are governed by are intended to protect the public, our customers and the integrity of the markets, and not necessarily our shareholders.

Among other things, we are subject to regulation with regard to:

- sales and marketing activities, including our interaction with, and solicitation of, customers;
- trading practices, including the types of investment products we may offer;
- treatment of customer assets, including custody, control, safekeeping and, in certain countries, segregation of our customer funds and securities;
- maintaining specified minimum amounts of capital and limiting withdrawals of funds from our regulated operating subsidiaries;
- continuing education requirements for our employees;
- anti-money laundering practices;
- record keeping and reporting; and
- supervision regarding the conduct of directors, officers and employees.

Compliance with these regulations is complicated, time consuming and expensive. Our ability to comply with all applicable laws and regulations is dependent in large part on our internal legal and compliance functions, as well as our ability to attract and retain qualified personnel, which we may not be able to do. Regulators and self-regulatory organizations broadly oversee the conduct of our business and several perform regular examinations of our operations to monitor our compliance with applicable laws and regulations. If a regulator finds that we have failed to comply with applicable rules and regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel, civil litigation or other sanctions, including, in some cases, increased reporting requirements or other undertakings, revocation of our operating licenses or criminal conviction. In addition, we could incur significant legal expenses in defending ourselves against and resolving actions or investigations by such regulatory agencies. An adverse resolution of any future actions or investigations by such regulatory agencies against us could result in a negative perception of our company and cause the market price of our common stock to decline or otherwise have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a result of recent regulatory changes in certain jurisdictions, our operations and profitability may be disrupted and we may be subject to regulatory action taken against us if a regulatory authority determines that our operations are out of compliance, or requires us to comply with additional regulatory requirements.

Recently, the legislative and regulatory environment in which we operate has undergone significant changes and there may be future regulatory changes affecting our industry. Our ability to expand our presence in various jurisdictions throughout the world will depend on the nature of future changes to the regulatory environment and our ability to continue to comply with evolving requirements. To the extent one or more regulators determines that our current activities do not comply with applicable law or regulations in a given jurisdiction, our services may be disrupted, we may elect to shift our services to a white label partner or we may be required to withdraw or modify our service offering.

In August 2010, the CFTC released new rules, effective as of October 18, 2010, relating to the retail forex industry regarding, among other things, increased initial minimum security deposits, registration of introducing brokers, money managers and fund managers, increased risk disclosures, including disclosures relating to customer profits and losses, record keeping, financial reporting, minimum capital and other operational standards. In addition, the rules established 50-to-1 as the maximum leverage permitted to be provided to U.S. customers in major currency pairs, and 20-to-1 in all other currency pairs. We can provide no assurance that maximum leverage limits in the United States, or elsewhere, will not be decreased further, which could materially adversely affect our business, results of operations and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, enacted in July 2010, has had and is expected to continue to have a significant effect on our U.S. retail business. For example, the Dodd-Frank Act further amended the Commodity Exchange Act to prohibit essentially all OTC retail transactions in any commodity other than foreign currency after July 15, 2011. As a result, after such date, we are not permitted to offer our U.S. retail customers leveraged spot metals trading or any product other than forex. The Dodd-Frank Act also includes a requirement that federal banking regulators and the SEC adopt new rules regarding the conduct and operation of forex businesses by banks and broker-dealers, respectively. As a result of these new regulations, the ability of our wholesale forex trading partners, many of which are regulated banks and/or broker-dealers, to do business with us could be significantly curtailed, which could materially adversely affect our ability to provide liquidity to our customers. In addition, the new rules could adversely affect the structure, size, depth and liquidity of forex markets generally. The Dodd-Frank Act also provides for additional regulation of swaps and security-based swaps, including some types of foreign exchange and metals derivatives in which we engage. Swap dealers are required to register with the CFTC and are subject to a comprehensive regulatory regime with new obligations for the swaps activities for which they are registered, including, among other things, new capital requirements, a new margin regime for uncleared swaps and a new segregation regime for collateral of counterparties to uncleared swaps. Swap execution facilities, as defined by the Commodity Exchange Act, are also required to register with the CFTC with respect to transactions involving swaps that are subject to mandatory clearing requirements and are subject to a comprehensive regulatory regime with new obligations for cleared swap activities for which they are registered, including, among other things, a variety of core principles and other requirements, such as maintaining a rule book defining the rules of the swap execution facility and its members. Areas covered in the rule book include, but are not limited to: governance, participants, participant obligations, trading practices, reporting, clearing, business conduct, disciplinary rules, arbitration and other matters. While the specific parameters of these swap dealer and swap execution facility requirements are still being developed by the relevant regulators, it is likely that any of our subsidiaries that are required to register as swap dealers (such as GAIN GTX, LLC and GTX SEF, LLC, which have registered with the CFTC and NFA as a swap dealer and a swap execution facility, respectively) will face increased costs due to the registration and regulatory requirements listed above. Any of these new regulatory developments, alone or in combination, could have a material adverse effect on our business and profitability.

In the European Union, government officials have announced the intention to propose new laws to regulate OTC derivatives. The new laws would, among other things, require mandatory central clearing of some derivatives, higher collateral requirements and higher capital charges for certain OTC derivatives. In February 2014, the European Market Infrastructure Regulation ("EMIR") enacted reporting requirements requiring any open trade positions under the applicable asset classes, including all over-the-counter and exchange traded derivatives will need to be reported on a back-dated basis from August 2012 to the present to an approved trade repository. Many of these initiatives are still at the consultation stage and details for many aspects of the legislative proposals have not yet been published. If the products that we offer are subjected to mandatory central clearing, exchange trading, higher collateral requirements or higher capital charges, our business, financial condition and results of operations could be materially adversely affected. In Japan, regulations, which became effective in August 2011, prohibit our ability to offer Japanese residents leverage for forex products in excess of 25-to-1. For spot gold that we offer in Japan, beginning July 1, 2011, the maximum allowable leverage became 20-to-1. These changes may result in a decrease in Japanese customer trading volume, which may in turn materially adversely affect our financial condition, results of operations and cash flows.

The Australian Securities and Investments Commission has proposed its intention to issue new guidance on advertising materials, to introduce disclosure benchmarks for OTC CFD providers and to require OTC CFD providers to adopt written customer suitability policies.

In Korea, the Financial Supervisory Service introduced guidelines, effective March 5, 2012, pursuant to which the maximum leverage ratio for retail forex trading was reduced to 10-to-1. In addition, the Korean regulatory authority has announced that it may consider measures to further limit the ability of Korean general investors to enter into forex margin trading for speculative purposes. These regulatory changes may have a material adverse effect on our business with Korean customers.

In addition, the changing regulatory environment may create uncertainty with respect to certain practices or types of transactions that, in the past, may have been considered permissible and appropriate among financial services firms. Certain established practices may be called into question or become subject to additional regulatory requirements. These legal or regulatory uncertainties and additional regulatory requirements could result in a loss of, or increase in the cost of, business and could materially adversely affect our revenue, profitability and results of operations. Finally, because of changes in regulation, regulatory interpretations, enforcement practices or for other reasons, we may be found to have violated local regulation and, as a result, we may be subject to enforcement actions and penalties or customer claims in those local jurisdictions.

As we operate in many jurisdictions without local registration, licensing or authorization, we may be subject to possible enforcement action and sanction for our operations in such jurisdictions if our operations are determined to have violated regulations in those jurisdictions. Further, our growth may be limited by various restrictions and we remain at risk that we may be required to cease operations if we become subject to regulation by local government bodies.

For the year ended December 31, 2013, approximately 50% of our trading volume was attributable to customers resident in a jurisdiction where we or our white label partners are licensed, regulated or deal with customers cross-border in a manner that we believe does not require us to be regulated in that jurisdiction. The remaining 50% of our retail trading volume was attributable to customers in jurisdictions in which we or our white label partners are not currently licensed or authorized by the local government or applicable self-regulatory organization. We determine the nature and extent of services we can offer and the manner in which we conduct our business in the various jurisdictions in which we serve customers based on a variety of factors, including legal advice received from local counsel, our review of applicable U.S. and local laws and regulations and, in some cases, our discussions with local regulators. In cases in which we operate in jurisdictions based on local legal advice, we are exposed to the risk that our legal and regulatory analysis is subsequently determined by a local regulatory agency or other authority to be incorrect and that we have not been in compliance with local laws or regulations, including local licensing or authorization requirements, and to the risk that the regulatory environment in a jurisdiction may change, including in a circumstance where laws or regulations or licensing or authorization requirements that previously were not enforced become subject to enforcement.

In jurisdictions in which we are not licensed or authorized, we may be subject to a variety of restrictions regarding the manner in which we conduct our business or serve customers, including restrictions on:

- our sales and marketing activities;
- the use of a website specifically targeted to potential customers in a particular country;
- the minimum income level or financial sophistication of potential customers we may contact;
- our ability to have a physical presence in a particular country; or
- the types of services we may offer customers physically present in each country.

These restrictions may limit our ability to grow our business in any such jurisdiction or may result in increased overhead costs or degradation in our services in that jurisdiction. We currently have only a limited presence in a number of important markets and because of these and other regulatory restrictions, we may not be able to gain a significant presence there unless and until the regulatory landscape in these markets is modified. Consequently, we cannot assure you that our international expansion plans will be achieved.

We may be subject to possible enforcement action and penalties if we are determined to have previously offered, or currently offer, our services in violation of applicable laws and regulations in any of the markets in which we serve customers. In any such case, we may be required to cease the conduct of our business with customers in one or more jurisdictions. We may also determine that compliance with the laws or licensing, authorization or other regulatory requirements for continuing the business in one or more jurisdictions are too onerous to justify making the necessary changes. In addition, any such event could negatively impact our relationship with the regulators or self-regulatory organizations in the jurisdictions where we are subject to regulation.

We are required to maintain high levels of capital, which could constrain our growth and subject us to regulatory sanctions.

Our regulators have stringent rules requiring that we maintain specific minimum levels of regulatory capital in our operating subsidiaries that conduct our spot foreign exchange, CFDs, binaries, spread bets, gold and silver spot trading and securities businesses. In the United States, as a Futures Commission Merchant, or FCM, and a Retail Forex Exchange Dealer, or RFED, we are required to maintain adjusted net capital of $20.0 million plus 5.0% of the amount of customer liabilities over $10.0 million. On a worldwide basis, as of December 31, 2013, we were required to maintain approximately $84.1 million minimum capital in the aggregate across all jurisdictions, representing a $38.5 million, or an 84.4% increase from our minimum regulatory capital requirement at December 31, 2012. Regulators continue to evaluate and modify regulatory capital requirements from time to time in response to market events and to improve the stability of the international financial system. Additional revisions to this framework or new capital adequacy rules applicable to us may be proposed and ultimately adopted, which could further increase our minimum capital requirements in the future.

Even if regulators do not change existing regulations or adopt new ones, our minimum capital requirements will generally increase in proportion to the size of the business conducted by our regulated subsidiaries. As a result, we will need to increase our regulatory capital in order to expand our operations and increase our revenue, and our inability to increase our capital on a cost-efficient basis could constrain our growth. In addition, in many cases, we are not permitted to withdraw regulatory capital maintained by our subsidiaries without prior regulatory approval or notice, which could constrain our ability to allocate our capital resources most efficiently throughout our global operations. In particular, these restrictions could adversely affect our ability to withdraw funds needed to satisfy our ongoing operating expenses, debt service and other cash needs and could affect any future decision by our Board of Directors regarding the payment of our quarterly dividends. Regulators monitor our levels of capital closely. We are required to report the amount of regulatory capital we maintain to our regulators on a regular basis, and we must report any deficiencies or material declines promptly. While we expect that our current amount of regulatory capital will be sufficient to meet anticipated short-term increases in requirements, any failure to maintain the required levels of regulatory capital, or to report any capital deficiencies or material declines in capital could result in severe sanctions, including fines, censure, restrictions on our ability to conduct business and revocation of our registrations. The imposition of one or more of these sanctions could ultimately lead to our liquidation, or the liquidation of one or more of our subsidiaries.

Servicing customers via the Internet may require us to comply with the laws and regulations of each country in which we are deemed to conduct business. Failure to comply with such laws may negatively impact our financial results.

Since our services are available over the Internet in foreign countries and we have customers residing in foreign countries, foreign jurisdictions may require us to qualify to do business in their country. We believe that the number of our customers residing outside of the United States will continue to increase over time. We are required to comply with the laws and regulations of each country in which we conduct business, including laws and regulations currently in place or which may be enacted related to Internet services available to the residents of each country from service providers located elsewhere. Any failure to develop effective compliance and reporting systems could result in regulatory penalties in the applicable jurisdiction, which could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Procedures and requirements of the Patriot Act and other anti-money laundering and know your customer regulations may expose us to significant costs or penalties.

As participants in the financial services industry, we are, and our subsidiaries are, subject to numerous laws and regulations, including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the Patriot Act, that require that we know our customers and monitor transactions for suspicious financial activities. The cost of complying with the Patriot Act and similar laws and regulations is significant. We face the risk that our policies, procedures, technology and personnel directed toward complying with these laws and regulations are insufficient and that we could be subject to significant criminal and civil penalties due to noncompliance. Such penalties could have a material adverse effect on our business, financial condition and results of operations and cash flows. In addition, as an online financial services provider with customers worldwide, we may face particular difficulties in identifying our customers and monitoring their activities.

Risks Related to Third Parties

If we lose access to the wholesale forex trading partners that provide us with forex market liquidity, we may be unable to provide competitive forex trading services, which will materially adversely affect our business, financial condition and results of operations and cash flows.

We rely on third-party financial institutions to provide us with forex market liquidity. We maintain relationships with three established global prime brokers, Deutsche Bank AG, UBS AG and the Royal Bank of Scotland plc, as well as relationships with a number of additional wholesale forex trading partners, and we have access to liquidity through third-party trading platforms. We depend on these relationships for our access to a pool of forex liquidity to ensure that we are able to execute our customers' trades in any of the currency pairs, equity indices and commodity products we offer and in the notional amount our customers request. These prime brokers and wholesale forex trading partners, although under contract with us, may terminate our arrangements at any time. In the event that we no longer have access to the competitive wholesale forex pricing spreads and/or levels of liquidity that we currently have, we may be unable to provide competitive forex trading services, which would materially adversely affect our business, financial condition and results of operations and cash flows.

The loss of one or more of our prime brokerage relationships could lead to increased transaction costs and capital posting requirements, as well as having a negative impact on our ability to verify our open positions, collateral balances and trade confirmations.

We depend on the services of prime brokers to provide us access to liquidity through our wholesale forex trading partners. The prime brokers act as central hubs through which we are able to deal with our existing wholesale forex trading partners. Although we have relationships with wholesale forex trading partners that could provide clearing services as a back-up for our prime brokers, if we were to experience a disruption in prime brokerage services due to a financial, technical or other development adversely affecting any of our current prime brokers, our business could be materially adversely affected to the extent that we are unable to transfer positions and margin balances to another financial institution in a timely fashion. In the event of the insolvency of a prime broker, we might not be able to fully recover the assets we have deposited (and have deposited on behalf of our customers) with the prime broker or our unrealized profits since we will be among the prime broker's unsecured creditors.

A systemic market event that impacts the various market participants with whom we interact could have a material adverse effect on our business, financial condition and results of operations and cash flows.

We interact with various third parties through our relationships with our prime brokers, wholesale forex trading partners, white label partners and introducing brokers. Some of these market participants could be overleveraged. In the event of sudden, large market price movements, such market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. As a result, a system collapse in the financial system could occur, which would have a material adverse effect on our business, financial condition and results of operations and cash flows.

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

We have significant deposits with banks and other financial institutions. Pursuant to CFTC and NFA regulations for our U.S.-regulated subsidiaries, we are not permitted to segregate customer funds from our own funds. As such, we aggregate our customers' funds and our funds and hold them in collateral and deposit accounts at various financial institutions. In the event of insolvency of one or more of the financial institutions with which we have deposited these funds, both we and our customers may not be able to recover our funds. Because our customers' funds are aggregated with our own, the extent to which they will be entitled to insurance by the Federal Deposit Insurance Corporation is uncertain. In any such insolvency we and our customers would rank as unsecured creditors in respect of claims to funds deposited with any such financial institution. As a result, we may be subject to claims by customers due to the loss of their funds and our business could be materially adversely affected by the loss of our funds.

We are subject to counterparty risk whereby defaults by parties with whom we do business can have an adverse affect on our business, financial condition and results of operations and cash flows.

Our operations require a commitment of capital and involve risks of losses due to the potential failure of our customers to perform their obligations under their transactions with us. Our margin policy allows customers to leverage their account balances by trading notional amounts that may be significantly larger than their cash balances. We mark our customers' accounts to market each time a currency price in their portfolio changes. While this allows us 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. Although we have the ability to alter our margin requirements without prior notice to our customers, this may not eliminate the risk that our access to liquidity becomes limited or market conditions, including currency price volatility and liquidity constraints, change faster than our ability to modify our margin requirements. If our customers default on their obligations, we remain financially liable for such obligations, and although these obligations are collateralized, since the value of our customers' forex positions is subject to fluctuation as market prices change, we are subject to market risk in the liquidation of customer collateral to satisfy such obligations. In light of the current turbulence in the global economy, we face increased risk of default by our customers and other counterparties. Any default by our counterparties or partners could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Failure of third-party systems or third-party service and software providers upon which we rely could adversely affect our business.

We rely on certain third-party computer systems or third-party service and software providers, including trading platforms, back-office systems, Internet service providers, software development partners and communications facilities. For example, for the year ended December 31, 2013, 47.3% of our retail trading volume was derived from trades utilizing the MetaTrader platform, a third-party trading platform we license that is particularly popular in the international retail trading community and offers our customers a choice in trading interfaces. Any interruption in these third-party services, or deterioration in their performance or quality, could adversely affect our business. If our arrangement with any third party is terminated, we may not be able to find an alternative systems or services provider on a timely basis or on commercially reasonable terms. This could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Security breaches in our computer infrastructure may jeopardize confidential information transmitted over the Internet, cause interruptions in our operations or give rise to liabilities to third parties.

Our computer infrastructure is potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. Any such problems or security breaches could give rise to liabilities to one or more third parties, including our customers, and disrupt our operations. A party able to circumvent our security measures could misappropriate proprietary information or customer information, jeopardize the confidential nature of information we transmit over the Internet or cause interruptions in our operations. Concerns over the security of Internet transactions and the safeguarding of confidential personal information could also inhibit our customers' use of our systems to conduct forex transactions over the Internet. To the extent that our activities involve the storage and transmission of proprietary information and personal financial information, security breaches could expose us to a risk of financial loss, litigation and other liabilities. Our current insurance policies may not protect us against all of such losses and liabilities. Any of these events, particularly if they result in a loss of confidence in our services, could have a material adverse effect on our business, financial condition and results of operations and cash flows.

Failure to develop or maintain relationships with white label partners who direct customer trading volume to us could have a material adverse effect on our business, financial condition and results of operations and cash flows.

We have relationships with white label partners who provide forex trading to their customers by using our trading platform and other services and, therefore, provide us with an additional source of revenue. For the year ended December 31, 2013, approximately 11% of our retail trading volume was derived from white label partners. Many of our relationships with white label partners are non-exclusive or may be terminated by them on short notice. In addition, our white label partners have no obligation to provide us with minimum levels of transaction volume. Our failure to maintain our relationships with these white label partners, the failure of these white label partners to continue to offer online forex trading services to their customers using our trading platform, the loss of requisite licenses by our white label partners or our inability to enter into new relationships with white label partners would result in a loss of revenue, which could have a material adverse effect on our business, financial condition and results of operations and cash flows. To the extent any of our competitors offers more attractive compensation terms to one or more of our white label partners, we could lose the white label partnerships or be required to increase the compensation we pay to retain the white label partners.

Our relationships with our white label partners also may expose us to significant regulatory, reputational and other risks as we could be harmed by white label partner misconduct or errors that are difficult to detect and deter.

If any of our white label partners provided unsatisfactory service to their customers or were deemed to have failed to comply with applicable laws or regulations, our reputation may be harmed as a result of our affiliation with such white label partner. Any such harm to our reputation could have a material adverse effect on our business, financial condition and results of operations and cash flows.

The terms of certain of our agreements with our white label partners may require us to pay for increased trading volume that does not increase our trade revenue.

We pay certain white label partners and introducing brokers based on the volume of trading activity of the customers they introduce to us, regardless of whether the order flow from such trading volume is profitable to us. Certain market conditions may be conducive to high trading volume by these customers but not to trading activity by such customers that allows us to generate significant revenue. As such, we may incur losses from these arrangements in the event that we are required to pay for increased trading volume but do not generate corresponding increased revenue from the related trade flow. These losses could have a material adverse effect on our results of operations, particularly our EBITDA and net revenue.

Failure to maintain relationships with introducing brokers who direct new customers to us could have a material adverse effect on our business, financial condition and results of operations and cash flows.

We have relationships with introducing brokers who direct new customers to us and provide marketing and other services for these customers. In certain jurisdictions, we are only able to provide our services through introducing brokers. For the year ended December 31, 2013, approximately 31.2% of our retail trading volume was derived from introducing brokers. Many of our relationships with introducing brokers are nonexclusive or may be terminated by the brokers on short notice. In addition, under our agreements with introducing brokers, they have no obligation to provide us with new customers or minimum levels of transaction volume. Our failure to maintain our relationships with these introducing brokers, the failure of the introducing brokers to provide us with customers or our failure to create new relationships with introducing brokers would result in a loss of revenue, which could have a material adverse effect on our business, financial condition and results of operations and cash flows. To the extent any of our competitors offers more attractive compensation terms to one or more of our introducing brokers, we could lose the brokers' services or be required to increase the compensation we pay to retain the brokers. In addition, we may agree to set the compensation for one or more introducing brokers at a level where, based on the transaction volume generated by customers directed to us by such brokers, it would have been more economically attractive to seek to acquire the customers directly rather than through the introducing broker.

Our business or reputation could be harmed by introducing broker misconduct or errors that are difficult to detect and deter.

It may be perceived that we are responsible for any improper conduct by our introducing brokers, even though we do not control their activities. Many of our introducing brokers operate websites, which they use to advertise our services or direct customers to us. It is difficult for us to closely monitor the contents of their websites to ensure that the statements they make in relation to our services are accurate and comply with applicable rules and regulations. Any disciplinary action taken against any of our introducing brokers in the United States and abroad could have a material adverse effect on our reputation, damage our brand name and materially adversely affect our business, financial condition and results of operations and cash flows.

Risks Related to our Common Stock

The Market Price of Our Common Stock May Be Volatile.

Our results of operations and cash flows have fluctuated significantly from period to period in the past based on a variety of factors, including some that are beyond our control, such as currency volatility and fluctuations in trading volume. These variations, along with any failure to achieve operating results that meet or exceed the expectations of our investors and the market as a whole, could result in significant price and volume fluctuations in our common stock. Other factors that could affect the market price of our common stock include:

- future announcements concerning us or our competitors, including the announcement of acquisitions;
- changes in government regulations or in the status of our regulatory approvals or licensure;
- public perceptions of risks associated with our services or operations;
- developments in our industry; and
- general economic, market and political conditions and other factors that may be unrelated to our operating performance or the operating performance of our competitors.

If securities analysts stop publishing research or reports about us or our business or if they downgrade our common stock, the market price of our common stock could decline.

The market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. If any analyst who covers us downgrades our stock or lowers its future stock price targets or estimates of our operating results, our stock price could decline rapidly. Furthermore, if any analyst ceases to cover us, we could lose visibility in the market, which in turn could cause the market price of our common stock to decline.

Our stockholder rights plan may prevent efforts by our stockholders to effect a change of control of our company or a change in our management.

We have adopted a stockholder rights plan, commonly referred to as a poison pill. The rights plan is intended to deter an attempt to acquire us in a manner or on terms not approved by our Board of Directors. The rights plan will not prevent an acquisition that is approved by our Board of Directors. Our rights plan could substantially impede the ability of public stockholders to benefit from a change in control and, as a result, may reduce the market price of our common stock and the ability of holders of our common stock to realize any potential change of control premium.

We may be unable to obtain capital when we need it, on acceptable terms, if at all.

Our business depends on the availability of adequate funding and regulatory capital under applicable regulatory requirements. Historically, we have satisfied these needs from internally generated funds and from our preferred equity securities financings. While we currently anticipate that our available cash resources will be sufficient to meet our presently anticipated working capital and capital expenditure requirements for at least the next 12 months, we may need to raise additional funds to:

- support more rapid expansion;
- develop new or enhanced services and products;
- respond to competitive pressures;
- acquire complementary businesses, products or technologies; or
- respond to unanticipated requirements.

Additional financing may not be available when needed on terms favorable to us or at all.

Our management and other affiliates have significant control of our common stock and could control our actions in a manner that conflicts with our interests and the interests of other stockholders.

As of December 31, 2013, our executive officers, directors and other affiliates together beneficially owned over 40% of our outstanding capital stock. VantagePoint Venture Partners IV(Q), L.P., VantagePoint Venture Partners IV, L.P., VantagePoint Venture Partners IV Principals Fund, L.P., VP New York Venture Partners, L.P., referred to herein as the VPVP Funds, and Edison Venture Fund IV SBIC, L.P., together beneficially owned approximately 37% of our outstanding capital stock as of

December 31, 2013. Two of our directors, Messrs. Sugden and Bevilacqua, are affiliated with the Edison and VPVP Funds, respectively. As a result, these stockholders, acting together, are able to exercise considerable influence over matters requiring approval by our stockholders, including the election of directors, and may not always act in the best interests of other stockholders. Such a concentration of ownership may have the effect of delaying or preventing a change in our control, including transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices.

Pursuant to our amended and restated certificate of incorporation and amended and restated bylaws, until the earlier of (i) such time that the VPVP Funds own less than 50% of all shares of our common stock that the VPVP Funds owned upon the completion of our initial public offering, (ii) immediately prior to our 2014 annual meeting of stockholders and (iii) such time that the VPVP Funds notify our board of directors that they no longer require that an individual designated by them serve on our Board of Directors, the VPVP Funds have the right to nominate one individual in the slate of director nominees for election at our annual meeting of stockholders and have such designee serve on our Board of Directors.

The limited liquidity for our common stock could affect your ability to sell your shares at a satisfactory price.

Our common stock is relatively illiquid. As of March 11, 2014, we had 42,083,652 shares of common stock outstanding (excluding shares held by us as treasury stock). The average daily trading volume in our common stock during the 60 calendar days ended March 1, 2013 was approximately 0.3 million shares. A more active public market for our common stock may not develop, which could continue to adversely affect the liquidity of our common stock and adversely affect the trading price of our common stock. Moreover, without a large public float, our common stock is less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile than that of other companies or the market as a whole. In addition, in the absence of an active public trading market, you may be unable to liquidate your investment in us at a satisfactory price.

The obligations associated with being a public company require significant resources and management attention.

As a public company, we are subject to the rules and regulations promulgated by the SEC and the New York Stock Exchange. For example, the Securities Exchange Act of 1934, as amended, requires that we file annual, quarterly and current reports with respect to our business and financial conditions and the Sarbanes Oxley Act of 2002 requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Our efforts to comply with these rules and regulations have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

Stockholders may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions, conversion of our 4.125% Convertible Senior Notes or otherwise.

As of December 31, 2013, we had approximately 18.1 million shares of common stock authorized but unissued. Our certificate of incorporation authorizes us to issue these shares of common stock and options, rights, warrants and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our Board of Directors in its sole discretion, whether in connection with acquisitions, in future common stock offerings or otherwise. As of December 31, 2013, we have reserved an aggregate of 7.1 million shares for issuance under our equity incentive compensation plans 1.5 million to be issued pursuant to future awards and grants under the 2010 Omnibus Incentive Compensation Plan, or the 2010 plan, 5.2 million shares that are subject to outstanding grants under a predecessor plan and the 2010 Plan, and 0.4 million shares to be issued pursuant to the 2011 Employee Stock Purchase Plan). In addition, our 4.125% Convertible Senior Notes are convertible into shares of our common stock, although we may, at our election and subject to certain limitations, choose to settle any conversion by the payment or delivery of cash, shares of our common stock, or a combination thereof . Prior to June 1, 2018, the notes may be converted only upon the occurrence of specified events set forth in the indenture pursuant to which they were issued, while on or after June 1, 2018, holders may convert their notes at any time. Any common stock that we issue, including under our 2010 Omnibus Incentive Compensation Plan, 2011 Employee Stock Purchase Plan or other equity incentive plans that we may adopt in the future, or upon conversion of our 4.125% Convertible Senior Notes will dilute the percentage ownership held by investors who own our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments.

ITEM 2. PROPERTIES

We are a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. We service retail and institutional customers in more than 180 countries worldwide and conduct business from our offices in New York, New York, Bedminster, New Jersey; Chicago, Illinois, Powell, Ohio; Grand Rapids, Michigan; London, England; Tokyo, Japan; Sydney, Australia; Beijing, China; Hong Kong and Singapore. All of our office space was leased as of December 31, 2013.

While we believe that these facilities are adequate to meet our current needs, it may become necessary to secure additional space in the future to accommodate any future growth. We believe that such additional space will be available as needed in the future on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims and legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of such claims and legal actions, if decided adversely, is not expected to have a material adverse effect on our quarterly or annual operating results, cash flows or consolidated financial position.

On February 16, 2012, we 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 (now known as the Financial Conduct Authority). The investment firm, Cameron Farley Ltd, had opened a corporate account with us and invested the individuals' money, representing such funds as its own, while operating a fraudulent scheme. Though a complaint has been filed and served on us, the claimants requested, and we 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. We submitted a Response to the Letter before Claim on July 4, 2012. On July 5, 2012 we received a substantially similar Letter of Claim on behalf of further individuals. Subsequently, the parties agreed to consolidate claims by those other similarly situated individuals with the pending Pre-Action Protocol process. The parties agreed it would be more appropriate for the proceedings to be dealt with in the Commercial Court and the matters were transferred pursuant to Consent Orders dated March 14, 2013. We subsequently filed an application for strike out and/or summary judgment in respect of all claims on March 15, 2013. The claimants filed an answer to our motion on June 2, 2013 and subsequently we filed a response to this answer on July 15, 2013. A hearing was held on our application for strike out and/or summary judgment on September 18 and 19, 2013. After the hearing, the judge asked the claimants to respond in writing to his additional questions from the hearing. The claimants had until October 11, 2013 to provide answers and we were given until November 1, 2013 to respond. On February 26, 2014, the judge denied our motion for strike out/summary judgment. We can provide no assurances that this matter will be successfully resolved. This matter is currently pending. At this time, a potential loss or a potential range of loss cannot be reasonably estimated.

Through our acquisition of OEC, we became the subject of a patent infringement lawsuit originally filed against OEC on February 9, 2010 in the U.S. District Court for the Northern District of Illinois by Trading Technologies International, Inc. seeking injunctive relief and unspecified damages. As reflected in a Second Amended Complaint filed on June 15, 2011, plaintiff alleges infringement of 12 patents relating to real-time display of price quotes and market depth on OEC's electronic trading interfaces. The case was consolidated with 11 related cases in February 2011, and the parties have exchanged infringement, non-infringement and invalidity contentions for several of the disputed patents. In June 2011, the court stayed discovery to allow summary judgment briefing on the ramifications of a recent Federal Circuit decision. On February 9, 2012, the court issued an order, which granted Defendants' motions for summary judgment, resulting in a substantial narrowing of the scope of plaintiff's claims. Plaintiff filed a motion for reconsideration of that ruling on March 8, 2012. Plaintiff also filed a motion for certification of judgment for interlocutory appeal. The court denied plaintiff's motion for reconsideration but granted plaintiff's motion for certification of judgments of patent invalidity with respect to four of the asserted patents. On August 30, 2013, the Federal Circuit issued its opinion vacating and remanding the court's judgment of patent invalidity regarding four of the asserted patents. On remand, Defendants renewed their motion for summary judgment of patent invalidity and the court is currently considering when to revisit the invalidity issue. Since the court's certification of judgments ruling, the court has continued its stay of discovery. Plaintiff's complaint does not specify the amount of damages sought. At this time, a potential loss or a potential range of loss cannot be reasonably estimated.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK

Our common stock began trading on the New York Stock Exchange under the symbol “GCAP” on December 15, 2010. Prior to that date, there was no established trading market for our common stock. As of March 11, 2014, we estimate that we had approximately 94 stockholders of record. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

The following table details the high and low closing prices for the common stock as reported by the New York Stock Exchange for the periods indicated.

	2013		2012	
Quarter	**High**	**Low**	**High**	**Low**
First Quarter	4.61	4.06	$ 6.87	$ 5.02
Second Quarter	6.45	4.27	$ 5.36	$ 4.37
Third Quarter	14.31	5.44	$ 5.30	$ 4.42
Fourth Quarter	12.32	7.15	$ 4.89	$ 3.94

DIVIDEND POLICY

Prior to the fourth quarter of 2011, we retained all earnings for investment in our business. In October 2011, our Board of Directors approved a policy of paying quarterly dividends, subject to available cash flow from operations, other considerations and the determination by our Board of Directors of the amount. Each quarter since, the Company has paid a $0.05 per share dividend to holders of the Company’s common stock. The latest dividend of $0.05 per share was declared on February 27, 2014, payable on March 20, 2014 to stockholders of record on March 17, 2014.

Although we intend to continue our policy of paying quarterly dividends, any declaration and payment of dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends, and other considerations that our Board of Directors deems relevant. The Board’s ability to declare a dividend is also subject to limits imposed by Delaware corporate law. In addition, our subsidiaries are permitted to pay dividends to us subject to (i) certain regulatory restrictions related to the maintenance of minimum net capital in those of our subsidiaries that are subject to net capital requirements imposed by applicable law or regulation and (ii) general restrictions imposed on dividend payments under the jurisdiction of incorporation or organization of each subsidiary.

RECENT SALES OF UNREGISTERED SECURITIES; USE OF PROCEEDS FROM REGISTERED SECURITIES

None.

REPURCHASES OF COMMON STOCK

During the year ended December 31, 2013, we repurchased approximately 0.9 million shares of our common stock pursuant to the terms of our approved stock repurchase plan.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)(2)
January 2013	75,000	4.20	75,000	1,404,755
February 2013	12,706	4.24	12,706	1,348,417
March 2013	63,390	4.20	63,390	873,896
April 2013	14,999	4.23	14,999	810,114
May 2013	31,398	4.69	31,398	15,662,206
June 2013	—	—	—	15,662,206
July 2013	—	—	—	15,662,206
August 2013	24,311	5.67	24,311	15,523,884
September 2013	—	—	—	15,523,884
October 2013	—	—	—	15,523,884
November 2013	612,430	8.87	612,430	10,084,757
December 2013	100,000	7.62	100,000	9,321,167

(1) In May of 2013, the Company announced that its Board of Directors approved a share repurchase plan, which authorizes the expenditure of up to $15.0 million for the purchase of the Company's common stock.

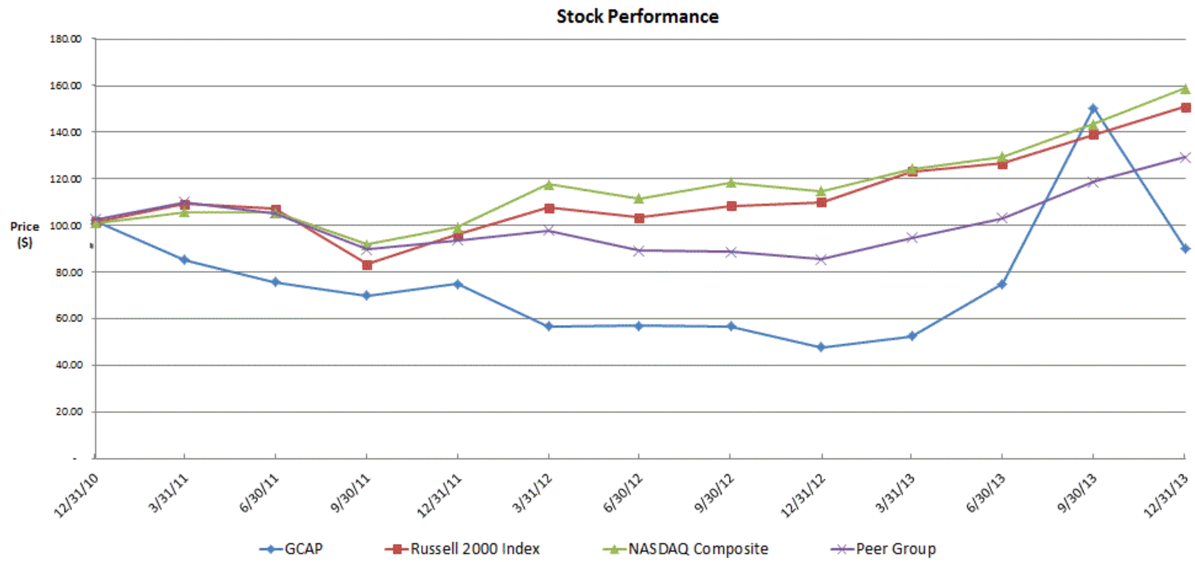
(2) Transaction fees related to the share purchases are deducted from the total remaining allowable expenditure amount.

STOCK PERFORMANCE GRAPH

The following performance chart assumes an investment of $100 on December 15, 2010 (the date the Company's shares began trading on the NYSE) and compares the change at December 31, 2010 through December 31, 2013 in the market price for our common stock with the Russell 2000 Index, the NASDAQ Composite Index, and a peer group identified by the Company (the "Selected Peer Group Index"). The Selected Peer Group Index was selected to include publicly-traded companies engaging in one or more of the Company's lines of business.

The Selected Peer Group Index is weighted according to the respective issuer's stock market capitalization and is comprised of the following companies: Advent Software, Inc., BGC Partners, Inc., DST Systems, E*Trade Financial Corporation, FactSet Research Systems, Inc., FXCM, Inc., GFIG Group, Inc., INTL FCStone Inc., Investment Technology Group, Inc., Knight Capital Group, Inc., Market Axcess Holdings, Inc., MSCI, Inc., and SWS Group, Inc.

The comparisons in the graphs below are based on historical data and are not intended to forecast the possible future performance of our common stock.



EQUITY COMPENSATION PLAN INFORMATION

The following table provides information with respect to our compensation plans under which equity compensation was authorized as of December 31, 2013.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)(1)
Equity compensation plans approved by security holders	3,763,959	$ 4.36	2,825,080

(1) In accordance with the 2010 Omnibus Incentive Compensation Plan, an additional 1.3 million shares were made available for issuance on the first trading day of 2014; these shares are excluded from this calculation.

ITEM 6. SELECTED FINANCIAL DATA

The financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements as of December 31, 2013 and December 31, 2012 and for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, included in this annual report on Form 10-K. The selected Consolidated Statement of Operations data for the years ended December 31, 2010 and 2009 and the selected Consolidated Balance Sheet data as of December 31, 2011, 2010 and 2009 are derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. Our historical results of operations are not necessarily indicative of future results.

Selected Consolidated Statement of Operations

	(in thousands, except share and per share data)				
	Year Ended December 31,				
	2013	2012	2011(1)	2010(1)(4)	2009(1)
Consolidated Statement of Operations Data:					
Net Revenue	$ 266,391	$ 151,360	$ 181,465	$ 189,098	$ 153,319
Total expense	$ 223,286	$ 150,218	$ 158,221	$ 131,646	$ 113,090
Income before income tax expense and equity in earnings of equity method investment	$ 45,105	$ 1,142	$ 23,244	$ 57,452	$ 40,229
Net Income applicable to GAIN Capital Holdings, Inc.	$ 31,311	$ 2,621	$ 15,698	$ 36,988	$ 27,994
Earnings/(loss) per common share: (2)					
Basic	$ 0.85	$ 0.08	$ 0.46	$ 8.42	$ 9.47
Diluted	$ 0.79	$ 0.07	$ 0.40	$ 0.98	$ 0.75
Weighted average common shares outstanding used in computing earnings/(loss) per common share (2)					
Basic	36,551,246	34,940,800	34,286,840	4,392,798	2,956,377
Diluted(3)	39,632,878	37,880,208	38,981,792	37,742,902	37,282,069
Cash dividends per share	$ 0.20	$ 0.20	$ 0.05	$ —	$ —

Selected Consolidated Balance Sheet

	(in thousands unless otherwise stated)				
	Year Ended December 31,				
	2013	2012(4)	2011(4)	2010(4)	2009
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 39,871	$ 36,820	$ 60,221	$ 27,536	$ 22,770
Cash and cash equivalents held for customers	$ 739,318	$ 446,311	$ 310,447	$ 256,674	$ 199,754
Receivables from banks and brokers	$ 227,630	$ 89,916	$ 85,401	$ 98,135	$ 76,391
Total assets	$ 1,111,135	$ 629,262	$ 504,930	$ 442,420	$ 351,940
Payables to customers, brokers, dealers, FCMs and other regulated entities	$ 739,318	$ 446,311	$ 310,447	$ 256,674	$ 199,754
Convertible redeemable preferred stock embedded derivative	$ —	$ —	$ —	$ —	$ 81,098
Notes payable	$ —	$ —	$ 7,875	$ 18,375	$ 28,875
Convertible senior notes	$ 65,360	$ —	$ —	$ —	$ —
Total GAIN Capital Holdings, Inc. shareholders' equity	$ 234,401	$ 162,830	$ 163,974	$ 148,993	$ (139,890)

(1) For each of the periods indicated, in accordance with ASC 815, *Derivatives and Hedging*, we accounted for an embedded derivative liability attributable to the redemption feature of our then outstanding preferred stock. This redemption feature and the associated embedded derivative liability is no longer required to be recognized due to the conversion of all of our outstanding preferred stock in connection with the completion of our initial public offering of common stock in December 2010.

(2) In connection with the completion of our IPO, our board of directors approved a 2.29-for-1 stock split of our common stock to be effective immediately prior to the completion of the IPO. The 2.29-for-1 stock split, after giving effect to the receipt by us of 407,692 shares of common stock from all of our pre-IPO common stockholders (on a pro-rata basis) in satisfaction of previously outstanding obligations owed by such stockholders to us, resulted in an effective

stock split of 2.26-for-1. Accordingly, all references to share and per share data for periods prior to our IPO have been retroactively restated to reflect the effective 2.26-for-1 stock split.

(3) For the year ended December 31, 2008 through the year ended December 31, 2010, all outstanding preferred stock is assumed to be converted for the calculation of diluted shares outstanding.

(4) In the year ended December 31, 2010 there was an immaterial error in the income tax provision (see Note 1 on the Consolidated Financial Statements). Accordingly, the net income and earnings per share have been retroactively restated for that year. In addition total assets and total shareholders' equity have been retroactively restated for the subsequent years through December 31, 2012 inclusive.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the accompanying notes thereto provided pursuant to “Item 8. Financial Statements and Supplementary Data” contained within this Annual Report on Form 10-K.

Overview

We are a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. We service retail and institutional customers in more than 180 countries worldwide and conduct business from our offices in New York, New York, Bedminster, New Jersey; Chicago, Illinois, Powell, Ohio; Grand Rapids, Michigan; London, England; Tokyo, Japan; Sydney, Australia; Beijing, China; Hong Kong and Singapore.

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

We have invested considerable resources over the past 14 years 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.

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 services. These factors are not the only factors that impacted our results of operations for the most recent fiscal period, and additional or other factors may impact, or have different degrees of impact, on our results of operations in future periods.

Market Environment and Trading Volatility

Our revenue and operating results may vary significantly from period to period due primarily 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 our customers.

Market volatility is driven by a range of external factors, some of which are market specific and some of which are correlated to general macroeconomic conditions. Weakness in equity markets, which occurred in much of 2011 and several of the previous years, can result in reduced overall trading activity. The European sovereign debt crisis, which arose in the second quarter of 2010 and continued throughout 2011 and 2012, created economic uncertainty, adversely affecting the equities and other securities markets for much of this period, leading investors to, at times, reduce their trading activity, and also resulted in anomalous and challenging market conditions over several significant periods during 2011 and 2012.

Overall market conditions improved in the twelve months ended December 31, 2013, due in part to higher levels of volatility as compared to the multi-year lows experienced in 2012. While volatility levels for the year were still well below 2008-2011 averages, we saw increased engagement from clients during the year, resulting in higher trading volumes.

Competition

The forex market has been accessible to retail investors for a significantly shorter period than many other securities markets, such as equities, and is a rapidly evolving industry characterized by intense competition. Entering new markets often requires us to lower our pricing in order to attract customers and compete with other companies who 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. We expect we will face similar competitive pressure as we expand our non-forex product offerings, including futures, futures options and CFDs.

Regulatory Environment

In recent years, the financial markets have experienced a major global regulatory overhaul, as regulators and legislators in the U.S. 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 business. In particular, as a result of the Dodd-Frank Act's requirement that essentially all transactions in commodities be executed on an exchange, after July 15, 2011, we were no longer permitted to offer leveraged spot metal transactions in the United States. For the period from January 1, 2011 through July 15, 2011, our leveraged spot metals trading business with U.S. customers generated approximately $20.7 million in net revenue.

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.

GFT Transaction

On September 24, 2013, we entered into an Amended and Restated Stock Purchase Agreement with Gary L. Tilkin and Global Futures & Forex, Ltd., or GFT, pursuant to which we agreed to purchase all of the issued and outstanding shares of common stock of GFT from Mr. Tilkin. The transaction closed on September 24, 2013.

Pursuant to the terms of the Stock Purchase Agreement, we purchased the shares of GFT for an aggregate purchase price consisting of (i) $20.0 million in cash to be paid upon the closing date of the transaction, (ii) up to $20.0 million in cash, referred to as the Holdback Amount, to be paid upon the settlement of certain liabilities of GFT after the closing date, (iii) 3,625,721 shares of our common stock and (iv) a term loan from Mr. Tilkin in an amount equal to approximately $33.2 million. Under the terms of the Stock Purchase Agreement, Mr. Tilkin has agreed to indemnify us for certain liabilities of GFT that are expected to be settled after the closing date. Mr. Tilkin's indemnification obligation for these liabilities shall first be settled out of the Holdback Amount, with any amounts in excess of the Holdback Amount being settled directly by Mr. Tilkin or by reduction of s previously outstanding term loan. Upon settlement of 80% of these liabilities, the remaining Holdback Amount, if any, will be paid to Mr. Tilkin, subject to certain conditions and terms. The purchase price is subject to a post-closing adjustment based on the amount of cash and working capital in GFT as of the closing date. Although the amount of the adjustment has not been finalized, we currently expect to make an adjustment payment of approximately $2.2 million to Mr. Tilkin based on the amount of cash at GFT as of the closing.

In connection with the closing of the acquisition, on September 24, 2013 we also entered into an Amended and Restated Stockholders' Agreement with Mr. Tilkin, pursuant to which Mr. Tilkin agreed to customary restrictions on transfer of his common stock. Among other restrictions, Mr. Tilkin may not transfer his shares of common stock until the later of (i) the six month anniversary of the closing date or (ii) the settlement of 65% of the liabilities described above, after which time Mr. Tilkin may transfer up to 16.67% of his shares every three months, subject to compliance with Rule 144 in a manner that avoids directed and block sales.

On the closing date, we also entered into a Loan and Security Agreement with Mr. Tilkin providing for a term loan. The term loan had a term of five years and bore interest at a rate of 8.0% per annum, payable quarterly. In connection with the issuance of our 4.125% Convertible Senior Notes due in November 2013, we entered into an agreement with Mr. Tilkin to settle all outstanding obligations under the term loan for a payment of approximately $31.7 million.

The foregoing descriptions of the Stock Purchase Agreement, the Stockholders' Agreement and the Loan and Security Agreement do not purport to be complete, and are qualified in their entirety by reference to the full text of those agreements. The Stock Purchase Agreement was filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on September 25, 2013, and the Stockholders' Agreement and the Loan and Security Agreement are filed as exhibits to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013. The representations, warranties and covenants contained in the Stock Purchase Agreement, the Stockholders' Agreement and the Loan and Security Agreement have been made solely for purposes of those agreements and as of specific dates and are not intended as statements of fact to be relied upon by any party other than the parties to those agreements.

The acquisition of GFT was made as part of our strategy to increase the range of products that we offer, especially into non-forex products, and to expand our businesses into new markets and geographies. In particular, as a result of the acquisition, we added significant new partnerships in OTC trading, substantially expanded our the non-forex products we offer, especially in CFDs, binaries and spread bets, and deepened our global footprint, providing us with an increased presence in key European, Middle Eastern and other markets. As discussed below in "- Key Income Statement Line Items and Key Operating Metrics" and " - Results of Operations," the acquisition of GFT has had a significant impact on our financial condition and results of operations when compared to prior periods. Accordingly, our past results of operations should not be read as indicative of expected future performance.

Subsequent Events

On March 12, 2014, we announced that we had entered into purchase agreements with each of Global Asset Advisors, LLC ("GAA") and Top Third Ag Marketing LLC ("Top Third") providing for the purchase of 55% of the outstanding shares of GAA and Top Third from their major shareholders. The acquisitions are part of our strategy to expand the range of non-forex products that we offer. Once the transactions close, we will have call options to acquire the remaining 45% of each company. The parties to each agreement are subject to customary covenants between the date of the agreements and their respective closing dates, and the subject of each agreement is subject to the satisfaction of customary closing conditions.

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 metrics, and key operating metrics we use to evaluate the performance of our business.

Revenue

We generate revenue from trading revenue, commission revenue, other revenue and interest income.

Trading Revenue

Trading revenue is our largest source of revenue and has traditionally been generated primarily in our retail forex business. Following our acquisition of GFT, we expect trading revenue generated by non-forex products, particularly CFDs, to materially increase in future periods. Trading revenue represented 77.0% of our total net revenue for the year ended December 31, 2013, and 84.2% of our total net revenue for the year ended December 31, 2012.

We generate trading revenue as follows:

- for trades that are naturally hedged against an offsetting trade from another customer, we receive the entire retail bid/offer spread we offer our customers on the two offsetting transactions;
- for trades that are hedged with one of our wholesale trading partners, we receive the difference between the retail bid/offer spread we offer our customers and the wholesale bid/offer spread we receive from the wholesale trading partners; and
- with respect to the remaining customer trades, which we refer to as our net exposure, we receive the net gains or losses generated through changes in the market value of the currencies held in our net exposure.

For the year ended December 31, 2013, approximately 96% of our average daily retail trading volume was either naturally hedged or hedged by us with one of our wholesale forex trading partners, and the remaining 4% of our average daily retail trading volume consisted of our net exposure, compared to average daily retail trading volume hedged of approximately 96% and 97% in 2012 and 2011, respectively.

We manage our net exposure by applying position and exposure limits established under our risk-management policies and by continuous, active monitoring by our traders. Based on our risk management policies and procedures, over time a portion of our net exposure may be hedged with our wholesale forex trading partners. Although we do not actively initiate proprietary directional 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 currencies at any given time. In the event of unfavorable market movements, we may take a loss on such positions. See “Sophisticated Risk Management” in Item 1. Business, in this Form 10-K for further details regarding our risk management policies.

Commission Revenue

Commission revenue has historically been comprised of revenue from our GTX business, revenue from our futures business, and revenue from GAIN Securities, our securities business. In October 2013, GAIN Securities transferred substantially all of its customer accounts to TradeKing, LLC. Since we acquired GFT in September 2013, we have also realized commission revenue from the sales trader business acquired from GFT. Our sales traders offer high-touch trading services to high net worth individuals.

The businesses discussed above generally generate revenue by earning a commission on each transaction, which is recorded under commission revenue. This commission revenue generally generates a lower profit margin compared to what we have historically experienced in our trading business.

Other Revenue

Other revenue is comprised of account management, transaction and performance fees related to customers who have assigned trading authority to our subsidiary Gain Capital Asset Management, or GCAM; inactivity and training fees charged to customer accounts; foreign currency transaction gains and losses; and other miscellaneous items from each of our businesses.

Net Interest Revenue / Expense

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 wholesale forex trading partners, less interest expense on our 4.125% Convertible Senior Notes.

Our cash and customer cash is generally invested in money market funds, which primarily invest in short-term U.S. government securities or treasury bills. Such deposits and investments earned interest at an average effective rate of approximately 0.1% for the year ended December 31, 2013 and 2012. Interest paid to customers varies among customer accounts 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. From time to time, we also make available interest promotions pursuant to which we may pay certain customers higher levels of interest than that which is paid to other customers. Interest income and interest expense are recorded when earned and incurred, respectively. Net interest expense was $0.6 million for the year ended December 31, 2013, compared to net interest revenue of $0.1 million for the year ended 2012.

Expenses

Our expenses are principally comprised of employee compensation and benefits, selling and marketing, trading expenses and commissions, purchased intangible amortization and other expenses.

Employee Compensation and Benefits

Employee compensation and benefits includes salaries, bonuses, 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 of our trading Internet website, FOREX.com, and attracting customers in a cost-efficient manner. For the year ended December 31, 2013, selling and marketing expense was $22.3 million, compared to $27.0 million for the year ended December 31, 2012.

Trading Expense and Commissions

Trading expense and commissions consists of compensation paid to our white label partners and introducing brokers and commissions paid to certain employees.

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 potential trading customers to us. White label partners and introducing brokers generally handle marketing and the other expenses associated with attracting customers. Accordingly, we do not incur any incremental sales and marketing expense in connection with trading revenue generated by customers provided through our white label partners and introducing brokers. We do, however, pay a portion of this trading revenue to our white label partners and introducing broker partners and record this payment under trading expense and commissions. This expense is largely variable and changes 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. 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 their customers. This situation occurred in 2011, in particular in the fourth quarter of the year, which resulted in an increase in trading expense despite a decrease in trading revenue generated by our white label and introducing broker clients. Our indirect business accounted for 38.6%, 37.8% and 38.9% of retail trading volume in the years ended December 31, 2013, 2012 and 2011, respectively. As a result of our acquisition of GFT, we expect that our indirect business will account for an increased percentage of our retail trading volume in future periods.

Trading expense and commission also includes commissions paid to certain of our employees. These commissions are variable and fluctuate principally based on the level of commission revenue generated by clients that the employees cover or introduced to the business.

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 for internally developed software.

Purchased Intangible Amortization

Purchased intangible amortization consists of amortization related to intangible assets we acquired in 2013, 2012 and 2011 in connection with our acquisition of customer accounts in several transactions we executed during these periods. The principal intangible assets acquired were customer assets and a non-compete agreement. These intangible assets have useful lives ranging from one year to six 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

In 2013 and 2012, we incurred restructuring expenses, which reflected costs arising from headcount reductions and other exit costs, measured and disclosed in accordance with ASC 420 and ASC 712.

Acquisition Expenses

In 2013 and 2012, we incurred acquisition related expenses, which included non-recurring costs, such as legal, accounting, valuation and other costs specified in ASC 805. These costs are expensed as incurred.

Integration Expenses

In 2013, we incurred integration expenses, which are non-recurring acquisition related costs that do not meet the definition of acquisition costs specified in ASC 805.

Impairment of Investment

In 2013, our investment in Kapitall, Inc., a cost basis minority interest originating in 2011, became impaired.

Non-GAAP Financial Metrics

We use adjusted net income and adjusted earnings per common share, each of which is a non-GAAP financial metric, to evaluate our business. We believe our reporting of adjusted net income and adjusted earnings per share assists investors in evaluating our operating performance. Adjusted net income and adjusted earnings per common share are not measures of financial performance calculated in accordance with GAAP. They should be considered in addition to, but not as a substitute for, other measures of our financial performance reported in accordance with GAAP, such as net income and earnings per common share. Below is a discussion and reconciliation of these non-GAAP financial metrics.

Adjusted Net Income

Adjusted net income is a non-GAAP financial measure and represents our net income/(loss) excluding restructuring and other non-recurring expenses, which include deal-related acquisition costs, such as legal, accounting and valuation expenses, the acceleration of amortization of our TRADE platform, gain on extinguishment of debt and other expenses incurred in connection with, or as a result of, merger and acquisition transactions. We believe this financial metric assists our investors in evaluating our operating performance. This non-GAAP financial measure has certain limitations, including that it does not have a standardized meaning. Therefore, our definition may be different from similar non-GAAP financial measures used by other companies or analysts, and it may be difficult to compare our financial performance to that of other companies.

Adjusted Earnings Per Share

Adjusted earnings per share is a non-GAAP financial measure and represents our net income/(loss) per share excluding restructuring and other non-recurring expenses, which include deal-related acquisition costs such as legal, accounting and valuation expenses, and the acceleration of amortization of our TRADE platform. We believe this financial metric assists investors in evaluating our operating performance. This non-GAAP financial measure has certain limitations, including that it does not have a standardized meaning. Therefore, our definition may be different from similar non-GAAP financial measures used by other companies or analysts, and it may be difficult to compare our financial performance to that of other companies.

Reconciliation of Non-GAAP Financial Metrics

The following table provides a reconciliation of GAAP net income to adjusted net income and adjusted earnings per common share (amounts in thousands except per share amounts):

	Year Ended December 31,		
	2013	2012	2011
Net income applicable to GAIN Capital Holdings, Inc.	$ 31,311	$ 2,621	$ 15,698
Restructuring, net of tax	1,090	1,455	—
Other non-recurring items, net of tax	1,544	195	$ —
Adjusted net income	$ 33,945	$ 4,271	$ 15,698
Adjusted earnings per common share:			
Basic	$ 0.93	$ 0.12	$ 0.46
Diluted	$ 0.86	$ 0.11	$ 0.40

Other Financial Metrics

In addition to the financial metrics discussed above, we review various key operating metrics, which are described below, to evaluate the performance of our businesses.

Key Operating Metrics (Unaudited) Year Ended December 31,	2013	2012	2011	2010	2009
Retail					
Funded Accounts	133,056	85,099	76,485	85,562	60,168
Active OTC Accounts	98,696	60,219	63,435	64,313	52,755
Futures DARTS	13,785	13,581	—	—	—
OTC Trading Volume (billions)	$ 1,796.7	$ 1,303.4	$ 1,574.0	$ 1,324.8	$ 1,246.7
Average Daily Volume (billions)	$ 6.9	$ 5.0	$ 6.0	$ 5.1	$ 4.8
Client Assets (millions)	$ 739.3	$ 446.3	$ 310.4	$ 256.7	$ 199.8
Institutional					
Trading Volume (billions)	$ 3,961.0	$ 1,952.6	$ 853.9	$ 239.3	—
Average Daily Volume (billions)	$ 15.2	$ 7.5	$ 3.3	$ 0.9	—

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 the market for leveraged trading, as well as 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 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 increasing overall customer trading activity.

For the years ended December 31, 2013 and December 31, 2012, no single retail customer accounted for more than 2.0% of our retail trading volume for the period.

Funded Accounts

Funded accounts represent retail customers who maintain cash balances with us. We believe the number of funded retail accounts is an important indicator of our ability to attract new retail customers that can potentially lead to trading volume and revenue in the future; however, it does not represent actual trades executed.

Active OTC Accounts

Active OTC accounts represents 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 our trading volume and revenue.

Futures DART's, or Daily Average Revenue Trades

DARTs represents the number of futures or options on futures trades in a given period divided by the number of trading days in the given period.

OTC Trading Volume (Retail)

OTC trading volume is the U.S. dollar equivalent of the aggregate notional value of OTC trades executed by our retail customers. Approximately 31.2% of our overall customer trading volume for the year ended December 31, 2013 was generated by our retail businesses, compared to 40.0% for the year ended December 31, 2012.

Average Daily Volume

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

Client Assets

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

Trading Volume (Institutional)

Trading volume is the U.S. dollar equivalent of the aggregate notional value of OTC trades executed by our institutional customers. Approximately 68.8% and 60.0% of our overall customer trading volume for the years ended December 31, 2013 and 2012, respectively, was generated by our institutional trading business.

Results of Operations

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue (amounts in thousands)

	Year Ended December 31,	
	2013	**2012**
REVENUE:		
Trading revenue	205,133	127,520
Commission revenue	60,727	21,373
Other revenue	1,099	2,331
Total non-interest revenue	266,959	151,224
Interest revenue	821	627
Interest expense	1,389	491
Total net interest (expense) / revenue	(568)	136
Net Revenue	266,391	151,360

Our total net revenue increased $115.0 million, or 76.0%, for the year ended December 31, 2013, compared to the year ended December 31, 2012.

Trading revenue increased $77.6 million, or 60.9%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. GFT, which was acquired in September 2013, contributed $16.4 million, or 21.1% to the increase, with the remaining increase primarily driven by increased trading volume principally due to higher volatility levels in the foreign exchange markets. While volatility levels for the year ended December 31, 2013 were higher when compared to the multi-year lows experienced in 2012, they were still well below 2008-2011 averages.

Commission revenue increased $39.4 million, or 184.3%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. The increase was primarily due to an additional $14.6 million from our GTX business, as well as an increase of $14.3 million from our futures business, reflecting a full year contribution in 2013. The sales trader business acquired from GFT contributed an additional $10.4 million in commission.

Other revenue decreased $1.2 million for the year ended December 31, 2013, compared to the year ended December 31, 2012, primarily due to a foreign currency translation loss of $1.5 million in 2013.

Our net interest (expense)/revenue decreased from $0.1 million of revenue for the year ended December 31, 2012 to $0.6 million of interest expense for the year ended December 31, 2013, primarily due to the interest expenses on the 4.125% Convertible Senior Notes issued in the fourth quarter of 2013.

Expenses

	Year Ended December 31,	
	2013	2012
Total expenses (amounts in thousands)	223,286	150,218
As a percentage of net revenue	83.8%	99.2%

Our total expenses increased $73.1 million, or 48.6%, for the year ended December 31, 2013, compared to the year ending December 31, 2012. The increase was primarily due to an increase in trading expense and commissions of $39.7 million, an increase in compensation and benefits of $19.7 million, an increase in general and administrative expenses of $6.9 million, an increase in restructuring, acquisition and integration costs of $4.7 million, and an increase in communications and technology of $3.6 million.

Employee Compensation and Benefits

	Year Ended December 31,	
	2013	2012
Employee compensation and benefits (amounts in thousands)	67,134	47,469
As a percentage of net revenue	25.2%	31.4%

Employee compensation and benefits expenses increased $19.7 million, or 41.4%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. The GFT acquisition contributed $11.9 million to the increase, with salary and benefits (excluding bonus) otherwise increasing by $3.1 million in 2013 due to the increase in results of operations, the inclusion of a full year of our futures business and the hiring of several senior executives and additional sales employees. Bonus expenses increased $4.7 million in 2013 due to the increase in results of operations compared to the prior year.

Selling and Marketing Expenses

	Year Ended December 31,	
	2013	2012
Selling and marketing (amounts in thousands)	22,337	26,969
As a percentage of net revenue	8.4%	17.8%

Selling and marketing expenses decreased $4.6 million, or 17.2%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. This decrease was due to a combination of efforts to increase the efficiency of marketing programs and the targeting of geographic markets that we believe produce a higher return on investment.

Trading Expenses and Commissions

	Year Ended December 31,	
	2013	2012
Trading expenses and commissions (amounts in thousands)	77,718	38,047
As a percentage of net revenue	29.2%	25.1%

Trading expenses and commissions increased $39.7 million, or 104.3%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. The GFT acquisition contributed $11.7 million of the increase, while commissions and fees paid to introducing brokers increased by $17.0 million as a result of increased levels of customer trading volume directed to us from our white label partners and introducing brokers. Clearing and exchange fees associated with our GTX and futures businesses increased $5.7 million compared to the year ended December 31, 2012, principally due to a large increase in GTX trading volume and the inclusion of a full year of operations for our futures business in 2013. In addition, sales commissions paid to employees increased $5.1 million in 2013 due to the increase in results of operations of our businesses.

General and Administrative

	Year Ended December 31,	
	2013	**2012**
General and administrative (amounts in thousands)	26,813	19,865
As a percentage of net revenue	10.1%	13.1%

General and administrative expense increased $6.9 million, or 35.0%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. This increase was primarily due to an increase in professional fees of $3.4 million, an increase in occupancy and equipment expenses of $1.2 million, primarily due to the additional locations acquired in the GFT transaction and other locations added during 2012 being included for the full year in 2013, and an increase in bank fees of $1.7 million primarily attributable to an increase in customer activity and accounts acquired from GFT.

Depreciation and Amortization

	Year Ended December 31,	
	2013	**2012**
Depreciation and amortization (amounts in thousands)	7,768	4,921
As a percentage of net revenue	2.9%	3.3%

Depreciation and amortization increased by $2.8 million, or 57.9%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. The acquisition of GFT contributed approximately $1.0 million of depreciation and amortization expense. The remaining increase was primarily due to an increase in the amortization of software purchased or developed internally during 2012.

Purchased Intangible Amortization

	Year Ended December 31,	
	2013	**2012**
Purchased intangible amortization (amounts in thousands)	2,906	4,134
As a percentage of net revenue	1.1%	2.7%

Purchased intangible amortization decreased $1.2 million, or 29.7%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. The decrease was principally due to the intangible assets acquired from Capital Market Services, LLC in October 2010, becoming fully amortized during the second quarter of 2012, partially offset by additional amortization relating to the acquisitions of OEC and GFT.

Communications and Technology

	Year Ended December 31,	
	2013	**2012**
Communication and technology (amounts in thousands)	11,315	7,736
As a percentage of net revenue	4.2%	5.1%

Communications and technology expenses increased $3.6 million, or 46.3%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. This increase was principally attributed to the acquisition of GFT.

Restructuring expense

	Year Ended December 31,	
	2013	2012
Restructuring (amounts in thousands)	1,570	634
As a percentage of net revenue	0.6%	0.4%

Restructuring expenses reflect severance payments and related expenses of $1.6 million and $0.6 million that arose in connection with headcount reductions implemented in the years ended December 31, 2013 and December 31, 2012, respectively.

Acquisition expense

	Year Ended December 31,	
	2013	2012
Acquisition expense (amounts in thousands)	1,824	85
As a percentage of net revenue	0.7%	0.1%

Acquisition expenses are costs directly attributable to the acquisitions of GFT in 2013 and OEC in 2012, primarily consisting of legal, accounting and other professional advisory fees.

Integration expense

	Year Ended December 31,	
	2013	2012
Integration (amounts in thousands)	1,950	—
As a percentage of net revenue	0.7%	—%

In 2013, we incurred $2.0 million of integration expenses, principally attributable to retention payments to GFT employees and accelerated amortization of assets acquired in the GFT transaction.

Income Taxes

	Year Ended December 31,	
	2013	2012
Income tax expense/(benefit) (amounts in thousands)	$ 13,794	$ (1,479)
Effective tax rate	30.6%	(129.4)%

Income tax expense increased $15.3 million resulting in a tax expense of $13.8 million for the year ended December 31, 2013, compared to income tax benefit of $1.5 million for the year ended December 31, 2012. Our effective tax rate in the year ended December 31, 2013 was 30.6%. This is lower than the 35% U.S. statutory rate, primarily due to the foreign rate differential from our international operations, where tax rates for those operations are generally lower than the U.S. statutory rate. As such, the proportion of our consolidated taxable earnings originating in foreign jurisdictions impacts our consolidated tax rate. Please see Note 12 to our audited consolidated financial statements for more information on our effective tax rate.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue (amounts in thousands)

	Year Ended December 31,	
	2012	2011
REVENUE:		
Trading revenue	$ 127,520	$ 175,854
Commission revenue	21,373	4,691
Other revenue	2,331	1,790
Total non-interest revenue	151,224	182,335
Interest revenue	627	544
Interest expense	491	1,414
Total net interest revenue/(expense)	136	(870)
Net Revenue	$ 151,360	$ 181,465

Our total net revenue decreased $30.1 million, or 16.6%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. Trading revenue decreased $48.3 million, or 27.5%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. Retail trading volumes decreased for the year ended December 31, 2012, compared to the year ended December 31, 2011, as a result of challenging trading conditions, principally due to low overall market volatility and tight trading ranges of the most widely traded foreign currencies. In particular, the average true range and intraday trading volatility of the major currencies that we offer were both at multi-year lows during the year ended December 31, 2012, which adversely affected retail trading volume during such periods. As a result, our ability to generate retail trading revenue was also adversely affected.

Our commission revenue increased $16.7 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, including an increase of $11.1 million from our institutional business, and an additional $5.6 million of revenue generated by our newly acquired futures business, OEC, from the acquisition date of August 31, 2012 through the end of the year. Our other revenue increased $0.5 million for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to an increase of $2.3 million in data fees, which was partially offset by a decrease in foreign exchange translation revenue of $1.5 million and a decrease in managed account fees of $0.2 million.

Our net interest revenue/(expense) increased from $0.9 million of expense for the year ended December 31, 2011 to $0.1 million of revenue for the year ended December 31, 2012, primarily due to a lower average outstanding term loan balance, a decrease in interest paid to customers and an increased focus on cash management strategies to increase the yield on our cash holdings.

Expenses

	Year Ended December 31,	
	2012	2011
Total expenses (amounts in thousands)	150,218	158,221
As a percentage of net revenue	99.2%	87.2%

Our total expenses decreased $8.0 million, or 5.1%, for the year ended December 31, 2012, compared to the year ending December 31, 2011. The decrease was due to a decrease of $9.2 million of selling and marketing expense, a decrease of $4.8 million of purchased intangible amortization, a decrease of $2.0 million of general and administrative expenses and a decrease of $0.5 million in the bad debt provision. These decreases were partially offset by an increase in trading expense of $5.0 million, an increase in employee compensation and benefits of $1.1 million, an increase in depreciation and amortization of $1.0 million, restructuring charges of $0.6 million and an increase in communications and technology of $0.6 million.

The changes in key operating expense items are described further below.

Employee Compensation and Benefits

	Year Ended December 31,	
	2012	2011
Employee compensation and benefits (amounts in thousands)	47,469	46,362
As a percentage of net revenue	31.4%	25.5%

Employee compensation and benefits expenses increased $1.1 million, or 2.4%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. Salary and benefits (excluding bonus and stock compensation) increased $2.9 million, primarily due to the hiring of members of senior management, additional institutional sales employees and employees related to the acquisition of OEC. The increase in compensation and benefits was partially offset by a decrease in bonus expense of $1.2 million, due to the decrease in operating results of our business for the year ended December 31, 2012, compared to the prior year, a decrease in stock compensation expense of $0.7 million, principally due to a decrease in the value of more recent grants compared to the value of historical grants and a decrease in our retirement plan expenses of $0.1 million.

Selling and Marketing Expenses

	Year Ended December 31,	
	2012	2011
Selling and marketing (amounts in thousands)	26,969	36,195
As a percentage of net revenue	17.8%	19.9%

Selling and marketing expenses decreased $9.2 million, or 25.5%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. This was primarily due to a realignment of marketing expense to regions which we believe will provide higher growth potential and lower customer acquisition costs. Additionally, decreased sales and marketing expenses were primarily due to a decrease in advertising expenses in response to market conditions, particularly in the fourth quarter of 2012.

Trading Expenses and Commissions

	Year Ended December 31,	
	2012	2011
Trading expenses and commissions (amounts in thousands)	38,047	33,040
As a percentage of net revenue	25.1%	18.2%

Trading expenses and commissions increased $5.0 million, or 15.2%, for the year ended December 31, 2012, compared to the year ended December 31, 2011, primarily due to the increase in volumes in our institutional business and the acquisition of OEC. This was partially offset by the decrease in trading volumes in our retail trading business. This expense is largely variable and is directly associated with the levels of customer trading volume directed to us from our white label partners and introducing brokers.

General and Administrative

	Year Ended December 31,	
	2012	2011
General and administrative (amounts in thousands)	19,865	21,842
As a percentage of net revenue	13.1%	12.0%

General and administrative expense decreased $1.9 million, or 8.7%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. This decrease was primarily due to a decrease of $0.9 million in professional fees, a decrease of $0.9 million in bank fees and a decrease in other miscellaneous expenses of $0.3 million. These decreases were partially offset by a $0.1 million increase in occupancy and equipment expenses.

Depreciation and Amortization

	Year Ended December 31,	
	2012	**2011**
Depreciation and amortization (amounts in thousands)	4,921	3,898
As a percentage of net revenue	3.3%	2.1%

Depreciation and amortization increased by $1.0 million, or 26.2%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. This increase was primarily due to an increase in the amortization of software purchased or developed internally, which was placed into service at the end of 2011 or during 2012, including the company's trading platform, TRADE, which was launched in September 2012.

Purchased Intangible Amortization

	Year Ended December 31,	
	2012	**2011**
Purchased intangible amortization (amounts in thousands)	4,134	8,893
As a percentage of net revenue	2.7%	4.9%

Purchased intangible amortization decreased $4.8 million, or 53.5%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. The decrease was due to the purchased intangible assets acquired from Capital Market Services, LLC in October 2010 becoming fully amortized during the second quarter of 2012, partially offset by additional amortization in the second half of 2012 related to the acquisition of OEC.

Communications and Technology

	Year Ended December 31,	
	2012	**2011**
Communication and technology (amounts in thousands)	7,736	7,139
As a percentage of net revenue	5.1%	3.9%

Communications and technology expenses increased $0.6 million, or 8.4%, for the year ended December 31, 2012, compared to the year ended December 31, 2011. The increase was primarily due to higher costs incurred in 2012 in connection with development efforts associated with our TRADE platform and an increase of $0.2 million in data processing costs.

Income Taxes

	Year Ended December 31,	
	2012	**2011**
Income tax(benefit)/expense (amounts in thousands)	(1,479)	7,546
As a percentage of net revenue	(1.0)%	4.2%

Income tax expense decreased $9.0 million resulting in a tax benefit of $1.5 million for the year ended December 31, 2012, compared to income tax expense of $7.5 million for the year ended December 31, 2011. Our consolidated effective tax rate is impacted by the statutory income tax rates applicable to each of the jurisdictions in which we operate. The decrease in our effective tax rate for fiscal 2012 was primarily attributable to the foreign rate differential from our international operations, where tax rates for these operations are generally lower than the U.S. statutory rate, as well as the reversal of previously established valuation allowances of approximately $0.6 million in the aggregate due to an increase in reported income in certain foreign jurisdictions. The increased tax benefit from foreign operations was due primarily to an increase in foreign earnings, reducing our effective tax rate by 121.1%. Please see Note 12 to our audited consolidated financial statements for more information on our effective tax rate. As our foreign earnings are generally taxed at lower statutory rates than our 35% U.S. statutory rate, changes in the proportion of our consolidated taxable earnings originating in foreign jurisdictions will impact our consolidated tax rate.

Liquidity and Capital Resources

We have historically financed our liquidity and capital needs primarily through the use of funds generated from operations, the issuance of debt and equity securities, including the 4.125% Convertible Senior Notes due 2018 that we issued in the fourth quarter of 2013,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 consistent with our historical annual spend.

We primarily hold and invest our cash at various financial institutions and in various investments, including cash held at banks, deposits at our wholesale forex trading partners 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 cash flow is generated from operations are generated by our operating subsidiaries. Historically, we have accessed these funds through the receipt of dividends from these subsidiaries. The following table shows the amount of cash held by our subsidiaries and the amount of undistributed earnings at December 31, 2013 (amounts in millions):

Entity Name	Cash Held	Undistributed Earnings
GAIN Capital-Forex.com U.K., Ltd.	$ 169.0	$ 53.7
Forex.com Japan Co., Ltd.	53.1	(4.6)
GAIN Capital Forex.com Australia, Pty. Ltd.	8.0	(0.8)
GAIN Capital-Forex.com Hong Kong, Ltd.	3.9	(0.9)
GAIN Global Markets, Inc.	0.1	(1.0)
GAIN Capital-Forex.com Canada Ltd.	3.4	(0.3)
GAIN Capital-Forex.com Singapore Ltd.	0.2	(0.7)
GAIN GTX Singapore Pte. Ltd.	0.3	—
Island Traders (Cayman) Limited	—	—
GFT Global Markets UK, Ltd.	241.9	(1.9)

At December 31, 2013, as reflected in the table above, we had approximately $53.7 million held in undistributed earnings of our foreign subsidiaries that was indefinitely invested outside the United States. These earnings are expected to be reinvested in the working capital and other business needs of the foreign subsidiaries. No provision has been made for U.S. taxes that would arise if these earnings were repatriated to the United States. If these earnings had been repatriated into the United States as of December 31, 2013, in the form of dividends or otherwise, the Company would have been subject to additional income taxes of approximately $6.2 million.

Some of our operating subsidiaries are subject to requirements of various regulatory bodies, including the CFTC and NFA in the United States, the Financial Conduct Authority in the United Kingdom, the Japan Ministry of Economy, Trade and Industry, the Financial Services Agency and the Japan Ministry of Agriculture, Forestry and Fisheries in Japan, or the Securities and Futures Commission in Hong Kong, the Australian Securities and Investments Commission in Australia, and the Cayman Islands Monetary Authority 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. In accordance with CFTC regulation 1.12 and NFA Financial Requirements Section 1, a 20.0% decrease in GAIN Capital Group, LLC’s net capital and a 30.0% decrease in excess net capital due to a planned equity withdrawal requires regulatory notification and/or approval.

Table of Contents

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of December 31, 2013 and the actual amounts of capital that were maintained on that date (amounts in millions):

	Minimum Regulatory	**Capital Levels**	**Excess Net**
Entity Name	**Minimum Regulatory Capital Requirements**	**Capital Levels Maintained**	**Excess Net Capital**
GAIN Capital Group, LLC	24.6	39.1	14.5
GAIN Capital Securities, Inc.	0.1	0.5	0.4
GAIN Global Markets, Inc.	0.1	0.3	0.2
GAIN Capital Forex.com Australia, Pty. Ltd.	0.3	2.6	2.3
GAIN Capital-Forex.com U.K., Ltd.	20.5	57.5	37.0
GAIN Capital-Forex.com Hong Kong, Ltd.	1.9	3.8	1.9
GAIN Capital-Forex.com Canada Ltd.	0.2	2.0	1.8
Forex.com Japan Co., Ltd.	3.1	9.5	6.4
Global Futures & Forex, Ltd.	1.0	9.0	8.0
GFT Global Markets UK Ltd.	32.3	57.2	24.9
GFT Global Markets Asia Pte., Ltd.	1.6	1.7	0.1
Total	$ 85.7	$ 183.2	$ 97.5

Our futures commission merchant and forex dealer subsidiary, GAIN Capital Group, 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, Gain Capital Group, LLC is required to maintain adjusted net capital of the greater of $1.0 million or 8% of Customer and Non-Customer Maintenance Margin, or $20,000,000 plus 5% of all liabilities owed to customers exceeding $10,000,000. Net capital represents current assets less total liabilities as defined by CFTC Rule 1.17. Our current assets primarily consist of cash and cash equivalents reported on our balance sheet as cash, receivables from brokers and trading securities, which are generally short-term U.S. government securities. Our 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 against assets held based on factors required by the Commodity Exchange Act to calculate adjusted net capital. Our net capital and adjusted net capital changes from day to day. As of December 31, 2013, GAIN Capital Group, LLC had net capital of approximately $39.1 million and net capital requirements of $24.6 million. As of December 31, 2013, GAIN Capital Group's excess net capital was $14.5 million. We believe that we currently have sufficient capital to satisfy these on-going minimum net capital requirements.

We are required to maintain cash on deposit with our wholesale forex trading partners in order to conduct our hedging activities. As of December 31, 2013, we posted $227.6 million in cash with wholesale forex trading partners, of which $148.7 was required as collateral pursuant to our agreements for holding securities positions with such institutions, with $84.1 million representing the available cash in excess of required collateral. As of December 31, 2013, our total client assets were $739.3 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 information regarding our total available liquidity as of December 31, 2013 and as of December 31, 2012. We use this non-GAAP measure to evaluate our business operations and our ability to continue to grow through acquisitions (amounts in millions):

	As of December 31, 2013	As of December 31, 2012
Cash and cash equivalents	39.9	36.8
Cash and cash equivalents held for customers	739.3	446.3
Short term investments[1]	0.8	1.4
Receivable from bank and brokers[2]	227.6	89.9
Total operating cash	1,007.6	574.4
Less: Cash and cash equivalents held for customers	(739.3)	(446.3)
Net operating cash	268.3	128.1
Less: Minimum regulatory requirements	(85.7)	(45.6)
Convertible Senior Notes[3]	(80.0)	—
Free cash available[4]	102.6	82.5
Add: Available credit facility[5]	—	17.0
Available Liquidity	102.6	99.5

(1) Reflects cash that would be received upon the liquidation of short term investments. We estimate that all short term investments as of the date indicated could be liquidated within 1 to 2 business days.
(2) Reflects cash that would be received from brokers following the close-out of all open positions. We estimate that liquidation of all open positions as of the date indicated could be completed within 1 to 2 business days.
(3) The note payable amount reflects the aggregate principal amount of the notes outstanding, rather than solely the debt portion that is carried on our consolidated balance sheets at December 31, 2013.
(4) Excludes current liabilities of $62.8 million and capital charges associated with open positions.
(5) The revolving line of credit was terminated in September 2013.

Convertible Senior Notes

On November 27, 2013, we issued $80 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 $77.2 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 semiannually in arrears on June 1 and December 1 of each year, beginning on June 1, 2014. The semi-annual interest payment on the notes will equal approximately $1.7 million for June and December 2014. 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 December 1, 2018, unless earlier converted, redeemed or repurchased. We may not redeem the notes prior to December 1, 2016.

In May 2008, the Financial Accounting Standards Board, or 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) 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 was reflected as a liability in our consolidated balance sheet in an amount equal to the fair value, which, as of December 31, 2013, was $65.4 million. The equity component of the notes is included in the additional paid-in capital section of our stockholders' equity on our consolidated balance sheet, 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 December 31, 2013, was $12.1 million. 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 non-cash 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 debt discount and the notes' 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) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, were issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings per share could be adversely affected.

Credit Facility

As of December 31, 2012, we had a $50.0 million revolving line of credit through a loan and security agreement with Silicon Valley Bank and JPMorgan Chase Bank. There were no outstanding borrowings under the revolving line of credit as of December 31, 2012. As part of our acquisition of GFT in September 2013, all outstanding obligations under the revolving line of credit were satisfied and the line of credit was terminated.

Cash Flow

The following table sets forth a summary of our cash flow for the three years ended December 31, 2013 (amounts in thousands):

	Year ended December 31,		
	2013	**2012**	**2011**
Cash (used for) / provided by operating activities	$ (18,329)	$ 12,149	$ 59,596
Cash used for investing activities	(9,807)	(19,217)	(7,065)
Cash provided / (used for) by financing activities	33,633	(17,983)	(17,616)
Effect of exchange rate changes on cash and cash equivalents	(2,446)	1,650	(2,229)
Net increase / (decrease) in cash and cash equivalents	$ 3,051	$ (23,401)	$ 32,686

The primary drivers of our cash flow (used for) / provided by operating activities are net income, amounts posted as collateral with wholesale forex trading partners and amounts paid to fund our operations.

Amounts posted as collateral with wholesale foreign exchange trading partners are classified on our balance sheet as receivables from banks and brokers and represent collateral required to be deposited with our wholesale trading partners in order for us to hold securities positions, as well as the cash posted with wholesale forex trading partners in excess of required collateral. We post cash with wholesale trading partners in excess of required collateral to allow for adverse security price moves relative to our positions, which would raise our level of required collateral. We receive interest on amounts we have posted as collateral with wholesale trading partners. The amount of collateral required by our wholesale trading partners in the future will be commensurate with the amount of securities positions that they hold on our behalf. The amount of cash posted with wholesale trading partners in excess of required collateral is discretionary and may increase or decrease in future periods as we determine the most efficient uses of our cash.

Our largest operating expenses are employee compensation and benefits, selling and marketing expenses and trading expenses and commissions. Employee compensation and benefits include salaries, bonuses and other employee related costs. Selling and marketing expenses include online and search engine advertising and print and television advertising. Trading expenses and commissions consist primarily of compensation paid to our white label partners and introducing brokers, as well as commissions paid to certain sales personnel.

Unrealized gains and losses on cash positions revalued at prevailing foreign currency exchange rates are included in trading revenue but have no direct impact on cash flow from operations. Gains and losses become realized and impact cash flow from operations when customer transactions are liquidated. To some extent, the amount of net deposits made by our customer in any given period is influenced by unrealized gains and losses because our customers' trading positions are impacted by unrealized gains and losses and our customers may be required to post additional funds to maintain open positions or may choose to withdraw excess funds on open positions.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Cash used by operating activities was $18.3 million for the year ended December 31, 2013, compared to $12.1 million provided by operating activities for the year ended December 31, 2012. The primary reasons for the decrease in cash provided by operating activities were a decrease of $73.0 million in receivables from banks and brokers, a decrease of $43.3 million in cash and securities held for customers, and a decrease of $2.0 million in gain on extinguishment of debt. These decreases were partially offset by an increase in payables to customers, brokers, dealers, FCMs, and other regulated entities of $43.3 million; an increase in accrued compensation and benefits of $6.1 million; an increase in income tax payable of $3.4 million; an increase in gain/loss on foreign currency translation of $2.3 million; an increase in accrued expenses and other liabilities of $3.4 million; an increase in depreciation and amortization of $2.1 million; and an increase in net income of $28.7 million.

Cash used in investing activities was $9.8 million for the year ended December 31, 2013, compared to $19.2 million for the year ended December 31, 2012. The decrease in cash used in investing activities was principally caused by a $5.3 million reduction in acquisitions, a decrease of $2.2 million in the purchase of property and equipment, and a decrease in purchased treasury bills of $1.4 million.

Cash provided by financing activities was $33.6 million for the year ended December 31, 2013, compared to cash used by financing activities of $17.9 million for the year ended December 31, 2012. The increase in cash provided by financing activities principally resulted from the proceeds of the convertible senior note of $77.9 million, partially offset by a decrease in principal payments on notes payable of $23.3 million, and a decrease in treasury stock purchases of $4.0 million.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Cash provided by operating activities was $12.1 million for the year ended December 31, 2012, compared to $59.6 million for the year ended December 31, 2011. The primary reasons for the decrease in cash provided by operating activities were a decrease of $20.0 million in trading securities, a decrease of $18.1 million in receivables from banks and brokers, a decrease of $21.5 million in payables to customers, brokers, dealers, FCMs and other regulated entities and a decrease in net income of $13.0 million. These decreases were partially offset by an increase in cash and securities held for customers of $22.3 million.

Cash used in investing activities was $19.2 million for the year ended December 31, 2012, compared to $7.0 million for the year ended December 31, 2011. The increase in cash used in investing activities was principally due to $9.5 million related to the acquisition of OEC, an increase of $4.3 million in the purchase of property and equipment and the purchase of treasury bills of $1.4 million, partially offset by a decrease in the purchase of intangible assets of $2.5 million.

Cash used for financing activities was $17.9 million for the year ended December 31, 2012, compared to $17.6 million for the year ended December 31, 2011. The increase in cash used for financing activities was principally due to an increase in dividend payments of $5.2 million, partially offset by a decrease in payments of notes payable of $2.6 million and a decrease in the purchase of treasury stock of $1.7 million.

Capital Expenditures

Capital expenditures were $6.2 million for the year ended December 31, 2013, compared to $8.4 million for the year ended December 31, 2012. Capital expenditures for the years ended December 31, 2013 and 2012 were primarily related to the development of our trading platforms and websites.

Off-Balance-Sheet Arrangements

At December 31, 2013 and 2012 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.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2013. Amounts in thousands:

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Purchase Obligations	15,591	12,362	2,357	872	—
Operating Leases	21,884	4,194	6,388	3,517	7,785
Total	37,475	16,556	8,745	4,389	7,785

The amounts reported above for "Purchase Obligations" are calculated based upon mandatory pre-cancellation notice periods, if any.

Critical Accounting Policies

Our consolidated financial statements and accompanying notes have been prepared in accordance with GAAP applied on a consistent basis. The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. We evaluate these estimates and assumptions on an ongoing basis. We base our estimates on the information currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made; if different estimates reasonably could have been used; or if changes in the estimate that are reasonably likely to occur periodically could materially impact the financial statements. While our significant accounting policies are described in more detail in the notes to our consolidated financial statements included in this annual report, we believe the following accounting policies to be critical to the estimates and assumptions used in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue is recognized at trade-date.

Retail revenue is determined by the change in the price of the underlying. Unrealized gains or losses on positions revalued at prevailing rates (the difference between contract price and market price) at the date of the balance sheet are included in *Receivables from brokers* and *Payables to customers, brokers, dealers, FCMs and other regulated entities* on the Consolidated Balance Sheet. Changes in net unrealized gains or losses are recorded in *Trading revenue* on the Consolidated Statements of Operations and Comprehensive Income.

Commission revenue is determined by the volume of trades. Commission revenue is derived from our GTX business, our futures business and our sales trader business.

Income Taxes

Current income tax is calculated on the basis of the tax laws enacted or substantially enacted at the year end in the countries where we operate and generate taxable income.

Deferred income tax expenses are provided using the asset and liability method, under which deferred tax assets and liabilities are determined based upon the temporary differences between the consolidated financial statements and the income tax basis, using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in our Consolidated Statements of Operations and Comprehensive Income in the period of enactment. We routinely evaluate all deferred tax assets to determine the likelihood of their realization.

We use estimates in determining income tax positions under ASC 740-10-25, *Income Taxes.* Although we believe that our tax estimates are reasonable, the ultimate tax determination involves significant judgment and is subject to audit by tax authorities in the ordinary course of business.

To the extent we are required to pay amounts in excess of our reserves, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement could require use of our cash and result in an increase in our effective income tax rate in the period of resolution.

We operate a permanent reinvestment strategy, under which earnings derived from foreign business remain invested in the Company's foreign subsidiaries. We have no plans to repatriate these earnings.

Impairment of Long-Lived Assets

In accordance with ASC 360-10, *Property, Plant and Equipment*, we periodically evaluate the carrying value of long-lived assets when events and circumstances warrant such review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such an asset is separately identifiable and is less than the carrying value. In that event, a loss is recognized in the amount by which the carrying value exceeds the fair market value of the long-lived asset.

Convertible Senior Notes

In November 2013, we issued $80 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2018. These notes are hybrid instruments, having both a debt and an equity component, and we accounted for them in accordance with relevant guidance for such instruments. The debt component includes an initial discount determined by the notes' coupon rate and prevailing market interest rates. The equity component equals the initial discount and is included in *Additional Paid in Capital*. The discount will amortize over the life of the notes, as we record interest expense. The notes will mature on December 1, 2018, unless earlier converted redeemed or repurchased.

Business Combinations

In September 2013, we completed our acquisition of GFT. We accounted for this transaction in accordance with accounting guidance for business combinations, which required identifying the acquirer, determining the acquisition date, determining the purchase price and determining fair values for assets and liabilities assumed, as well as calculating goodwill. We disclosed *acquisition, restructuring, and integration expenses* separately. Please see "Note 5 - Acquisitions" to our audited consolidated financial statements for more information.

Goodwill and Intangible Assets

Relevant accounting guidance requires purchased intangible assets other than goodwill to be amortized over their useful lives unless the useful lives are determined to be indefinite. If the assets are determined to have a finite life in the future, we will amortize the carrying value over the remaining useful life at that time. Our URLs (*foreignexchange.com* and *forex.com*) are indefinite life intangible assets and are, therefore, not amortized. We compare the recorded value of the indefinite life intangible assets to their fair value on an annual basis and whenever circumstances arise that indicate that an impairment may have occurred. In accordance with relevant accounting guidance, we test goodwill for impairment on an annual basis during the fourth quarter and on an interim basis when conditions indicate impairment may have occurred. Goodwill impairment is determined by comparing the estimated fair value of the reporting unit with its respective book value. We performed our annual test for goodwill impairment in the fourth quarter of 2013 and noted there was no impairment.

Accrued Compensation

We make estimates in determining our quarterly and annual accrued non-share-based compensation. A significant portion of our employee incentive compensation programs are discretionary. Each quarter and year-end we determine the amount of discretionary cash bonus pools. We also review compensation throughout the year to determine how overall performance compares to management's expectations. We take these and other factors, including historical performance and our performance relative to budget, into account in reviewing accrued discretionary cash compensation estimates quarterly and adjusting accrual rates as appropriate. Changes to these factors could cause a material increase or decrease in the amount of compensation expense that we report in a particular period.

Derivatives

Forex, metals and CFDs allow for the exchange of the difference in value of a particular asset such as a stock index, energy product, or gold contracts, between the time at which a contract is opened and the time at which it is closed. Our open positions and those of our retail customer are considered derivatives under FASB ASC 815. Therefore, they are accounted for at fair value and are included in *Receivables from banks and brokers* and *Payables to customers*, *brokers, dealers, FCMs and other regulated entities* in the consolidated balance sheets.

Share Based Payments

ASC 718-10, *Compensation – Stock Compensation*, requires measurement of share based payment arrangements at fair value and recognition of compensation cost over the service period, net of estimated forfeitures. The fair value of restricted stock units is determined based on the number of units granted and the grant date fair value of GAIN Capital Holding, Inc.'s common stock.

We measure the fair value of stock options on the date of grant using the Black-Scholes option pricing model which requires the use of several estimates, including:

- The volatility of our stock price;
- The expected life of the option;
- Risk free interest rates; and
- Expected dividend yield.

The use of different assumptions in the Black-Scholes pricing model would result in different amounts of stock-based compensation expense. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted in the future.

The expected volatility was calculated based upon the volatility of public financial services companies, or companies in similar industries. The average risk free rate is based upon the five year bond rate converted to a continuously compounded interest rate.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board, ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2011-13 requires presenting unrecognized tax benefits netted against deferred tax assets, if such assets are sufficient and expected to replace cash payment, should an uncertain tax position not be sustained. This update is effective for annual periods beginning on or after December 15, 2013, and interim periods within those annual periods. Entities may choose to apply this update retrospectively. Management has not adopted this update early and continues to evaluate its effect on the Company's consolidated financial statements in advance of the effective date.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This guidance requires an entity to present information about significant items reclassified out of Accumulated Other Comprehensive Income (AOCI) by component. For items reclassified out of AOCI and into net income, an entity must disclose the effect of such items on the affected line item. ASU No. 2013-02 is effective for annual periods beginning on or after December 15, 2012 and interim periods within those annual periods. It must be applied retrospectively. The adoption of ASU 2013-02 had no impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11 *Balance Sheet: Disclosures about Offsetting Assets and Liabilities*. The new disclosure requirements mandate that entities disclose, in the consolidated balance sheet, both gross and net information about instruments and transactions eligible for offset, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. This ASU is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. In January 2013, the FASB issued ASU 2013-01 *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. This update addresses implementation issues related to ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 had no impact on the Company's consolidated statement of operations and comprehensive income or its consolidated balance sheet.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will impact our 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 customer's cash. As a result, a portion of our interest income will decline if interest rates fall. Short-term interest rates are highly sensitive to factors that are beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities. Our cash and cash equivalents and customer cash and cash equivalents is held in cash and cash equivalents including cash at banks, deposits at wholesale trading partners, in money market funds that invest in short-term

U.S. government securities and in United States and Canadian Imperial Bank of Commerce treasury bills. The interest rates earned on these deposits and investments affects our interest revenue. We estimate that as of December 31, 2013, an immediate 100 basis point increase in short-term interest rates would result in approximately $7.2 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 do monitor our exchange rate exposure and may make settlements to reduce our exposure. We do not take proprietary directional market positions.

Historically we have experienced relatively small impacts due to the composition of our balance sheets and the lack of volatility between exchanges rates in the jurisdictions in which we operate. Our exposure to foreign currency exchange rates may increase in the future and we may consider entering into hedging transactions to mitigate our exposure to foreign currency exchange rates. These hedging transactions may not be successful.

Credit Risk

Our trading operations require a commitment of our capital and involve risk of loss because of the potential that a customer's losses may exceed the amount of cash in their account. As a result, 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 fairly 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. If at any point in time a customer has "negative equity" because his or her 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. The incidence of negative equity in customer accounts has been immaterial to our operations in the year ended December 31, 2013, which we believe was attributable to our real-time margining and liquidation policies and procedures. 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 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 by currency pair, 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 December 31, 2013, we maintained capital levels of $181.5 million, which represented approximately 2.2 times the capital we were required to hold under applicable regulations.

Cash Liquidity Risk

In normal conditions, our market making business of providing online forex trading 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 nine 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. Collateral on deposit ranged from $123.3 million to $227.7 million in the aggregate, during the year ended December 31, 2013.

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. 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 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENT DATA

Our consolidated financial statements are included in pages F-1 to F-39 of this annual report on Form 10-K.

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 Form 10-K, 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) Management's Report On Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and is affected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP") and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The Company acquired GFT on September 24, 2013. Aligning GFT with the Company's internal controls began in 2013, but will not conclude until 2014. Therefore, management's opinion does not include judgment on internal controls over financial reporting related to GFT for 2013. GFT constituted 47% of Net Assets, 35% of Total Assets, 10% of Net Revenues, and (16)% of Net Income applicable to GAIN Capital Holdings, Inc. as of December 31, 2013.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time. Our system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2012 based on the criteria described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, management, including the Company's CEO and CFO, concluded that our internal control over financial reporting was effective as of December 31, 2013.

Our independent registered public accounting firm has audited and issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2013, which appears below.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(d) Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
GAIN Capital Holdings, Inc.
Bedminster, New Jersey

We have audited the internal control over financial reporting of GAIN Capital Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report On Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Global Futures & Forex, Ltd., which was acquired on September 24, 2013 and whose consolidated financial statements constitute 47% of Net Assets, 35% of Total Assets, 10% of Net Revenues, and (16)% of Net Income applicable to GAIN Capital Holdings, Inc. relative to the consolidated financial statement amounts of the Company as of and for the year ended December 31, 2013. Accordingly, our audit did not include the internal control over financial reporting at Global Futures & Forex, Ltd. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2013, the related consolidated statements of operations and comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and the financial statement schedule listed in the Index at Item 15, and our report dated March 17, 2014 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP
New York, New York
March 17, 2014

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required to be included in this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

Our Code of Business Conduct and Ethics (the "Code") applies to all of our employees, directors and officers, including our principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. We make the Code available free of charge through our investor relations website, which is located at ir.gaincapital.com. We intend to disclose any amendments to, or waivers from, the Code that are required to be publicly disclosed pursuant to rules of the SEC and the New York Stock Exchange in filings with the SEC and by posting such information on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information required to be included in this item is incorporated by reference to our definitive proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required to be included in this item is incorporated by reference to our proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required to be included in this item is incorporated by reference to our proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information to be included in this item is incorporated by reference to our proxy statement to be filed pursuant to Regulation 14A, which we intend to file within 120 days of the end of our fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Schedules:

1. Financial Statements

The following financial statements and reports of independent registered public accounting firm are included herein:

2. Financial Statement Schedules

The following supplemental schedule is filed herewith:

Schedules other than those listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

3. Exhibit index

Exhibit No.	Description
2.1†	Asset Purchase Agreement dated as of April 20, 2011 by and among GAIN Capital Group, LLC and Deutsche Bank AG, acting through is London Branch (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 10-Q for the quarter ended March 31, 2011, filed on May 16, 2011, No. 001-35008).
2.2	Stock Purchase Agreement, dated as of April 24, 2013, by and among GAIN Capital Holdings, Inc., Gary J. Tilkin and Global Futures & Forex, Ltd. (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 10-Q for the quarter ended March 31, 2013, filed on May 10, 2013, No 001-35008).
2.3	Amended and Restated Stock Purchase Agreement, dated as of September 24, 2013, by and among GAIN Capital Holdings, Inc., Gary J. Tilkin and Global Futures & Forex, Ltd. (Incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed on September 25, 2013, No. 001-35008).
3.1	Third Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
3.2	Certificate of Designation of Series A Participating Cumulative Preferred Stock of GAIN Capital Holdings, Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on April 10, 2013, No. 001-35008).
3.3	Amended and Restated By-laws (Incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
4.1	Specimen Certificate evidencing shares of common stock (Incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
4.2	Investor Rights Agreement, dated January 11, 2008, by and among the Company, the Investors and the Founding Stockholders, as defined therein (Incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
4.3*	Amendment to Investor Rights Agreement, dated as of November 18, 2013, by and among the Company, the Investors named therein and the Founding Stockholder, as defined therein.
4.4	Rights Agreement, dated as of April 9, 2013, between GAIN Capital Holdings, Inc. and Broadridge Corporate Issuer Solutions, Inc., as Rights Agent (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on April 10, 2013, No. 001-35008).
4.5	Indenture, dated as of November 27, 2013, between GAIN Capital Holdings, Inc. and The Bank of New York Mellon (Incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on November 27, 2013, No. 001-35008).
10.1	2010 Omnibus Incentive Compensation Plan (Incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**

10.2	2011 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.3 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.3	Nonqualified Deferred Compensation Plan (Incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-K for the year ended December 31, 2010, filed on March 30, 2011, No. 001-35008).**
10.4	Form of Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.4 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632). **
10.5	Form of Nonqualified Stock Option Agreement (Incorporated by reference to Exhibit 10.5 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632). **
10.6	Form of Restricted Stock Agreement (Incorporated by reference to Exhibit 10.6 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632). **
10.7	Form of Restricted Stock Unit Agreement (Time Vesting) (Incorporated by reference to Exhibit 10.7 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.8	Form of Restricted Stock Unit Agreement (Performance Vesting) (Incorporated by reference to Exhibit 10.8 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.9	Form of Indemnification Agreement with the Company's Non-Employee Directors (Incorporated by reference to Exhibit 10.10 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.10	Amended and Restated 2006 Equity Compensation Plan, effective December 31, 2006 (Incorporated by reference to Exhibit 10.60 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.11	Amendment No. 2007-1 to the GAIN Capital Holdings, Inc. 2006 Equity Compensation Plan (Incorporated by reference to Exhibit 10.61 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.12	Amendment No. 2008-1 to the GAIN Capital Holdings, Inc. 2006 Equity Compensation Plan (Incorporated by reference to Exhibit 10.62 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.13	Amendment No. 2010-1 to the GAIN Capital Holdings, Inc. 2006 Equity Compensation Plan (Incorporated by reference to Exhibit 10.63 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.14	Unconditional Guaranty, dated as of March 29, 2006, by and among GAIN Holdings, LLC, Silicon Valley Bank and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.13 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.15	Separation Agreement, dated as of January 11, 2008, by and between Mark Galant and GAIN Capital Holdings, Inc. (Incorporated by reference to Exhibit 10.23 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).

10.16†	FX Prime Brokerage Master Agreement, dated as of December 6, 2006, by and between GAIN Capital Group, LLC and The Royal Bank of Scotland, plc. (Incorporated by reference to Exhibit 10.24 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.17†	FX Prime Brokerage Agreement, dated as of July 8, 2005, by and between UBS AG and GAIN Capital, Inc. (Incorporated by reference to Exhibit 10.25 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.18†	Foreign Exchange Prime Brokerage Agency Agreement, dated as of July 12, 2006, by and between GAIN Capital Group, LLC and The Royal Bank of Scotland, plc. (Incorporated by reference to Exhibit 10.26 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.19†	Foreign Exchange Prime Brokerage Agreement, dated October 18, 2005, by and between Deutsche Bank AG, London Branch and GCAM, LLC (Incorporated by reference to Exhibit 10.27 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.20	Amendment to Foreign Exchange Prime Brokerage Agreement, dated January 26, 2006, by and between Deutsche Bank AG, London Branch and GCAM, LLC (Incorporated by reference to Exhibit 10.28 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.21	Form of ISDA Master Agreement, 1992 edition (Incorporated by reference to Exhibit 10.29 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.22	Form of Introducing Broker Agreement (Incorporated by reference to Exhibit 10.30 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.23	Form of Agreement for White Label Services (Incorporated by reference to Exhibit 10.31 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.24	Lease and Lease Agreement, dated August 18, 2009, by and between S/K Bed One Associates LLC and GAIN Capital Holdings, Inc. (Incorporated by reference to Exhibit 10.37 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.25†	License Agreement, dated August 9, 2007, by and between GAIN Capital Group, LLC and MetaQuotes Software Corp. (Incorporated by reference to Exhibit 10.43 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.26†	Agreement, dated November 22, 2004, by and between esignal, a division of Interactive Data Corporation, and GAIN Capital, Inc. (Incorporated by reference to Exhibit 10.44 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.27	Form of ISDA Master Agreement, 2002 edition (Incorporated by reference to Exhibit 10.49 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.28	Executive Employment Agreement, dated April 14, 2012, by and between GAIN Capital Holdings, Inc. and Glenn Stevens (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 10, 2012, No. 001-35008).**

10.29	Executive Employment Agreement, dated April 14, 2012, by and between GAIN Capital Holdings, Inc. and Timothy O' Sullivan (Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 10, 2012, No. 001-35008).**
10.30	Executive Employment Agreement, dated April 14, 2012, by and between GAIN Capital Holdings, Inc. and Jeffrey A. Scott (Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 10, 2012, No. 001-35008).**
10.31	Executive Employment Agreement, dated April 14, 2012, by and between GAIN Capital Holdings, Inc. and Diego Rotsztain (Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, filed on May 10, 2012, No. 001-35008).**
10.32	Executive Employment Agreement, dated as of November 23, 2010, by and between GAIN Capital Holdings, Inc. and Samantha Roady (Incorporated by reference to Exhibit 10.56 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).**
10.33*	Employment Agreement, dated as of September 9, 2013, by and between GAIN Capital Holdings, Inc. and Jason Emerson. **
10.34	Asset Purchase Agreement, dated as of October 5, 2010, by and among GAIN Capital Group, LLC, GAIN Capital-Forex.com U.K., and GAIN Capital Forex.com Japan, Co. Ltd., and Capital Market Services, LLC, Capital Market Services UK Ltd., Capital Market Services International - BM, Ltd., and CMS Japan K.K. (Incorporated by reference to Exhibit 10.64 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.35	Amendment No. 1 to Asset Purchase Agreement, dated as of November 23, 2010, by and among GAIN Capital Group, LLC, GAIN Capital-Forex.com U.K., and GAIN Capital Forex.com Japan, Co. Ltd., and Capital Market Services, LLC, Capital Market Services UK Ltd., Capital Market Services International - BM, Ltd., and CMS Japan K.K. (Incorporated by reference to Exhibit 10.65 of the Registrant's Registration Statement on Form S-1, as amended, No. 333-161632).
10.36	Amended and Restated Loan and Security Agreement, dated as of September 16, 2011, by and among the Company, Silicon Valley Bank, as collateral agent for the lenders listed on Schedule 1.1 of the Agreement and as administrative agent for the Lenders, including, without limitation, SVB and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.1 of the Registrant's 8-K report filed on September 22, 2011, No. 001-35008).
10.37	First Amendment to Unconditional Guaranty, dated as of September 16, 2011, by and among Gain Holdings, LLC, the Company, Silicon Valley Bank and JPMorgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.3 of the Registrant's 8-K report filed on September 22, 2011, No. 001-35008).
10.38	Stock Purchase Agreement between optionsXpress Holdings, Inc. and GAIN Capital Group, LLC dated as of June 27, 2012 (Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed August 9, 2012, No. 001-35008).
10.39	Stockholders' Agreement, dated as of April 24, 2013, by and among GAIN Capital Holdings, Inc. and Gary J. Tilkin (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended March 31, 2013, filed on May 10, 2013, No 001-35008).

10.40	Amended and Restated Stockholders' Agreement, dated as of September 24, 2013, by and between GAIN Capital Holdings, Inc. and Gary J. Tilkin (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended September 30, 2013, filed on November 12, 2013, No 001-35008).
10.41	Loan and Security Agreement, dated as of September 24, 2013, by and between GAIN Capital Holdings, Inc. and Gary J. Tilkin (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q for the quarter ended September 30, 2013, filed on November 12, 2013, No 001-35008)..
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Deloitte & Touche LLP.
31.1*	Certification of Chief Executive Officer pursuant to rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer as required by section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer as required by section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+	XBRL Instance
101.SCH+	XBRL Taxonomy Extension Schema
101.CAL+	XBRL Taxonomy Extension Calculation
101.DEF+	XBRL Taxonomy Extension Definition
101.LAB+	XBRL Taxonomy Extension Labels
101.PRE+	XBRL Taxonomy Extension Presentation

* Filed herewith.

** Compensation related contract.

† Confidential treatment requested. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

\+ XBRL (Extensible Business Reporting Language) information is furnished and not filed, and is not a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 17th day of March, 2014.

GAIN CAPITAL HOLDINGS, INC.

By: /s/ Glenn H. Stevens

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

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

Signature	Title	Date
/s/ Glenn H. Stevens Glenn H. Stevens	President, Chief Executive Officer and Director (Principal Executive Officer)	March 17, 2014
/s/ Jason Emerson Jason Emerson	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 17, 2014
/s/ Peter Quick Peter Quick	Chairman of the Board of Directors	March 17, 2014
/s/ Joseph A. Schenk Joseph A. Schenk	Director	March 17, 2014
/s/ Christopher W. Calhoun Christopher W. Calhoun	Director	March 17, 2014
/s/ Thomas Bevilacqua Thomas Bevilacqua	Director	March 17, 2014
/s/ Christopher S. Sugden Christopher S. Sugden	Director	March 17, 2014

INDEX TO
CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE

Consolidated Financial Statements:

Financial Statement Schedule:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
GAIN Capital Holdings, Inc.
Bedminster, New Jersey

We have audited the accompanying consolidated balance sheets of GAIN Capital Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of GAIN Capital Holdings, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 17, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
New York, New York
March 17, 2014

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

	As of December 31, 2013	As of December 31, 2012
ASSETS:		
Cash and cash equivalents	39,871	36,820
Cash and securities held for customers	739,318	446,311
Short term investments, at fair value	788	1,437
Receivables from banks and brokers, net, ($9,784) and $978, respectively, at fair value	227,630	89,916
Property and equipment, net of accumulated depreciation	17,118	11,023
Prepaid assets	8,790	7,704
Goodwill	14,183	9,030
Intangible assets, net	34,828	9,868
Other assets, net	28,609	17,153
Total assets	1,111,135	629,262
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities		
Payables to customers, brokers, dealers, FCMs and other regulated entities	739,318	446,311
Accrued compensation and benefits	12,985	6,055
Accrued expenses and other liabilities	55,268	12,585
Income tax payable	3,803	1,481
Convertible senior notes	65,360	—
Total liabilities	876,734	466,432
Commitments and contingent liabilities (see Note 11)		
GAIN Capital Holdings, Inc. shareholders' equity		
Common stock ($0.00001 par value; 60 million shares authorized; 41,921,609 shares issued and 39,425,434 shares outstanding as of December 31, 2013; 36,486,036 shares issued and 34,924,095 shares outstanding as of December 31, 2012)	—	—
Accumulated other comprehensive income	2,576	1,249
Additional paid-in capital	138,691	85,089
Treasury stock, at cost (2,496,175 shares at December 31, 2013 and 1,561,941 at December 31, 2012, respectively)	(15,469)	(8,280)
Retained earnings	108,603	84,772
Total GAIN Capital Holdings, Inc. shareholders' equity	234,401	162,830
Total liabilities and shareholders' equity	1,111,135	629,262

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

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

	For the Fiscal Year Ended December 31,		
	2013	2012	2011
REVENUE:			
Trading revenue	$ 205,133	$ 127,520	$ 175,854
Commission revenue	60,727	21,373	4,691
Other revenue	1,099	2,331	1,790
Total non-interest revenue	266,959	151,224	182,335
Interest revenue	821	627	544
Interest expense	1,389	491	1,414
Total net interest (expense) / revenue	(568)	136	(870)
Net revenue	266,391	151,360	181,465
EXPENSES:			
Employee compensation and benefits	67,134	47,469	46,362
Selling and marketing	22,337	26,969	36,195
Trading expenses and commissions	77,718	38,047	33,040
General and administrative	26,813	19,865	21,842
Depreciation and amortization	7,768	4,921	3,898
Purchased intangible amortization	2,906	4,134	8,893
Communications and technology	11,315	7,736	7,139
Bad debt provision	1,501	358	852
Acquisition expense	1,824	85	—
Restructuring	1,570	634	—
Integration	1,950	—	—
Impairment of investment	450	—	—
Total Operating Expense	223,286	150,218	158,221
OPERATING PROFIT	43,105	1,142	23,244
Gain on extinguishment of debt	2,000	—	—
INCOME BEFORE INCOME TAX EXPENSE	45,105	1,142	23,244
Income tax expense / (benefit)	13,794	(1,479)	7,546
NET INCOME APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	31,311	2,621	15,698
Other comprehensive income, net of tax:			
Foreign currency translation adjustment	1,327	933	(112)
NET COMPREHENSIVE INCOME APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	$ 32,638	$ 3,554	$ 15,586
Earnings per common share:			
Basic	$ 0.85	$ 0.08	$ 0.46
Diluted	$ 0.79	$ 0.07	$ 0.40
Weighted average common shares outstanding used in computing earnings per common share:			
Basic	36,551,246	34,940,800	34,286,840
Diluted	39,632,878	37,880,208	38,981,792

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

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

	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid in Capital	Accumulated Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
BALANCE—January 1, 2011	31,174,651	$ —	$ —	$ 73,381	$ 75,183	$ 428	$ 148,992
Exercise of options	452,881	—	—	853	—	—	853
Exercise of warrants	3,261,575	—		1,270			1,270
Conversion of restricted stock into common stock	214,800	—	—	—	—	—	—
Shares issued under employee stock purchase plan	28,458	—	—	165	—	—	165
Repurchase of shares	(850,121)	—	(5,017)	—	—	—	(5,017)
Stock compensation expense	—	—	—	4,018	—	—	4,018
Tax benefit of stock options exercises	—	—	—	(136)	—	—	(136)
Dividend declared ($0.05 dividend per share)	—	—	—	—	(1,758)	—	(1,758)
Foreign currency translation adjustment	—	—	—	—	—	(112)	(112)
Net income	—	—	—	—	15,698	—	15,698
BALANCE—January 1, 2012	34,282,244	$ —	$ (5,017)	$ 79,551	$ 89,123	$ 316	$ 163,973
Exercise of options	1,032,096	—		1,969	—	—	1,969
Conversion of restricted stock into common stock	276,387	—	—	—	—	—	—
Shares issued under employee stock purchase plan	45,188	—	—	216	—	—	216
Repurchase of shares	(711,820)	—	(3,263)	—	—	—	(3,263)
Stock compensation expense	—	—	—	3,325	—	—	3,325
Tax benefit of stock options exercises	—	—	—	28	—	—	28
Dividend declared ($0.20 dividend per share)	—	—	—	—	(6,972)	—	(6,972)
Foreign currency translation adjustment	—	—	—	—	—	933	933
Net income	—	—	—	—	2,621	—	2,621
BALANCE—January 1, 2013	34,924,095	$ —	$ (8,280)	$ 85,089	$ 84,772	$ 1,249	$ 162,830
Exercise of options	1,394,975	—	—	2,539	—	—	2,539
Issuance of common stock	3,625,721	—	—	34,771	—	—	34,771
Conversion of restricted stock into common stock	339,686	—	—	—	—	—	—
Shares issued under employee stock purchase plan	75,191	—	—	302	—	—	302
Repurchase of shares	(934,234)	—	(7,189)	—	—	—	(7,189)
Stock compensation expense	—	—	—	2,896	—	—	2,896
Foreign currency translation adjustment	—	—	—	—	—	1,327	1,327
Tax benefit of stock options exercises	—	—	—	1,026	—	—	1,026
Other	—	—	—	(79)	(154)	—	(233)
Convertible note issuance	—	—	—	12,147	—	—	12,147
Dividend declared ($0.20 dividend per share)	—	—	—	—	(7,326)	—	(7,326)
Net income	—	—	—	—	31,311	—	31,311
BALANCE—December 31, 2013	39,425,434	$ —	$ (15,469)	$ 138,691	$ 108,603	$ 2,576	$ 234,401

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

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

	For the Fiscal Years Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 31,311	$ 2,621	$ 15,698
Adjustments to reconcile net income to cash provided by operating activities			
Loss/(gain) on foreign currency exchange rates	3,641	1,315	(145)
Depreciation and amortization	11,837	9,055	12,791
Deferred taxes	39	(1,013)	(2,107)
Interest income	—	—	60
Amortization of deferred financing costs	—	51	87
Bad debt provision	1,501	358	852
Impairment of cost method investment	450	—	—
Convertible note discount amortization	175	—	—
Loss on disposal of fixed assets	—	33	3
Gain on extinguishment of debt	(2,000)	—	—
Stock compensation expense	2,896	3,325	4,018
Changes in operating assets and liabilities:			
Cash and securities held for customers	(74,608)	(31,285)	(53,617)
Trading securities	—	—	19,993
Receivables from banks and brokers	(78,336)	(5,333)	12,734
Prepaid assets	318	2,372	39
Other assets	(383)	1,065	(5,428)
Payables to customers, brokers, dealers, FCMs and other regulated entities	74,608	31,285	52,765
Accrued compensation and benefits	7,118	1,047	(151)
Accrued expenses and other liabilities	973	(1,444)	1,976
Income tax payable	2,131	(1,303)	28
Cash (used for) / provided by operating activities	(18,329)	12,149	59,596
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(6,187)	(8,358)	(4,018)
Purchases of treasury bills	—	(1,355)	—
Sale of treasury bills	599	—	—
Purchase of intangible assets	—	—	(2,547)
Purchase of cost method investment	—	—	(500)
Acquisition and funding of OEC, net of cash acquired	—	(9,504)	—
Acquisition and funding of GFT, net of cash acquired	(4,219)	—	—
Cash used for investing activities	(9,807)	(19,217)	(7,065)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contractual payments for acquired assets	(2,419)	(2,030)	(3,050)
Proceeds from issuance of convertible senior note, net	77,900	—	—
Principal payment on notes payable	(31,200)	(7,875)	(10,500)
Proceeds from exercise of stock options	2,539	1,969	853
Proceeds from exercise of warrants	—	—	1,270
Proceeds from employee stock purchase plan	302	216	165
Purchase of treasury stock	(7,189)	(3,263)	(5,017)
Tax benefit from employee stock option exercises	1,026	(28)	421
Dividend payment	(7,326)	(6,972)	(1,758)
Cash provided by / (used for) financing activities	33,633	(17,983)	(17,616)
Effect of exchange rate changes on cash and cash equivalents	(2,446)	1,650	(2,229)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	3,051	(23,401)	32,686
CASH AND CASH EQUIVALENTS—Beginning of period	36,820	60,221	27,535
CASH AND CASH EQUIVALENTS—End of period	$ 39,871	$ 36,820	$ 60,221

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:

Cash (paid) / received during the year for:			
Interest	$ (655)	$ (230)	$ (1,037)
Taxes	$ (8,376)	$ 260	$ (14,090)
Non-cash investing activities:			
Purchase of fixed assets in accrued expense and other liabilities	—	95	121
Non-cash financing for the GFT acquisition:			
Senior loan issued by seller	$ 33,200	$ —	$ —
Common stock issued as consideration for GFT	$ 34,771	$ —	$ —

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

GAIN CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO 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 it owns all outstanding membership units in GAIN Capital Group, LLC ("Group, LLC"), the primary regulated entity in the United States of America.

Group, LLC is a retail foreign exchange dealer ("RFED") and a registered Futures Commission Merchant ("FCM") with the Commodity Futures Trading Commission ("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 UK Ltd. ("GCUK") is registered in the UK and regulated by the Financial Services Authority ("FSA") as a full scope €730k BIPRU Investment Firm.

The following list includes each of the Company's significant U.S. and international regulated subsidiaries:

GAIN Capital Group, LLC
GAIN Capital-Forex.com U.K., Ltd.
Forex.com Japan Co., Ltd.
GAIN Capital Forex.com Australia Pty. Ltd.
GAIN Capital-Forex.com Hong Kong Ltd.
GAIN Capital-Forex.com Canada, Ltd.
GAIN GTX, LLC
Global Futures & Forex, Ltd.
GFT Global Markets UK Ltd.
GFT Global Markets Asia Pte., Ltd.

In September 2013, the Company purchased all of the outstanding share capital of Global Futures & Forex, Ltd., a Michigan corporation ("GFT"). See Note 5 "Acquisitions" for further details related to this acquisition.

During 2012, the Company purchased all of the outstanding shares of capital stock of Paragon Futures Group, Inc., a Delaware corporation. Paragon owned all of the membership interests of Open E Cry, LLC (together "OEC"), an internet based futures business subject to the regulations of the CFTC. In November 2012, OEC was merged into Group, LLC. See Note 5 "Acquisitions" for further details related to this acquisition.

Basis of Presentation and Principles of Consolidation

In connection with the preparation of its Form 10-Q in the third quarter of 2013, the Company identified an error in the income tax provision and in the corresponding recognized tax assets and liabilities recorded in the year ended December 31, 2010. The Company considered guidance in ASC 250, including ASC 250-10-S99 SEC, formerly Staff Accounting Bulletin Release Topic 1.M, *Materiality* ("SAB 99"), and SEC Staff Accounting Bulletin Release Topic 1.N, *Considering the Effect of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), and concluded that the error did not constitute a material change to its previously issued consolidated financial statements. However, in order to accurately reflect the tax charge in the appropriate period, the Company has restated the *Other assets, net, Income tax payable* and *Retained earnings* balances as of December 31, 2012 to reflect the adjustment as if it had been made in the correct period.

The table below describes the impact on the Consolidated Balance Sheet of the changes described above:

	As of December 31,	
	Restated 2012	As reported 2012
Other assets, net	17,153	17,804
Income tax payable	1,481	1,275
Retained earnings	84,772	85,629

Previously, the Company presented certain acquisition expenses in *"General and administrative*". To provide greater transparency into these costs and enable easier comparison of operating performance, the Company has reclassified these costs to *"Acquisition expense*". The change in presentation has no effect on the total expenses.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances are eliminated in consolidation. The Company applies relevant accounting standards governing consolidations in determining its own principles of consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In presenting the consolidated financial statements, management makes estimates regarding:

- Valuation of assets and liabilities requiring fair value estimates;
- The allowance for doubtful accounts;
- The realization of deferred taxes;
- The carrying amount of goodwill and other intangible assets;
- The amortization period of intangible assets and other long-lived assets with finite lives;
- Incentive based compensation accruals and valuation of share-based payment arrangements;
- Transfer pricing; and
- Other matters that affect the reported amounts and disclosure of contingencies in the consolidated financial statements.

Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the consolidated financial statements, and it is possible that such changes could occur in the near term.

Revenue Recognition

Revenue is recognized in accordance with revenue recognition guidance. The Company generates revenue from forex trading, metals trading, futures trading, Contracts-for-difference ("CFDs") in markets which do not prohibit such transactions and other financial products. The Company categorizes revenue as *Trading revenue*, *Commission revenue*, *Other revenue* and *Interest revenue.*

Trading revenue is generated from the bid/offer spread the Company offers its customers and any net gains and losses generated through changes in the market value of the currencies and other products held in the Company's net exposure.

Gains or losses are realized when customer transactions are liquidated. Unrealized gains or losses on trading positions are revalued at prevailing foreign currency exchange rates (the difference between contract price and market price) at the date of the balance sheet and are included in *Receivables from banks and brokers* as well as *Payables to customers, brokers, dealers, FCMs and other regulated entities* on the Consolidated Balance Sheets. Changes in net unrealized gains or losses are recorded in *Trading revenue* on the Consolidated Statements of Operations and Comprehensive Income.

The Company receives *Commission revenue* for customers' use of its platform or services, without taking any market or credit risk. Commission revenue is determined by the volume of trades. Commission revenue has historically been comprised of revenue from our GTX business, revenue from our futures business, and revenue from GAIN Securities, our securities business. In October 2013, GAIN Securities transferred substantially all of its customer accounts to TradeKing, LLC. Since we acquired GFT in September 2013, we have also realized commission revenue from the sales trader business acquired from GFT. Our sales traders offer high-touch trading services to high net worth individuals.

Other revenue, on the Consolidated Statements of Operations and Comprehensive Income, is comprised of account management, transaction, and performance fees related to customers who have assigned trading authority to the Company's subsidiary Gain Capital Asset Management, ("GCAM"); inactivity and training fees charged to customer accounts; foreign currency transaction gains and losses and other miscellaneous items from each of our businesses.

Interest revenue and interest expense are recorded when earned and incurred, respectively. *Net interest (expense) revenue* consists primarily of the revenue generated by Company cash and customer cash held and invested at banks, money market funds, in U.S. treasury bills, in Canadian Imperial Bank of Commerce ("CIBC") treasury bills and on deposit as collateral with the Company's wholesale forex trading partners, less interest paid to customers on their balances, interest expense on our term loan and revolver, interest expense on the amounts payable to dbFX per the terms of the asset acquisition and interest expense on our convertible senior notes.

Selling and marketing

Selling and marketing costs are incurred for the production and communication of advertising, as well as other marketing activities. The total amount charged to selling and marketing was $22.3 million, $27.0 million and $36.2 million for the years ended December 31 2013, 2012 and 2011, respectively.

Restructuring expenses

In 2013 and 2012, the Company incurred restructuring expenses, which reflected costs arising from headcount reductions and other exit costs, measured and disclosed in accordance with relevant accounting guidance.

Acquisition expenses

In 2013 and 2012, the Company incurred acquisition related expenses, which included non-recurring costs, such as legal, accounting, valuation and other costs specified in accounting guidance. These costs are expensed as incurred.

Integration expenses

In 2013, the Company incurred integration expenses, which are non-recurring acquisition related costs that do not meet the definition of acquisition costs specified in accounting guidance. These costs include incentive payments to employees to remain through the acquisition, as well as accelerated amortization of assets due to the consolidation of trading platforms, resulting from the GFT acquisition.

Impairment of investment

In 2013, the Company's investment in Kapitall, Inc., a cost basis minority interest originating in 2011, became impaired.

Gain on extinguishment of debt

The Company settled its GFT acquisition financing for less than the principal amount, in exchange for early payment. The difference between the principal and payment constituted *Gain on extinguishment of debt*.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of acquisition to be cash equivalents. At December 31, 2013 and 2012, the Company's cash and cash equivalents consisted of money market accounts and U.S. Treasury Bills with a maturity of 90 days or less. Cash equivalents are recorded at fair value.

Cash and securities held for customers

Cash and securities held for customers represents cash held to fund customer liabilities in connection with trading positions. Included in this balance are funds deposited by customers and funds accruing to customers as a result of trades or contracts. The Company records a corresponding liability in connection with this amount in *Payables to customers, brokers, dealers, FCMs and other regulated entities*. A portion of the balance is not available for general use due to legal restrictions in accordance with certain jurisdictional regulatory requirements.

Short Term Investments

The Company considers all investments with an original maturity of less than one year short term investments. Short term investments consist of short-term certificates of deposit and CIBC treasury bills. All income from the certificates of deposit and treasury bills is recorded as interest income when earned.

Cost Method Investment

In accordance with ASC 325-20, *Cost Method Investments*, the Company recognizes an investment in the stock of an investee as an asset, in *Other assets*, on the Consolidated Balance Sheets. Under the cost method of accounting for investments in common stock, dividends are the basis for recognition by the Company of earnings from the investment. The net accumulated earnings of an investee subsequent to the date of investment are recognized by the Company only to the extent distributed by the investee as dividends. Dividends received in excess of earnings subsequent to the date of investment are considered a return of investment and are recorded as reductions of cost of the investment.

Fair Value

The carrying amounts of assets, excluding goodwill and intangibles, and liabilities approximate their fair values due to the short term maturities. Some of the Company's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value. Such financial assets and liabilities include: cash, receivables from banks and brokers, other assets, payables to brokers, dealers, FCMs and other regulated entities, payables to customers and accrued expenses and other liabilities. These receivables and payables include open trading positions, hedging and customer respectively, which change in value as the price of the underlying product changes. The prices approximate the amounts at which the Company can settle the positions at the balance sheet date. The fair value of the convertible senior notes incorporates the unamortized discount and is assessed against prevailing interest rates.

Concentrations of Credit Risk

Financial instruments that subject the Company to credit risk primarily consist of cash equivalents. The Company's credit risk is managed by investing cash and cash equivalents primarily in high-quality money market and U.S. and Canadian Government instruments. The majority of the Company's cash and cash equivalents are held at ten financial institutions.

The Company also has credit risk related to receivables from banks and brokers. As of December 31, 2013 and 2012, 20% and 52%, respectively, of the Company's *Receivables from banks and brokers* balance, included in the Consolidated Balance Sheet, was from one large, global financial institution.

Receivables from Banks and Brokers

The Company has posted funds with brokers as collateral as required by agreements for holding hedging positions. In addition, the Company has cash in excess of required collateral. These amounts are reflected as *Receivables from banks and brokers* on the Consolidated Balance Sheet and include gains or losses realized on liquidated contracts, as well as unrealized gains or losses on open positions.

Property and Equipment

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

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Software	3 years
Computer equipment	3 years
Furniture and fixtures	3 years
Leasehold improvements	Shorter of lease term or estimated useful life
Telephone equipment	3 years
Office equipment	3 years
Website development	3 years

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

Long-Lived Assets

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such an asset is separately identifiable and is less than the carrying value. In that event, a loss is recognized in the amount by which the carrying value exceeds the fair market value of the long-lived asset. The Company has identified no such impairment losses.

Foreign Currencies

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary environment in which the entity operates ("the functional currency"). The Company has determined that its functional currency is U.S. dollars (“USD”). The Company’s *Accumulated other comprehensive income,* consists of foreign currency translation adjustments from subsidiaries not using the U.S. dollar as their functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in *Other revenue* on the Consolidated Statements of Operations and Comprehensive Income. The Company recorded a loss of $3.6 million for the year ended December 31, 2013, a loss of $1.3 million for the year ended December 31, 2012 and a gain of $0.2 million for the year ended December 31, 2011.

Intangible Assets

Accounting guidance addressing intangible assets requires purchased intangible assets other than goodwill to be amortized over their useful lives unless their lives are determined to be indefinite. If the assets are determined to have a finite life in the future, the Company will amortize the carrying value over the remaining useful life at that time.

The Company compares the recorded value of its indefinite lived intangible assets to their fair value on an annual basis and whenever circumstances arise that indicate that an impairment may have occurred. This qualitative assessment indicated that it is more likely than not that our indefinite lived intangible assets are not impaired. See Note 3 for additional information.

Goodwill

In accordance with relevant guidance, the Company tests goodwill for impairment on an annual basis during the fourth quarter and on an interim basis when conditions indicate impairment has occurred. Goodwill impairment is determined by comparing the estimated fair value of the reporting unit with its respective book value. At the date of the latest test, in the fourth quarter of 2013, the fair value of the reporting unit was significantly in excess of its book value. See Note 3 for additional information.

Other Assets

The Company recorded receivables from vendors, security deposits, current and deferred tax assets and miscellaneous receivables in *Other assets* on the Consolidated Balance Sheets. See Note 3 for additional information.

Derivatives

Forex, metals, and CFDs allow for exchanging the difference in value of a particular asset such as stock index, energy product, or gold contracts, between the time at which a contract is opened and the time at which it is closed. The company's retail customer open positions are considered derivatives under derivatives accounting guidance. Therefore, they are accounted for at fair value, as included in *Receivables from banks* and *brokers and Payables to customers*, *brokers, dealers, FCMs and other regulated entities* in the consolidated balance sheets.

Allowance for Doubtful Accounts

The Company records an increase in the allowance for doubtful accounts when the prospect of collecting a specific customer account balance becomes doubtful. Management specifically analyzes accounts receivable and historical bad debt experience when evaluating the adequacy of the allowance for doubtful accounts. Should any of these factors change, the estimates made by management will also change, which could affect the level of the Company’s future provision for doubtful accounts. The customer receivables, net of allowance for doubtful accounts, is included in *Other assets* on the Consolidated Balance Sheets. Receivables from customers are reserved for and recorded in *Bad debt provision* on the Consolidated Statements of Operations and Comprehensive Income. The allowance for doubtful accounts consisted of the following (amounts in thousands):

Balance as of January 1, 2011	$	(74)
Addition to provision		(852)
Amounts written off		871
Balance as of December 31, 2011		(55)
Addition to provision		(358)
Amounts written off		265
Balance as of December 31, 2012		(148)
Addition to provision		(1,501)
Amounts written off		491
Balance as of December 31, 2013	$	(1,158)

Payables to Customers, Brokers, Dealers, FCMs and Other Regulated Entities

Payables to customers, brokers, dealers, FCM's and other regulated entities , included on the Consolidated Balance Sheets, include amounts due on cash and margin transactions. These transactions include deposits, commissions and gains or losses arising from settled trades. The *Payables to customers* balance also reflects unrealized gains or losses arising from open positions in customer accounts. The Company engages in white label, or omnibus relationships, with other regulated financial institutions. The payables balance includes amounts deposited by these financial institutions in order for the Company to act as clearing broker. The payables balance includes deposits from all NFA registered entities.

Introducing broker fees

Introducing brokers direct customers to the Company in return for a commission on each referred customer's trading volume or a share of net revenue generated by each referred customer's trading activity. Such fees are referred to as introducing broker fees and are recorded in *Trading expenses and commissions* in the Consolidated Statements of Operations and Comprehensive Income.

Income Taxes

Income tax expense is provided for using the asset and liability method, under which deferred tax assets and liabilities are determined based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using currently enacted tax rates. The Company operates a permanent reinvestment strategy, under which earnings derived from foreign business remain invested in the Company's foreign subsidiaries. In accordance with ASC 740, the Company does not recognize domestic tax expense related to the permanently reinvested earnings. The Company has no plans to repatriate these earnings.

Share Based Payment

In accordance with stock compensation guidance, the Company recognizes expense for all share-based payments to employees, including grants of employee stock options as well as restricted stock units, in the Statements of Operations and Comprehensive Income based on their fair values. The Company estimates fair value using the Black Scholes model for stock options and market value on grant date for restricted stock units. For each type of award, the Company reduces expense by an estimated forfeiture rate. See Note 8 for additional share based payment disclosure.

Treasury Shares

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

Earnings Per Common Share

Basic earnings per common share is calculated using the weighted average common shares outstanding during the year. Common equivalent shares from stock options and restricted stock awards, using the treasury stock method, are also included in the diluted per share calculations unless their effect of inclusion would be anti-dilutive.

Risk Management

The Company offers its customers access to a diverse range of over 12,500 financial products, including foreign exchange, or forex, precious metals, “contracts for difference”, or CFDs, which are investment products with returns linked to the performance of underlying commodities, indices, individual equities, bonds and interest rate products, OTC options on forex, as well as futures and options on futures on more than 30 global exchange. In the United Kingdom, we also offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment for residents of that country. The Company actively trades currencies in the spot market, earning a dealer spread. The Company seeks to manage its market risk by generally entering into offsetting contracts in the interbank market, also on a margin basis. The Company deposits margin collateral with large money center banks and other major financial institutions. The Company is subject to credit risk or loss from counterparty nonperformance. The Company seeks to control the risks associated with its customers’ activities by requiring its customers to maintain margin collateral. The Company's trading platform does not allow customers to enter into trades if sufficient margin collateral is not on deposit with the Company.

The Company developed risk-management systems and procedures that allow it to manage the market and credit risk associated with managed flow activities in real-time. The Company does not actively initiate directional market positions in anticipation of future movements in the relative prices of currencies and evaluates market risk exposure on a continuous basis. As a result of the Company’s hedging activities, the Company is likely to have open positions in various currencies at any given time. An additional component of the risk-management approach is that levels of capital are maintained in excess of those required under applicable regulations. The Company also maintains liquidity relationships with three established, global prime brokers and at least six other wholesale trading partners, providing the Company with access to a liquidity pool.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board, ("FASB") issued Accounting Standards Update (“ASU”) No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires presenting unrecognized tax benefits netted against deferred tax assets, if such assets are sufficient and expected to replace cash payment, should an uncertain tax position not be sustained. This update is effective for annual periods beginning after December 15, 2013, and interim periods within those annual periods. Entities may choose to apply this update retrospectively. Management has not adopted this update early and continues to evaluate its potential effect on the Company's consolidated financial statements in advance of the effective date.

In February 2013, the FASB issued ASU No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* . This guidance requires an entity to present information about significant items reclassified out of Accumulated Other Comprehensive Income (AOCI) by component. For items reclassified out of AOCI and into net income, an entity must disclose the effect of such items on the affected line item. ASU No. 2013-02 is effective for annual periods beginning after December 15, 2012 and interim periods within those annual periods. It must be applied retrospectively. The adoption of ASU 2013-02 had no impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11 *Balance Sheet: Disclosures about Offsetting Assets and Liabilities* . The new disclosure requirements mandate that entities disclose, in the consolidated balance sheet, both gross and net information about instruments and transactions eligible for offset, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. This ASU is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. In January 2013, the FASB issued ASU 2013-01 *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. This update addresses implementation issues related to ASU 2011-11. The adoption of ASU 2011-11 and ASU 2013-01 had no impact on the Company’s consolidated statement of operations and comprehensive income or its consolidated balance sheet.

3. ADDITIONAL FINANCIAL INFORMATION

Fair Value Measurement

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

	Fair Value Measurements on a Recurring Basis as of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial Assets/(Liabilities):				
Money market accounts	$ 21,019	$ —	$ —	$ 21,019
Open contracts and other positions	—	(9,904)	—	(9,904)
CIBC treasury bills	706	—	—	706
Certificates of deposit	82	—	—	82
Investment in gold	120	—	—	120
Customer and broker open contracts and other positions	—	129,224	—	129,224
Total	$ 21,927	$ 119,320	$ —	$ 141,247

	Fair Value Measurements on a Recurring Basis as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Money market accounts	$ 12,064	$ —	$ —	$ 12,064
Open contracts and other positions	810	—	—	810
U.S. treasury bills	29,998	—	—	29,998
CIBC treasury bills	1,355	—	—	1,355
Certificates of deposit	82	—	—	82
Investment in gold	168	—	—	168
Customer and broker open contracts and other positions	74,943	—	—	74,943
Total	$ 119,420	$ —	$ —	$ 119,420

The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the period. The Company has included *Open contracts and other positions* and *Customer and broker open contracts and other positions* as Level 2 as of December 31, 2013 as these represent the fair value of the derivative contracts which are indexed to securities and commodities with quoted prices in active markets.

Level 1 Financial Assets

The Company has money market accounts, certificates of deposit, CIBC treasury bills and an investment in gold that are Level 1 financial instruments that are recorded based upon listed or quoted market rates. The money market accounts are recorded in *Cash and cash equivalents* and *Cash and securities held for customers*, the treasury bills are recorded in *Cash and cash equivalents* and *Short term investments*, based upon their maturity, the certificates of deposit are recorded in *Short term investments* and the investment in gold is recorded in *Receivables from banks and brokers.*

Level 2 Financial Assets and Liabilities

The Company has open contracts and other positions that are Level 2 financial instruments that are recorded in *Receivables from banks and brokers.*

The Company has customer and broker open contracts and other positions that are Level 2 financial instruments that are recorded in *Payable to customers, brokers, dealers, FCMs and other regulated entities.*

These Level 2 financial instruments are based upon directly observable values for underlying instruments.

Financial Instruments Not Measured at Fair Value

The table below presents the carrying value, fair value, and fair value hierarchy category of certain financial instruments that are not measured at fair value in the Consolidated Balance Sheet (amounts in thousands). The carrying value of *Receivables* *from banks and brokers* not measured at fair value approximates fair value because of the relatively short period of time between their origination and expected maturity. The carrying value of *Payables to customers, brokers, dealers, FCMs, and other regulated entities* includes amounts deposited by these financial institutions in order for the Company to act as a clearing broker. The carrying value of *Payables to customers, brokers, dealers, FCMs, and other regulated entities* includes cash and open margin positions. The open positions are based on observable market prices. The carrying value of Convertible senior note represents the notes' principal amounts net of unamortized discount (see note 7). We assessed the notes' fair value against prevailing interest rates as of the balance sheet date. The carrying value of Accrued expense and other liabilities includes $20.0 million, referred to as the Holdback Amount, to be paid net of an amount required to settle certain liabilities of GFT after the closing date of the acquisition (see note 3). The carrying values of Accrued expense and other liabilities not measured at fair value approximate fair value because of the relatively short period of time between their origination and expected settlement date.

In April 2011, the Company acquired customer account balances and effective customer agreements from Deutsche Bank AG, relating to Deutsche Bank's "dbFX" business, for an upfront payment and additional contractual future payments to be made to Deutsche Bank based upon volume generated from the acquired customers over a two-year period following the closing of the acquisition. In accordance with ASC 835-30, Interest, the Company accounted for the payments due to dbFX as a note payable. As such, the total payments due to dbFX under the agreement were discounted to their present value using an imputed rate of interest. This liability was settled during July 2013.

	As of December 31, 2013		Fair Value Measurements using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Receivables from banks and brokers	$ 237,414	$ 237,414	—	$ 237,414	—
Financial Liabilities:					
Payables to customers, brokers, dealers, FCMs and other regulated entities	868,542	868,542	—	868,542	—
Convertible senior notes	$ 65,360	$ 64,372		$ 64,372	
Accrued expense and other liabilities	$ 20,000	$ 20,000		$ 20,000	

	As of December 31, 2012		Fair Value Measurements using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Receivables from banks and brokers	$ 88,938	$ 88,938	—	$ 88,938	—
Financial Liabilities:					
Payables to customers, brokers, dealers, FCMs and other regulated entities	$ 371,368	$ 371,368	—	$ 371,368	—
Payable to dbFX	$ 2,386	$ 2,392	—	—	$ 2,392

The Company's investment in Kapitall, Inc., recorded in *Other assets*, is carried at cost, less impairment. The Company recognized an impairment of $0.5 million in the current year. The carrying value of the investment at December 31, 2013 was $0.1 million.

Receivables from Banks and Brokers

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

	December 31, 2013	December 31, 2012
Required collateral	$ 148,731	$ 47,595
Excess from futures broker - Restricted	4,575	—
Cash in excess of required collateral	84,108	41,343
Open positions	(9,904)	810
Investment in spot gold	120	168
	$ 227,630	$ 89,916

The Company has posted funds with banks and brokers as collateral required by agreements for holding trading positions. In addition, the Company has deposited with such banks and brokers cash in excess of required collateral. These amounts are reflected as *Receivables from banks and brokers* on the Consolidated Balance Sheets.

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 banks and brokers* and *Payables to customers, brokers, dealers, FCMs and other regulated entities* on the accompanying Consolidated Balance Sheet (amounts in thousands):

	December 31, 2013		
	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	$ 152,326	$ 47,631	$ 104,695
CFD contracts	50,169	45,735	4,434
Metals contracts	16,485	6,294	10,190
Total	$ 218,980	$ 99,660	$ 119,320

	December 31, 2013		
	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 bank and brokers	$ 237,414	$ (9,904)	$ 227,630
Payables to customers, brokers, dealers, FCMs and other regulated entities	$ 868,542	$ 129,224	$ 739,318

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 contracts for difference can be considerably higher priced. The table below represents the notional values of the Company's derivative instruments reported within *Receivables from banks and brokers* and *Payables to customers, brokers, dealers, FCMs and other regulated entities* on the accompanying Consolidated Balance Sheet (amounts in thousands):

	December 31, 2013	
	Total contracts in long positions	Total contracts in short positions
Derivative Instruments:		
Foreign currency exchange contracts	3,031,742	4,000,937
CFD contracts	514,058	19,201
Metals contracts	1,069	680
Total	3,546,869	4,020,818

The Company did not designate any of its derivatives as hedging instruments. Net gains/(losses) with respect to derivative instruments reflected in *Trading Revenue* in the accompanying Consolidated Statements of Operations and Comprehensive Income for the twelve months ended December 31, 2013 were as follows (amounts in thousands):

Derivative Instruments:		
Foreign currency exchange contracts	$	130,668
CFD contracts		21,162
Metals contracts		53,303
Total	$	205,133

Property and Equipment

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

	December 31, 2013	December 31, 2012
Software	$ 25,913	$ 19,757
Computer equipment	6,649	5,248
Leasehold improvements	6,560	1,863
Telephone equipment	714	725
Office equipment	1,994	1,471
Furniture and fixtures	1,108	241
Web site development costs	626	654
	43,564	29,959
Less: Accumulated depreciation and amortization	(26,446)	(18,936)
Property and equipment, net	$ 17,118	$ 11,023

As mentioned in Note 1 above, in September 2013, the Company purchased all of the outstanding share capital of GFT. The allocation of the preliminary purchase price to property and equipment is detailed below in Note 5, "Acquisition".

Depreciation and amortization expense for property and equipment was $7.8 million, $4.9 million and $3.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Intangible Assets

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

	December 31, 2013		December 31, 2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Customer list	$ 21,556	$ (13,594)	$ 19,356	$ (12,138)
Technology	26,930	(910)	1,560	(37)
Trademark	650	(173)	430	(14)
Non-compete agreement	1,859	(1,852)	1,859	(1,510)
	$ 50,995	$ (16,529)	$ 23,205	$ (13,699)

As mentioned in Note 1 above, in September 2013, the Company purchased all of the outstanding share capital of GFT. The allocation of the preliminary purchase price to intangible assets is detailed below in Note 5, “Acquisition”.

In 2003, the Company acquired the Forex.com domain name for $0.2 million, and in 2004, the foreignexchange.com domain name was purchased for $0.1 million. Because the rights to use these domain names require the payment of a nominal annual renewal fee, management determined that there was no legal, regulatory or technological limitation on their useful lives. Accordingly, these indefinite-lived assets are not amortized. The Company tests intangible assets for impairment on an annual basis in the fourth quarter and on an interim basis when conditions indicate impairment may have occurred.

Balance at January 1, 2011	$	9,089
Purchase of dbFX Customer assets and non-compete		9,701
Amortization and foreign currency transaction gains/losses		(8,019)
Balance at December 31, 2011	$	10,771
Customer list acquired in acquisition of OEC		1,580
Trademark acquired		430
Technology acquired		1,560
Amortization and foreign currency transaction gains/losses		(4,473)
Balance at December 31, 2012	$	9,868
Technology acquired		25,300
Customer list acquired		3,150
Finalization in fair value of OEC intangibles [(1)]		(660)
Amortization and foreign currency transaction gains/losses		(2,830)
Balance at December 31, 2013		34,828

(1) To finalize its valuation of OEC acquisition intangibles, the Company reduced the intangibles by $0.7 million, with a corresponding adjustment to goodwill.

Amortization expense for the purchased intangibles was $2.9 million, $4.1 million and $8.9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Future annual estimated amortization expense for the next five years is as follows (amounts in thousands):

Years Ended December 31:	
2014	4,823
2015	4,823
2016	4,823
2017	3,963
2018	3,213

Goodwill

Goodwill is calculated as the difference between the cost of acquisition and the fair value of the net identifiable assets of an acquired business. As of December 31, 2013 and December 31, 2012, the Company had recorded goodwill of approximately $14.2 million and $9.0 million, respectively.

Goodwill increased $4.8 million during the year as a result of the acquisition of GFT. In addition, during the twelve months ended December 31, 2013, the finalization of the fair value of assets acquired as a result of the OEC acquisition in 2012 resulted in an increase of $0.4 million to goodwill.

Other Assets

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

	December 31, 2013	December 31, 2012
Vendor and security deposits	$ 3,344	$ 3,647
Current tax receivable	4,547	4,898
Deferred tax assets	4,922	5,619
Investment in Kapitall, Inc.	50	500
Indemnification asset	8,596	—
GTX Trade Receivables	4,704	1,335
Miscellaneous receivables, net	2,446	1,154
	$ 28,609	$ 17,153

The Company has recorded a liability of $8.6 million in *Accrued expenses and other liabilities*. This represents the Company's best estimate for the settlement of certain liabilities that were incurred as a result of ordinary course of operations in GFT prior to its acquisition. The actual amount required to settle these liabilities may vary from this estimate.

Under the terms of the acquisition of GFT, the selling stockholder of GFT has agreed to indemnify the Company for these liabilities that are expected to be settled after September 24, 2013. Based on the Company's best estimate of the amounts necessary to settle such liabilities, the Company recorded an indemnification asset of $8.6 million at December 31, 2013. This is included within *Other current assets* in the preliminary purchase price allocation of GFT, refer to note 5.

4. 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, brokers, dealers, FCMs and other regulated entities* on the Consolidated Balance Sheets. The aggregate amount of these funds was $3.0 million and $2.4 million at December 31, 2013 and December 31, 2012, respectively.

Scivantage, Inc. provides hosting services to GAIN Capital Securities, Inc., (“GCSI”) under a one-year agreement dated December 1, 2010, which automatically renews for successive one-year terms, in which Scivantage provides the technology infrastructure hosting facility for GCSI, who provides brokerage securities services. Two members of the Company’s board of directors, Messrs. Calhoun and Sugden, are members of the board of directors of Scivantage.

5. ACQUISITIONS

Global Futures & Forex, Ltd

On September 24, 2013, the Company entered into an Amended and Restated Stock Purchase Agreement with Gary L. Tilkin, a natural person (the “Seller”), and GFT, pursuant to which the Company purchased all of the issued and outstanding share capital of GFT from the Seller. The acquisition was made as part of the Company's strategy to increase its offering of products and to expand its retail and institutional businesses into new markets and geographies.

The preliminary purchase price of GFT was derived as follows (amounts in thousands):

Cash	$ 40,000
Payment for excess cash adjustment	2,160
Loan payable	33,200
Common Stock issued	34,771
Total purchase price	$ 110,131

The preliminary purchase price of GFT was allocated to the fair value of various assets and liabilities as follows (amounts in thousands):

Cash and cash equivalents acquired	$	15,781
Cash and cash equivalents held for customers acquired		228,419
Receivable from brokers		61,028
Property and equipment		7,515
Other current assets		15,002
Total tangible assets		327,745
Total liabilities assumed		250,833
Net assets		76,912
Consideration less net assets		33,219
Identifiable intangible assets:		
Software		25,300
Customer relationships		3,150
Intangible assets, net		28,450
Goodwill		4,769

The foregoing purchase price allocation is preliminary due to the proximity of the closing date of the acquisition to the period end. The final allocation will be based on final analyses of identifiable intangible assets, property and equipment, contingent liabilities and income taxes and will be finalized after the data necessary to complete the analyses of fair values of assets and liabilities is obtained and analyzed.

Acquisition expenses were $1.8 million for the twelve months ended December 31, 2013 . They are recorded in *Acquisition expense.*

For the period from acquisition to December 31, 2013, revenues generated by GFT were $26.9 million and expenses were $32.0 million generating a loss before taxes of $5.1 million.

OEC

On June 27, 2012, Group, LLC and optionsXpress Holdings, Inc., a subsidiary of The Charles Schwab Corporation, entered into a Stock Purchase Agreement whereby the Company acquired Paragon Futures Group, Inc., which owned all membership interests of OEC, an online futures broker, for a purchase price of $12.0 million. This acquisition was made as part of the Company's plan to offer additional products to its customers and diversify its revenue streams. The transaction was completed on August 31, 2012. In addition to the $12.0 million paid at the closing, there was an additional payment made in the fourth quarter of 2012 of $2.7 million based on a contractual working capital adjustment.

The purchase price of OEC was derived as follows (amounts in thousands):

Cash paid	$	12,000
Working capital adjustment		2,691
Total purchase price	$	14,691

The purchase price of OEC was allocated to the fair value of various assets and liabilities as follows (amounts in thousands):

Cash and cash equivalents acquired	$	5,187
Cash and securities held for customers acquired		109,042
Receivables from brokers acquired		815
Other assets acquired		98
Total tangible assets acquired	$	115,142
Total liabilities assumed		(109,960)
Identifiable intangible assets:		
Trademark		650
Technology		1,630
Customer relationships		630
Goodwill		6,599

Pro Forma Information (unaudited):

The following unaudited pro forma operating data are presented as if the acquisition of GFT had occurred on January 1 st of the respective fiscal years for which comparative information is presented. Additionally, the acquisition of OEC (which was consummated in August 2012) is presented as if it had consummated on January 1, 2012 for the purposes of the comparative periods. The unaudited pro forma data does not include the impact of forecasted operating expense synergies.

The unaudited pro forma data is provided for informational purposes only and may not necessarily be indicative of future results of operations or what the results of operations would have been had the Company and GFT and OEC operated as a combined entity for the periods presented.

Unaudited pro forma income statement line items for the twelve months ended December 31, 2013 and 2012, were as follows (amounts in thousands):

	For the Twelve Months Ended December 31,	
	2013	**2012**
REVENUE:	$ 355,489	$ 256,114
Total non-interest revenue	$ 355,489	$ 256,114
Interest revenue	927	1,118
Interest expense	1,865	993
Total net interest (expense) / revenue	(938)	125
Net revenue	354,551	256,239
EXPENSES:		
Other expense items [1]	299,658	269,704
Depreciation and amortization	11,012	8,354
Purchased intangible amortization	5,157	7,488
Acquisition expense	1,824	85
Restructuring	1,570	634
Integration	1,950	—
Total	321,172	286,263
INCOME / (LOSS) BEFORE INCOME TAX EXPENSE	33,379	(30,024)
Income tax expense / (benefit)	12,517	(11,259)
Net income / (loss)	$ 20,862	$ (18,765)

(1) *Other expenses items* for the year ended December 31, 2013, included a one-time, non-recurring expense of $5.1 million relating to a GFT accrual for certain liabilities to third parties.

Restructuring

In 2013, the Company incurred Restructuring expenses, which reflected the cost of reducing global headcount following the GFT acquisition. This category includes charges for employees who left the Company in October and employees on a transition plan, most of whom will leave in the first quarter of 2014.

In 2012, the Company incurred Restructuring expenses in connection with an related headcount reduction.

2013 expenses were $1.6 million, with an additional $0.2 expected to be recorded in 2014, related to this particular restructuring event. Restructuring expenses were $0.6 million in 2012.

These expenses are recorded in *Restructuring expense* in the Consolidated Statements of Operations and Comprehensive Income.

	For the Twelve Months Ended December 31, 2013
Restructuring liability as of January 1, 2013	—
2013 restructuring expenses	1,570
Payments made in 2013	986
Liability as of December 31, 2013	584

6. SHAREHOLDERS EQUITY

Common Stock — At December 31, 2013 and 2012, the Company had authorized 60,000,000 shares of Common Stock ("Common Stock"), of which 41,921,609 and 39,425,434 shares were issued and outstanding, respectively as of December 31, 2013 and 36,486,036 and 34,924,095 shares were issued and outstanding, respectively as of December 31, 2012.

Treasury Stock — As of December 31, 2013, the Company had repurchased 2.5 million shares of outstanding Common Stock for an aggregate cost of $15.5 million reducing the number of shares outstanding.

Dividends — In February, May, July and November 2013, the Company announced the payment of a $0.05 quarterly dividend per share of Common Stock. The dividend payments announced in February, May, July and November were paid in March, June, September and December 2013, respectively, for an aggregate amount of $7.3 million, which was applied against *Retained Earnings.* In February 2014, the Company announced the payment of a $0.05 dividend per share of Common Stock payable in March 2014.

7. CONVERTIBLE SENIOR NOTES

Convertible Senior Notes due 2018

On November 27, 2013, the Company issued $80.0 million 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. The Convertible Notes pay interest semi-annually on June 1 and December 1 at a rate of 4.125% per year, commencing June 1, 2014.

The Convertible Notes will be convertible at an initial conversion rate of 83.33 shares of the Company's common stock per $1,000 principal amount, which is equivalent to an initial conversion price of approximately $12.00. In addition, following certain corporate transactions occurring prior to the maturity date, the Company will, in certain circumstances, increase the conversion rate for a holder electing to convert notes in connection with such corporate transaction. Upon conversion, the Company will deliver cash up to the principal amount. With respect to any conversion value in excess of the principal amount, the Company will deliver shares of its common stock, unless it elects to deliver cash in lieu of all or a portion of such shares.

Holders may convert notes in integral multiples of $1,000 principal amount, at any time prior to the close of business on the business day immediately preceding June 1, 2018, but only in the following circumstances:

- During any calendar quarter commencing after the calendar quarter ending on March 31, 2014 (and only during such quarter), the last reported sale price of the Company's common stock for each of at least 20 of the preceding 30 trading days, ending on and including the last trading day of the quarter exceeds 130% of the conversion price. These days need not be consecutive;
- During the five consecutive business day period immediately after any five consecutive trading day period, if the aggregate share cap does not apply, or ten consecutive trading day period, if the aggregate share cap does apply (such five or ten consecutive trading day period, as applicable, being referred to as the "measurement period"), in which the trading price (as defined in the offering memorandum) per $1,000 principal amount of the notes, as determined following a request by a holder of the notes in the manner described in the offering memorandum, for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on such trading day;
- Upon the occurrence of specified corporate events (as described in the offering memorandum);
- If we have called the notes for redemption (as described in the offering memorandum);

In addition, regardless of the foregoing circumstances, holders may convert their notes at any time on or after June 1, 2018 until the close of business on the business day immediately preceding the maturity date.

In addition, if the Company undergoes a fundamental change (as defined in the Note indenture), holders may, subject to certain conditions, require the Company to repurchase their notes for cash at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest.

Under ASC 470, an entity must separately account for the liability and equity components of a 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. The fair value of the equity component, net of pro-rata initial purchasers' discounts, is included in the additional paid-in capital section of stockholders' equity in the Company's consolidated statement of financial condition. The principal amount of the Convertible Notes is reduced by unamortized original issue discount, which reflects the Convertible Notes fair value. At issuance, the equity component of the Convertible Notes was valued at $12.6 million before pro-rata initial purchasers' commissions of $0.3 million and related additional costs of $0.1 million. The Convertible Notes were valued at $67.4 million consisting of $80.0 million of principal net of $12.6 million allocated to equity, not including pro-rata initial purchasers' commissions of $1.8 million and additional related costs of $0.5 million. The original issue discount will be amortized over the life of the Convertible Notes using the effective interest rate of 8.0%.

Relevant accounting guidance requires entities to disclose the dilutive effects of convertible instruments. As of December 31, 2013, the Company's common stock had not met the convertibility criteria noted in the offering memorandum. Therefore, the Convertible Senior Notes were not dilutive as of December 31, 2013.

The balances of the liability and equity components as of December 31, 2013, were as follows, with amounts in thousands:

		December 31, 2013
Liability component - principal	$	80,000
Deferred bond discount		(14,640)
Liability component - net carrying value	$	65,360
Additional paid in capital	$	12,572
Discount attributable to equity		(425)
Equity component	$	12,147

Interest expense related to the Convertible Notes, included in Interest on borrowings in the condensed consolidated statements of operations was as follows, with amounts in thousands:

		Twelve Months Ended December 31, 2013
Interest expense - stated coupon rate	$	275
Interest expense - amortization of deferred bond discount and costs		213
Total interest expense - convertible note	$	488

The Company incurred $2.7 million of Convertible Notes issuance cost and additional related fees. Amortization of Convertible Notes issuance costs included in Interest expense in the consolidated statements of operations was $0.2 million for the twelve months ended December 31, 2013. Unamortized Convertible Notes issuance discount was $1.9 million at December 31, 2013 and is included in Convertible senior notes and Additional paid in capital in the Consolidated balance sheets.

8. SHARE BASED COMPENSATION

Share Based Payment

On November 22, 2010, the Company's board of directors adopted the GAIN Capital Holdings, Inc. 2010 Omnibus Incentive Compensation Plan, (the "2010 Plan"), which became effective December 13, 2010. Initially, the 2010 Plan made available 7.1 million shares (1.5 million to be issued pursuant to future awards and grants under the 2010 Omnibus Incentive Compensation plan, 5.2 million shares that are subject to outstanding grants under a predecessor plan, and 0.4 million shares to be issued pursuant to the 2011 Employee Stock Purchase Plan) for awards to employees, nonemployee directors, consultants, and advisors in the form of incentive stock options, nonqualified stock options, stock awards, stock units, stock appreciation rights and other stock-based awards. In addition, as of the first trading day of January during the term of the 2010 Plan, beginning with calendar year 2012, an additional positive number of shares of the Company's stock shall be added to the number of shares of the Company stock authorized to be issued or transferred under the 2010 Plan equal to (1) three percent (3%) of the total number of shares of Company stock outstanding (on a fully diluted basis) as of the last trading day in December of the immediately preceding calendar year, or (2) such lesser number of shares as the Company's board of directors may determine. On January 1, 2013 the Company authorized an additional 1.2 million shares to be issued or transferred under the 2010 Plan. On January 1, 2014, the Company authorized an additional 1.3 million shares to be issued or transferred under the 2010 Plan pursuant to the terms of the 2010 Plan.

Under the 2010 Plan, the committee will determine the exercise price of the options granted and may grant options to purchase shares of the Company's common stock in amounts as determined by the committee. The committee may grant options that are intended to qualify as ISOs under Section 422 of the Internal Revenue Code, or NQSOs which are not intended to so qualify. ISOs may only be granted to employees. Anyone eligible to participate in the 2010 Plan may receive a grant of NQSQs. The exercise price of a stock option granted under the 2010 Plan cannot be less than the fair market value of a share of the Company's common stock on the date the option is granted. All options granted under the 2010 Plan expire seven years from the date of grant.

Stock Options

The following table summarizes the stock option activity under all plans from January 1, 2013 through December 31, 2013:

	Options Outstanding			
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Life (Years)**	**Aggregate Intrinsic Value**
Outstanding January 1, 2013	3,588,900	$ 2.32	1.09	
Granted	496,000	$ 5.30	6.17	
Exercised	(1,394,977)	$ 1.83	1.99	
Forfeited	(66,798)	$ 4.85	7.84	
Outstanding December 31, 2013	2,623,125	$ 4.10	4.60	9,111,804
Vested and expected to vest options	2,554,173	$ 4.07	4.18	8,929,214
Exercisable, December 31, 2013	1,614,240	$ 3.51	3.92	6,535,178

Fair market value of common stock at exercise date	$ 7,279,641
Cost to exercise	2,538,979
Net value of Stock options exercised	$ 4,740,662

The following table summarizes information concerning outstanding and exercisable stock options as of December 31, 2013:

Exercise Price	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Exercise Price		Options Outstanding: Weighted Average Remaining Contractual Life (Years)	Options Exercisable: Number of Options Exercisable	Options Exercisable: Weighted Average Exercise Price	
$1.11	11,660		1.11	0.42	11,660		1.11
$1.55	374		1.55	1.02	374		1.55
$1.99	462,488		1.99	1.41	462,488		1.99
$2.43	262,161		2.43	1.86	262,161		2.43
$2.87	38,135		2.87	1.81	38,135		2.87
$3.83	767,574		3.83	6.31	603,526		3.83
$4.4	481,000		4.40	8.90	—		—
$5.30	293,563		5.30	7.86	78,312		5.3
$8.02	306,170		8.02	6.94	157,584		8.02
	2,623,125	$	4.10	4.60	1,614,240	$	3.51

The weighted-average remaining contractual life for the 2.6 million outstanding options as of December 31, 2013, is approximately 4.60 years. There were 1.6 million stock options exercisable as of December 31, 2013. The total intrinsic value of stock options exercised during 2013, 2012 and 2011 respectively were $4.7 million, $3.3 million and $2.0 million. During 2013, the Company had 0.3 million stock options vest. The Company received $2.5 million, $2.0 million, and $0.9 million from stock option exercises in 2013, 2012 and 2011, respectively.

In March 2013, the Company granted 0.5 million options to employees. In 2012, the Company granted 0.3 million options to employees. In 2011, 0.4 million options were granted to employees.

The Compensation Committee of the Company's Board of Directors approved stock option grants with a fair market value estimated under a Black-Scholes option pricing valuation model using the following assumptions:

	For the Twelve Months Ended December 31, 2013	2012	2011
Valuation Assumptions			
Risk-free rate	0.80%	0.90%	2.30%
Expected volatility	48.80%	48.50%	47.60%
Expected term (years)	4.8 years	4.8 years	4.8 years
Dividend yield	4.9%	4.9%	—%

The expected volatility was calculated based upon the volatility of public companies in similar industries or financial service companies. The average risk free rate is based upon the risk free rate of the U.S. Treasury bond rate with a maturity commensurate with the expected term. The options granted during 2013 were granted on March 1, 2013. For any future grants, the Company's current history of paying cash dividends on a quarterly basis will be considered in assessing a market participant view of the appropriate expected dividend yield in the related option pricing valuation model.

The Company recorded stock-based compensation expense related to options in accordance with ASC 718-10 of $0.7 million, $0.8 million and $0.8 million in 2013, 2012 and 2011, respectively. The stock-based compensation expense is recorded in *Employee compensation and benefits* on the Consolidated Statements of Operations and Comprehensive Income.

Restricted Stock Units and Restricted Stock Awards

The 2010 Plan provides for the issuance of RSUs that are convertible on a 1:1 basis into shares of the Company's common stock. The Company maintains a restricted unit account for each grantee. Restrictions typically lapse over four years, with 25% lapsing on each anniversary date of the grant. After the restrictions lapse, the grantee shall receive payment in the form of cash, shares of the Company's common stock, or in a combination of the two, as determined by the Company. Payment shall be made upon the date the restrictions lapse, upon a predetermined delivery date, upon a change in control of the Company. or upon the employee leaving the Company. The Company has historically settled these awards through the issuance of common stock to recipients and intends to continue to do so. The Company may also issue performance grants which have restrictions lapsing immediately, but delivery of the common stock deferred until a later date. RSUs are assigned the value of the Company's common stock at date of grant issuance, and the grant date fair value is amortized over a four year period. During 2013, 0.8 million RSUs were granted to employees and members of the Board of Directors. During 2012, 0.6 million RSUs were granted to employees and members of the Board of Directors.

The 2010 Plan also provides for the issuance of restricted stock awards, or RSAs, which represent shares of the Company's common stock. The Company maintains a restricted stock award account for each grantee. Restrictions typically lapse over four years, with 25% lapsing on each anniversary date of the grant. After the restrictions lapse, or upon a change in control of the Company the grantee shall receive payment in the form of cash, shares of the Company's common stock, or in a combination of the two, as determined by the Company. The Company has historically settled these awards through the issuance of common stock to recipients and intends to continue to do so. The Company may also issue performance grants which have immediate vesting. There were no RSAs granted during 2013 or 2012. During 2011, 0.2 million RSAs were granted to employees and members of the Board of Directors.

The Company recorded $2.2 million, $2.5 million and $3.2 million in stock-based compensation expense related to restricted stock for the year ended December 31, 2013, 2012 and 2011, respectively.

A summary of the status of the Company's nonvested shares of restricted stock units and restricted stock awards as of December 31, 2013 and changes during the year ended December 31, 2013, is presented below:

Non-Vested Shares	**Number of RSUs**	**Weighted Average Grant Date Fair Value**	**Number of RSAs**	**Weighted Average Grant Date Fair Value**
Non-vested at January 1, 2013	586,096	$ 5.8	181,888	$ 7.2
Granted	812,442	4.40	—	—
Vested	(276,466)	6.00	(63,220)	7.22
Forfeited	(92,677)	4.75	(7,229)	6.71
Non-vested at December 31, 2013	1,029,395	$ 4.70	111,439	$ 7.28

As of December 31, 2013 there was $4.5 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2010 Plan. The cost is expected to be recognized over a weighted-average period of approximately two years. The fair market value on the grant date for RSUs and RSAs vested during the years ended December 31, 2013, 2012 and 2011 was $1.7 million, $3.1 million and $3.9 million, respectively. The total intrinsic value of the RSUs and RSAs that became unrestricted during the year ended December 31, 2013 was $1.8 million at the date they became unrestricted. RSUs and RSAs that were vested and outstanding as of December 31, 2013 had a value at grant date of $21.5 million. The Company granted RSUs during the year ended December 31, 2013 which had a value of $3.6 million at grant date. The fair market value of RSUs and RSAs at the date of grant during the year ended December 31, 2012 was $3.1 million.

Employee Stock Purchase Plan

The 2011 Employee Stock Purchase Plan, or the ESPP, was adopted by the Company's board of directors on November 22, 2010. The ESPP became effective on January 1, 2011. The ESPP permits eligible employees to purchase shares of the Company's common stock at a 15% discount from the lesser of the fair market value per share of the Company's common stock on the first day of the offering period or the fair market value of the Company's common stock on the interim purchase date through after-tax payroll deductions. Shares reserved for issuance under the ESPP was initially 500,000. It is intended that the ESPP meet the requirements for an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. For the year ended December 31, 2013, 0.08 million shares were issued under the plan. For the year ended December 31, 2012, 0.05 million shares were issued under the ESPP.

9. EARNINGS PER COMMON SHARE

Basic and diluted earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the determinants of basic net income per share and, in addition, gives effect to the potential dilution that would occur if securities or other contracts to issue common stock were exercised, vested or converted into common stock, unless they are anti-dilutive. Diluted weighted average common shares include vested and unvested stock options, vested restricted stock units which are to be delivered as soon as administratively practicable on or after December 31, 2013, unvested restricted stock units and unvested restricted stock awards. Approximately 0.3 million and 0.6 million stock options were excluded from the calculation of diluted earnings per share for the twelve months ended December 31, 2013 and the twelve months ended December 31, 2012, respectively, as they were anti-dilutive.

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

	For the years ended December 31,		
	2013	**2012**	**2011**
Net income applicable to GAIN Capital Holdings, Inc.	$ 31,311	$ 2,621	$ 15,698
Series E correction[(1)]	(154)	—	—
Net income after correction	31,157	2,621	15,698
Weighted average common shares outstanding:			
Basic weighted average common shares outstanding	36,551,246	34,940,800	34,286,840
Effect of dilutive securities:			
Warrants	—	—	160,529
Stock options	1,214,370	1,490,089	2,732,302
RSUs/RSAs	1,867,262	1,449,319	1,802,121
Diluted weighted average common shares outstanding	39,632,878	37,880,208	38,981,792
Earnings per common share			
Basic	$ 0.85	$ 0.08	$ 0.46
Diluted	$ 0.79	$ 0.07	$ 0.40

(1) During the period an adjustment to retained earnings was made, reflecting the amounts deemed uncollectible associated with previously issued preferred stock, which was converted to common stock immediately prior to the IPO.

10. 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 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 or additional 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 (now known as the Financial Conduct 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 has 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. The Company submitted a Response to the Letter before Claim on July 4, 2012. On July 5, 2012 the Company received a substantially similar Letter of Claim on behalf of further individuals. Subsequently, the parties agreed to consolidate claims by those other similarly situated individuals with the pending Pre-Action Protocol process. The parties agreed it would be more appropriate for the proceedings to be dealt with in the Commercial Court and the matters were transferred pursuant to Consent Orders dated March 14, 2013. The Company subsequently filed an application for strike out and/or summary judgment in respect of all claims on March 15, 2013. The claimants filed an answer to the Company's motion on June 2, 2013 and subsequently the Company filed a response to this answer on July 15, 2013. A hearing was held on the Company's application for strike out and/or summary judgment on September 18 and 19, 2013. After the hearing, the judge asked the claimants to respond in writing to his additional questions from the hearing. The complaints had until October 11, 2013 to provide answers and the Company was given until November 1, 2013 to respond. On February 26, 2014, the judge denied the Company's motion for strike out/summary judgment. The Company can provide no assurances that this matter will be successfully resolved. This matter is currently pending. At this time, a potential loss or a potential range of loss cannot be reasonably estimated.

Through the Company's acquisition of OEC, the Company became the subject of a patent infringement lawsuit originally filed against OEC on February 9, 2010 in the U.S. District Court for the Northern District of Illinois by Trading Technologies International, Inc. seeking injunctive relief and unspecified damages. As reflected in a Second Amended Complaint filed on June 15, 2011, plaintiff alleges infringement of 12 patents relating to real-time display of price quotes and market depth on OEC's electronic trading interfaces. The case was consolidated with 11 related cases in February 2011, and the parties have exchanged infringement, non-infringement and invalidity contentions for several of the disputed patents. In June 2011, the court stayed discovery to allow summary judgment briefing on the ramifications of a recent Federal Circuit decision. On February 9, 2012, the court issued an order, which granted Defendants' motions for summary judgment, resulting in a substantial narrowing of the scope of plaintiff's claims. Plaintiff filed a motion for reconsideration of that ruling on March 8, 2012. Plaintiff also filed a motion for certification of judgment for interlocutory appeal. The court denied plaintiff's motion for reconsideration but granted plaintiff's motion for certification of judgments of patent invalidity with respect to four of the asserted patents. On August 30, 2013, the Federal Circuit issued its opinion vacating and remanding the court's judgment of patent invalidity regarding four of the asserted patents. On remand, Defendants renewed their motion for summary judgment of patent invalidity and the court is currently considering when to revisit the invalidity issue. Since the court's certification of judgments ruling, the court has continued its stay of discovery. Plaintiff's complaint does not specify the amount of damages sought. At this time, a potential loss or a potential range of loss cannot be reasonably estimated.

11. COMMITMENTS AND CONTINGENCIES

Leases — The Company leases office space under non-cancelable operating lease agreements that expire on various dates through 2025. Such leases do not require any contingent rental payments or impose any financial restrictions. The majority of leases include renewal terms substantially the same as the current terms. Future annual minimum lease payments, including maintenance and management fees, for non-cancellable operating leases, are as follows (amounts in thousands):

Years Ended December 31:		
2014	$	4,193
2015		3,550
2016		2,838
2017		2,045
2018 and beyond		9,258
	$	21,884

Rent expense was $3.7 million, $2.6 million, and $2.5 million for the years ended December 31, 2013, 2012 and 2011, respectively.

12. INCOME TAXES

The following table presents the U.S. and non-U.S. components of income before income tax expense / (benefit) for the years ended December 31, 2013, 2012, and 2011 (amounts in thousands):

	For the Fiscal Year Ended December 31,		
	2013	2012	2011
U.S.	$ 17,375	$ (10,795)	$ 9,766
Non-U.S.	27,730	11,937	13,478
	$ 45,105	$ 1,142	$ 23,244

The provision for income tax expense / (benefit) consisted of (amounts in thousands):

	For the Fiscal Year Ended December 31,		
	2013	2012	2011
Current			
Federal	$ 6,651	$ (2,880)	$ 4,803
State	170	34	1,453
UK	6,917	2,750	3,396
Japan	14	14	—
Other non-U.S.	3	3	1
	13,755	(79)	9,653
Deferred			
Federal	(565)	(865)	(1,953)
State	328	(1)	(338)
Japan	121	126	184
Other non-U.S.	(235)	(30)	—
Change in valuation allowance	390	(630)	—
	39	(1,400)	(2,107)
Total income tax expense / (benefit)	$ 13,794	$ (1,479)	$ 7,546

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. The Company's net deferred tax assets are included in *Other assets* on the Consolidated Balance Sheets. The net change in valuation allowance for the year ended December 31, 2013 was $0.4 million. Significant components of the Company's deferred tax assets and liabilities were as follows (amounts in thousands):

	December 31, 2013	December 31, 2012
Deferred tax assets		
Net foreign exchange operating losses	$ 2,006	$ 1,893
Stock-based compensation expense	6,334	6,608
Intangible assets	2,777	3,414
Other	942	588
Total deferred tax assets	12,059	12,503
Valuation allowance	(493)	(103)
Total deferred tax assets after valuation allowance	$ 11,566	$ 12,400
Deferred tax liabilities		
Unrealized trading differences	$ (5,653)	$ (4,867)
Unrealized foreign currency	—	(152)
Basis difference in property and equipment	(333)	(1,546)
State taxes	(26)	(78)
Other	(632)	(138)
Total deferred liabilities	(6,644)	(6,781)
Net deferred tax assets	$ 4,922	$ 5,619

The Company has restated the 2012 deferred tax assets to reflect an error. See Note 1 for details.

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

	2013	2012	2011
Federal income tax at statutory rate	35.00 %	35.00 %	35.00 %
Increase/(decrease) in taxes resulting from:			
State income tax	0.75 %	2.47 %	3.06 %
Foreign rate differential	(6.45)%	(121.09)%	(4.24)%
Meals & entertainment	0.16 %	5.65 %	0.4 %
R&D credit	— %	7.47 %	(0.7)%
Establishment/(release) of valuation allowance	0.87 %	(51.34)%	— %
Uncertain tax positions	(0.05)%	(9.04)%	— %
Other permanent differences	0.3 %	1.46 %	(1.06)%
Effective Tax Rate	30.58 %	(129.42)%	32.46 %

The Company has $7.9 million in foreign net operating loss (“NOL”) carry forwards as of December 31, 2013. These NOLs begin to expire in 2019. The Company has a deferred tax asset of $2.0 million relating to these NOLs for which it has established a valuation allowance of $0.5 million.

At December 31, 2013, undistributed earnings of our foreign subsidiaries indefinitely invested outside the United States amounted to approximately $53.7 million. No provision has been made for foreign taxes associated with the cumulative undistributed earnings of foreign subsidiaries, as these earnings are expected to be reinvested in working capital and other business needs. Upon repatriation of those earnings, in the form of dividends or otherwise, the Company would be subject to income taxes of approximately $6.2 million, subject to an adjustment for the participation exemption.

The Company has recorded a liability of $0.1 million related to uncertain tax positions at December 31, 2013 in accordance with ASC 740-10, *Income Taxes.*

The following table summarizes the activity to the gross unrecognized Tax benefits from uncertain tax positions (amounts in thousands):

	As of December 31,		
	2013	2012	2011
Beginning balance as of January 1	$ 78	$ 189	$ 126
Increases based on tax positions related to the current period	—	3	39
Increases based on tax positions related to prior periods	—		56
Decreases based on tax positions related to prior periods	(21)	(20)	—
Decreases related to a lapse of applicable statute of limitations	—	(94)	(32)
Ending balance as of December 31	$ 57	$ 78	$ 189

The Company's open tax years range from 2010 through 2012 for its U.S. federal returns, from 2009 through 2012 for the U.K., from March 2012 through March 2013 for Japan and from 2009 through 2012 for its major state jurisdictions.

Included in the total unrecognized tax benefits at December 31, 2013, 2012, and 2011 is $0.1 million, $0.1 million, and $0.2 million, respectively, that if recognized would favorably affect the effective tax rate. No unrecognized tax benefits were recorded at December 31, 2013. It is reasonably possible that the amount of liability for unrecognized tax benefits could change during the next 12 months. An estimate of the range of the possible change cannot be made until issues are further developed or examinations closed.

13. RETIREMENT PLANS

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

Prior to 2011, the Company sponsored a 401(k) retirement plan, under the terms of which the Company was obligated to match 25% (50% for employees with three years or more of service) of the employee's salary contributed to the plan up to 15% of the employee's compensation for each payroll period.

The expense recorded to employee compensation and benefits on the Consolidated Statements of Operations and Comprehensive Income by the Company for its employees' participation in the respective plans during the years ended December 31, 2013, 2012 and 2011 was $0.9 million, $0.5 million, and $0.7 million, respectively.

14. REGULATORY REQUIREMENTS

Regulatory requirements have remained substantially the same as those disclosed in the Company's Annual Report on Form 10-K filed with the SEC on March 18, 2013 with the exception of the requirements of GAIN Capital Forex.com Australia, Pty. Ltd. ("GCAU"). GCAU holds an Australian Financial Services License issued by the Australian Securities & Investments Commission ("ASIC"). As of January 31, 2013, the ASIC implemented changes to the Regulatory Guide 166. As a result of these changes, GCAU is required to maintain a minimum capital requirement of $0.4 million (AUD 0.5 million) or 5% of the average revenue. This change did not have a material impact on the Company or GCAU.

Group, LLC, the Company's FCM and RFED subsidiary, is subject to the CFTC Net Capital Rule (Rule 1.17) and NFA Financial Requirements Sections 11 and 12. Under applicable provisions of these rules, Group, LLC is required to maintain adjusted net capital of $20.0 million plus 5.0% of the total payables to customers over $10.0 million. At December 31, 2013, Group LLC maintained $14.5 million more than the minimum required regulatory capital for a total of 1.6 times the required capital and at all times maintained compliance with all applicable regulations.

GCSI is a broker-dealer registered with the SEC under the Securities Exchange Act of 1934, as amended. GCSI is a member of the Financial Industry Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board ("MSRB"), and Securities Investor Protection Corporation ("SIPC"). Pursuant to the SEC's Uniform Net Capital Rule 15c3-1, GCSI is required to maintain a minimum net capital balance (as defined) of $0.05 million. GCSI must also maintain a ratio of aggregate indebtedness (as defined) to net capital of not more than 15 to 1. At December 31, 2013, GCSI maintained $0.4 million more than the minimum required regulatory capital for a total of 9 times the required capital and at all times maintained compliance with all applicable regulations.

GAIN Capital Forex.com UK Ltd. ("GCUK") is registered in the UK and regulated by the Financial Conduct Authority ("FCA") as a full scope €730k BIPRU Investment Firm. GCUK is required to maintain the greater of $1.0 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm's operational, credit, counterparty, concentration, market and forex risk. The regulatory capital held is required to be in excess of 110% of its requirements at all times. At December 31, 2013, GCUK maintained $37.0 million more than the minimum required regulatory capital for a total of 2.8 times the required capital and at all times maintained compliance with all applicable regulations.

GFT Global Markets UK Limited, or GFTUK, is registered in the UK and regulated by the FCA as a full scope €730k BIPRU Investment Firm and is subject to the same regulatory capital requirements as GCUK. At December 31, 2013, GFTUK maintained $10 million more than the required minimum regulatory capital for a total of 1.3 times the required capital and at all times maintained compliance with all applicable regulations. Effective February 28, 2014, substantially all of GFTUK's business and operations were transferred to GCUK.

Forex.com Japan Co., Ltd. ("GC Japan") is a registered Type I financial instruments business firm regulated by the Japan Financial Services Agency in accordance with Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended). GC Japan is a member of the Financial Futures Association of Japan. GC Japan is subject to a minimum capital adequacy ratio of 120%, which is derived by dividing Net Capital (as defined in Law No. 25) by the sum of GC Japan's market, counterparty credit risk and operational risk. At December 31, 2013, GC Japan maintained $6.4 million more than the minimum required regulatory capital for a total of 3 times the required capital and at all times maintained compliance with all applicable regulations.

GCAU holds an Australian Financial Services License issued by the Australian Securities & Investments Commission ("ASIC"). GCAU is required to maintain a minimum capital requirement of $0.05 million (0.05 million AUD) plus 5% of adjusted liabilities between $1.02 million (1 million AUD) and $101.6 million (100 million AUD). At December 31, 2013, GCAU maintained $2.3 million more than the minimum required regulatory capital for a total of 8.7 times the required capital and at all times maintained compliance with all applicable regulations.

GCHK is licensed by the Securities and Futures Commission ("SFC") to carry out Type 3 Regulated Activity, Leveraged Foreign Exchange Trading. GCHK is subject to the requirements of section 145 of the Securities and Futures Ordinance (Cap.571). Under this rule, GCHK is required to maintain a minimum liquid capital requirement of the higher of $1.9 million or the sum of 1.5% of its aggregate gross foreign currency position and 5% of its adjusted liabilities and clients' margin calculated in accordance with applicable rules. At December 31, 2013, GCHK maintained $1.9 million more than the minimum required regulatory capital for a total of 2 times the required capital and at all times maintained compliance with all applicable regulations.

GAIN Global Markets, Inc. ("GGMI"), the Company's Cayman Island subsidiary, is a registered securities arranger with the Cayman Islands Monetary Authority ("CIMA"). GGMI is required to maintain a capital level that is the greater of one quarter of relevant annual expenditure, or $100,000. At December 31, 2013, GGMI maintained $0.2 million more than the minimum required regulatory capital for a total of 3 times the required capital and at all times maintained compliance with all applicable regulations.

Gain Capital-Forex.com Canada Ltd ("GCC") became registered as an investment dealer with the Investment Industry Regulatory Organization of Canada ("IIROC") in May 2012. GCC is required to maintain a minimum capital requirement of $0.25 million (0.25 million CAD) and comply with applicable margin and securities concentration charges. At December 31, 2013, GCC maintained $1.8 million more than the minimum required regulatory capital for a total of 10 times the required capital and at all times maintained compliance with all applicable regulations.

GFT Global Markets Asia Pte Limited , or GFT SG, is a sole proprietorship foreign exchange trading firm registered with the Monetary Authority of Singapore, or MAS, and operates as an approved holder of Capital Markets Services License. GFT SG is subject to the requirements of MAS and pursuant to the Securities and Futures Act (Cap.289) and a Commodity Brokers License granted under the Commodity Trading Act by the International Enterprise of Singapore. Under these rules, GFT SG is required to maintain a minimum liquid capital requirement of $1.6 million (2.0 million SGD). At December 31, 2013, GFT SG maintained $0.1 million than the required minimum regulatory capital for a total of 1.0 times the required capital and at all times maintained compliance with all applicable regulations.

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of December 31, 2013 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
GFT Global Markets UK Ltd.	$ 32.3	$ 57.2	$ 24.9	177%
GAIN Capital Group, LLC	24.6	39.1	14.5	159%
GAIN Capital-Forex.com U.K., Ltd.	20.5	57.5	37.0	280%
Forex.com Japan Co., Ltd.	3.1	9.5	6.4	306%
GAIN Capital-Forex.com Hong Kong, Ltd.	1.9	3.8	1.9	200%
Global Futures & Forex, Ltd.	1.0	9.0	8.0	900%
GAIN Capital Forex.com Australia, Pty. Ltd.	0.3	2.6	2.3	867%
GAIN Capital-Forex.com Canada Ltd.	0.2	2.0	1.8	1,000%
GAIN Capital Securities, Inc.	0.1	0.5	0.4	500%
GAIN Global Markets, Inc.	0.1	0.3	0.2	300%
GFT Global Markets Asia Pte., Ltd.	1.6	1.7	0.1	106%
Total	$ 85.7	$ 183.2	$ 97.5	214%

15. SEGMENT INFORMATION

ASC 280, *Disclosures about Segments of an Enterprise and Related Information* , establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision making group, in deciding how to allocate resources and in assessing performance. Reportable segments are defined as an operating segment that either (a) exceeds 10% of revenue, or (b) reported profit or loss in absolute amount exceeds 10% of profit of all operating segments that did not report a loss or (c) exceeds 10% of the combined assets of all operating segments. The Company's operations relate to global trading services and solutions. Based on the Company's management strategies, and common production, marketing, development and client coverage teams, the Company has concluded that it operates in a single operating segment.

For the twelve months ended December 31, 2013 and the twelve months ended December 31, 2012 , no single retail or institutional customer accounted for more than 3% of the Company's total net revenue.

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth selected quarterly financial data for 2013 and 2012 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the Year Ended December 31, 2013				
Gross revenue	$ 49,754	$ 72,833	$ 60,571	$ 83,801
Net revenue	$ 49,765	$ 72,995	$ 60,598	$ 83,033
Income before income tax expense	$ 5,140	$ 24,433	$ 8,643	$ 6,889
Net income	$ 4,279	$ 17,164	$ 5,600	$ 4,268
Basic net income per share	$ 0.12	$ 0.48	$ 0.16	$ 0.11
Diluted net income per share	$ 0.11	$ 0.44	$ 0.14	$ 0.10
For the Year Ended December 31, 2012				
Gross revenue	$ 33,309	$ 45,721	$ 39,908	$ 32,286
Net revenue	$ 33,246	$ 45,684	$ 39,985	$ 32,445
(Loss) / income before income tax expense	$ (1,859)	$ 5,988	$ 4,431	$ (7,418)
Net (loss) / income	$ (1,247)	$ 4,435	$ 3,221	$ (3,787)
Basic net (loss) / income per share	$ (0.04)	$ 0.13	$ 0.09	$ (0.11)
Diluted net (loss) / income per share	$ (0.04)	$ 0.11	$ 0.08	$ (0.11)

17. SUBSEQUENT EVENTS

In February 2014, the Company announced the payment of a $ 0.05 dividend per share of Common Stock payable on March 20, 2014 to stockholders of record on March 17, 2014.

On March 12, 2014, the Company announced that it had entered into purchase agreements with each of Global Asset Advisors, LLC ("GAA") and Top Third Ag Marketing LLC ("Top Third") providing for the purchase of 55% of the outstanding shares of GAA and Top Third from their major shareholders.

The Company has evaluated events subsequent to December 31, 2013 to assess the need for potential recognition or disclosure in these consolidated financial statements. Such events were evaluated through March 17, 2014, the date these consolidated financial statements were issued.

GAIN CAPITAL HOLDINGS, INC.
(Parent Company Only)
Consolidated Balance Sheet
(in thousands, except share data)

	As of December 31,	
	2013	2012
ASSETS:		
Cash and cash equivalents	$ 39,871	$ 49
Equity investments in subsidiaries	280,506	153,840
Receivables from affiliates	(14,468)	3,213
Prepaid Assets	127	—
Current tax receivable	3,493	5,549
Other assets	12,529	3,205
Total assets	$ 322,058	$ 165,856
LIABILITIES AND SHAREHOLDERS EQUITY:		
Liabilities		
Accrued expenses and other liabilities	23,673	3,025
Accrued compensation and benefits	72	—
Convertible senior note	65,360	—
Deferred taxes	(1,448)	—
Total liabilities	87,657	3,025
Shareholders' Equity		
Common stock ($0.00001 par value; 60 million shares authorized; 41,921,609 shares issued and 39,425,434 shares outstanding as of December 31, 2013; 36,486,036 shares issued and 34,924,095 shares outstanding as of December 31, 2012)	—	—
Accumulated other comprehensive income	2,576	1,249
Additional paid-in capital	138,691	85,089
Treasury stock, at cost (2,496,175 shares at December 31, 2013 and 1,561,941 at December 31, 2012, respectively)	(15,469)	(8,280)
Retained earnings	108,603	84,773
Total GAIN Capital Holdings, Inc. shareholders' equity	234,401	162,831
Total liabilities and shareholders' equity	$ 322,058	$ 165,856

GAIN CAPITAL HOLDINGS, INC.
(Parent Company Only)
Consolidated Statements of Operations and Comprehensive Income
(in thousands)

	For the Fiscal Year Ended December 31,		
	2013	2012	2011
REVENUES:			
Dividend income from subsidiaries	37,099	—	—
Revenues, interest and other	181	—	—
Total	37,280	—	—
EXPENSES:			
Interest expense	$ 1,199	$ —	$ —
Employee compensation and benefits	$ 187	$ 3,094	$ 779
General and administrative	6,075	2,913	3,579
Total	7,461	6,007	4,358
Gain on extinguishment of debt	2,000		
INCOME/(LOSS) BEFORE INCOME TAX EXPENSE	31,819	(6,007)	(4,358)
Income tax expense / (benefit)	6,736	(3,682)	4,150
NET INCOME/(LOSS) BEFORE UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	25,083	(2,325)	(8,508)
Undistributed earnings of subsidiaries	6,228	4,946	24,206
NET INCOME	$ 31,311	$ 2,621	$ 15,698
Other comprehensive income, net of tax			
Foreign currency translation adjustment	$ 1,327	$ 933	$ (112)
NET COMPREHENSIVE INCOME	$ 32,638	$ 3,554	$ 15,586
Net income applicable to GAIN Capital Holdings, Inc. common shareholders	32,638	2,621	15,698

GAIN CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
(Parent Company Only)
Consolidated Statements of Cash Flows
(in thousands)

	For the Fiscal Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 31,311	$ 2,621	$ 15,698
Adjustments to reconcile net income to cash provided by operating activities			
Equity in income of subsidiaries	6,228	5,280	24,426
Gain on extinguishment of debt	(2,000)	—	—
(Gain)/Loss on foreign currency exchange rates	(274)	217	(285)
Deferred taxes	(1,448)	145	(2,291)
Amortization of deferred finance costs	175	—	87
Stock compensation expense	2,896	3,325	491
Tax benefit from employee stock option exercises	—	—	—
Change in fair value of preferred stock embedded derivative	—	—	—
Changes in operating assets and liabilities:			
Receivables from affiliates	17,681	12,828	(6,100)
Prepaid assets	(127)	—	—
Other assets	(7,835)	(657)	1,811
Current tax receivable	2,055	1,213	(4,936)
Accrued expenses and other liabilities	(3,456)	1,934	(913)
Income tax payable	—	—	—
Cash provided by operating activities	45,206	26,906	27,988
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment and funding of subsidiaries	(42,764)	(12,778)	(12,304)
Purchase of cost method investment	—	—	(500)
Cash used for investing activities	(42,764)	(12,778)	(12,804)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from convertible note issuance, net	77,900	—	—
Repayment of senior loan	(31,200)	—	—
Deferred initial public offering costs	—	—	—
Payment on notes payable	—	(7,875)	(10,500)
Proceeds from exercise of stock options	2,539	1,969	853
Proceeds from exercise of warrants	—	—	1,270
Proceeds from ESPP Purchase	302	216	165
Repurchase of common shares	(7,189)	(3,263)	(5,017)
Tax benefit from employee stock option exercises	1,026	(28)	421
Dividends paid	(7,326)	(6,972)	(1,758)
Cash provided by/(used for) financing activities	36,052	(15,953)	(14,566)
Effect of exchange rate changes on cash and cash equivalents	1,328	854	86
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,822	(971)	704
CASH AND CASH EQUIVALENTS — Beginning of year	49	1,020	315
CASH AND CASH EQUIVALENTS — End of year	$ 39,871	$ 49	$ 1,019

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:						
Interest (paid)	$	(556)	$	(153)	$	(460)
Taxes (paid)/refunds received, net	$	(5,562)	$	4,303	$	(10,714)
Non-cash financing activities related to GFT acquisition:						
Senior loan		33,200		—		—
Stock issued		34,771		—		—

SCHEDULE I —
GAIN CAPITAL HOLDINGS, INC.
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

Basis of Financial Information — The accompanying financial statements of GAIN Capital Holdings, Inc. (“Parent Company”), including the notes thereto, should be read in conjunction with the consolidated financial statements of GAIN Capital Holdings, Inc. and Subsidiaries (the “Company”) and the notes thereto found on pages F-8 to F-35.

The financial statements are prepared in accordance with accounting principles generally accepted in the U.S. which require the Company or Parent Company to make estimates and assumptions regarding valuations of certain financial instruments and other matters that affect the Parent Company Financial Statements and related disclosures. Actual results could differ from these estimates.

The Parent Company on a stand-alone basis, has accounted for majority-owned subsidiaries using the equity method of accounting.

2. Transactions with Subsidiaries

The Parent Company has transactions with its subsidiaries determined on an agreed upon basis. Cash dividends from its subsidiaries totaled $37.1 million, $3.0 million and $38.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

3. Income Taxes

ASC 740-10-65, *Income Taxes,* provides measurement and recognition guidance related to accounting for uncertainty in income taxes by prescribing a recognition threshold for tax positions. ASC 740-10-65 also requires extensive disclosures about uncertainties in the income tax positions taken.

The Parent Company’s open tax years for its federal returns range from 2010 through 2012 and from 2009 through 2012 for its major state jurisdictions.

The Parent Company classifies interest expense and potential penalties related to unrecognized tax benefits as a component of income tax expense.

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

	2013
Federal income tax at statutory rate	35.00 %
Increase/(decrease) in taxes resulting from:	
State income tax	0.95 %
Impact of pass through of earnings of subsidiaries	(15.05)%
Other permanent differences	0.27 %
Effective Tax Rate	21.17 %

4. Commitments and Contingencies

For a discussion of commitments and contingencies, see Note 11 to the Company’s consolidated financial statements.

Exhibit 4.3

GAIN Capital Holdings, Inc.
Bedminster One, Suite 11
135 US Hwy. 202/206
Bedminster, NJ 07921

November 18, 2013

VantagePoint Venture Partners IV (Q), L.P.
1001 Bayhill Drive, Suite 300
San Bruno, CA 94066

Edison Venture Fund IV SBIC, L.P.
1009 Lenox Drive #4
Lawrenceville, NJ 08648

Mark E. Galant

Re: Amendment to Investor Rights Agreement

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Investor Rights Agreement, dated as of January 11, 2008, by and among GAIN Capital Holdings, Inc. (the "Company"), each person identified on Schedule A thereto as an investor and the person identified on Schedule A thereto as a founding stockholder (the "Agreement"). All capitalized terms used herein and not otherwise defined shall have the meanings given them in the Agreement.

The undersigned, being the (i) the Investors holding a majority of the outstanding shares of voting capital stock of the Company held by the Investors and (ii) the holders of a majority of the shares of voting capital stock held by the Founding Stockholder, do hereby agree with the Company that the right of first refusal set forth in Section 4 of the Agreement is hereby terminated in its entirety and shall be of no further force and effect.

This letter agreement may be executed and delivered in counterparts (including by facsimile transmission and by electronic messaging system), each of which will be deemed an original.

GAIN CAPITAL HOLDINGS, INC

By: /s/ Diego Rotsztain

Name: Diego Rotsztain

Title: EVP, General Counsel

[Signature page follows.]

[Signature page to Letter Agreement]

Accepted and agreed

FOUNDING STOCKHOLDER:

/s/ Mark E. Galant
Mark E. Galant

INVESTORS:

VANTAGEPOINT VENTURE PARTNERS IV (Q), L.P.
VANTAGEPOINT VENTURE PARTNERS IV, L.P.
VANTAGEPOINT VENTURE PARTNERS IV
VP NEW YORK VENTURE PARTNERS, L.P.

By: /s/ Alan E. Salzman

Name: Alan E. Salzman

Title: Managing Member

EDISON VENTURE FUND IV SBIC, L.P.

By: /s/ Ross Martinson

Name: Ross Martinson

Title: Member of the General Partner

Exhibit 10.33

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "*Agreement*") is entered into as of September 9, 2013 (the "Effective Date") and is by and between GAIN Capital Holdings, Inc., a corporation organized under the laws of Delaware (the " *Company*") and Jason Emerson (the "*Executive*"). The parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment Term. The Company hereby agrees to employ the Executive and the Executive hereby accepts such employment, as the Chief Financial Officer for the Company commencing on September 23, 2013 (or such later date as the Executive and the Company shall mutually agree) (the "Start Date") and continuing through the first anniversary of the Start Date, unless terminated sooner pursuant to Section 8 hereof (the "*Term*"). This Agreement is not subject to any automatic renewal at the conclusion of the Term set forth herein, and renewal must be in writing signed by both parties.

2. Representations and Warranties. The Executive represents that Executive is entering into this Agreement voluntarily and that Executive's employment hereunder and his compliance with the terms and conditions of this Agreement will not conflict with or result in the breach of any agreement to which Executive is a party or by which Executive may be bound, or any legal duty that Executive owes or may owe to another.

3. Duties and Extent of Services.

(a) During the Term, the Executive shall serve as Chief Financial Officer of the Company and its consolidated subsidiaries, with such duties, responsibilities and authority as are consistent with such position, subject to the oversight of the Company (the " *Board*"), and shall so serve faithfully and to the best of Executive's ability under the direction and supervision of the Chief Executive Officer. As an executive officer of the Company, the Executive shall be entitled to all of the benefits and protections to which all officers of the Company are entitled pursuant to the Company's Amended and Restated Certificate of Incorporation, which shall include, but not be limited to, the rights of indemnification set forth in such Amended and Restated Certificate of Incorporation, and coverage under the Company's directors' and officers' liability insurance, as are in effect from time to time.

(b) During the Term, the Executive agrees to devote substantially his full business time, attention, and energies to the Company's business and shall not be engaged in any other business activity, whether or not such business activity is pursued for gain, profit, or other pecuniary advantage. Subject, however, to Section 14, 15 and 16 herein, the Executive may serve in charitable and civic positions and as a director of other companies with the prior written consent of the Chief Executive Officer, which consent shall not be unreasonably withheld. The Executive covenants, warrants, and represents that he shall devote his full and best efforts to the fulfillment of his employment obligations, and he shall exercise the highest degree of loyalty and the highest standards of conduct in the performance of his duties.

4. Compensation.

(a) Base Salary. The Company shall pay the Executive a base annual salary (the " *Base Salary*") of not less than $250,000. The Base Salary shall be payable in accordance with the Company's standard payroll practices, currently consisting of two payments each month, less applicable withholdings. The Executive shall not receive any additional compensation from any subsidiary of the Company.

(b) Bonus. During the Executive's employment under this Agreement, the Company shall cause the Executive to be eligible to participate in each bonus or incentive compensation plan, program or policy maintained by the Company from time to time, in whole or in part, for the executive officers of the Company (each, an "*Incentive Compensation Plan*" and payments thereunder, "*Incentive Compensation*"). The Executive's target bonus for 2013 shall be an amount equal to (i) $250,000 less (ii) the amount of any incentive bonus paid to the Executive for 2013 by his current employer, which bonus shall be paid to the Executive at the time annual bonuses are paid to other executives in respect of the performance of the Company and executives in 2013. Additional discretionary bonus payments may be available subject to the Executive's individual performance along with achievement of company metrics and financial results. Payment under any such Incentive Compensation Plan shall be made, if at all, after the close of the relevant performance period and by no later than March 30th of the year after the year in which the performance period ends. Notwithstanding anything herein to the contrary, to the extent permitted or required by governing law, and in all cases subject to governing law, the Company's Compensation Committee shall have discretion to adjust Executive's compensation for the following year to account for, or to require the Executive to repay to the Company, the amount of any Incentive Compensation to the extent the Compensation Committee or Board determines that such bonus was not actually earned by the Executive due to (i) the amount of such payment was based on the achievement of financial results during the term of the Executive's employment with the Company that were subsequently the subject of a material accounting restatement that occurs within three years of such payment (except in the case of a restatement due to a change in accounting policy or simple error); (ii) the Executive has engaged in fraud, gross negligence or intentional misconduct; or (iii) the Executive has deliberately misled the market or the Company's stockholders regarding the Company's financial performance.

(c) Equity. During the Term, the Executive will be eligible to participate in all long-term equity incentive programs made available to other executive officers and that are established by the Company for its employees, including the 2010 Omnibus Incentive Compensation Plan (or a successor thereto), at levels determined by the Compensation Committee in its sole discretion commensurate with the Executive's performance and position. In addition, on the next scheduled annual grant date following the Start Date (as determined by the Compensation Committee), the Executive will be granted an equity award pursuant to and subject to the terms and conditions of the 2010 Omnibus Incentive Compensation Plan (or successor plan) consisting of a number of restricted stock units and non-qualified stock options with an aggregate value of $150,000. In addition, on the next scheduled annual grant date following the Start Date (as determined by the Compensation Committee), the Executive will be granted an equity award pursuant to and subject to the terms and conditions of the 2010 Omnibus Incentive Compensation Plan (or successor plan) consisting of a number of restricted stock units and non-qualified stock options with an aggregate value equal to the market value, determined as of the day of forfeiture, of any equity securities of the Executive's current employer that are forfeited by the Executive upon his joining the Company.

Eligibility to receive the foregoing equity awards shall be predicated on the Executive being employed by the Company on the applicable grant date; in the event the Executive's employment is terminated for any reason prior to the applicable grant date, the Executive shall not be entitled to receive the equity grants and the Company shall have no further obligation to the executive relating to the receipt of additional equity compensation.

The number of restricted stock units and non-qualified stock options included in each such equity award will be based, in the case of restricted stock units, on the fair market value of a share of the Company's common stock at the close of trading on the grant date, and in the case of the non-qualified stock options, on a value calculated using the Black-Scholes method. For the equity grants described above, the proportion of such value consisting of restricted stock units and non-qualified stock options shall be determined by the Compensation Committee. All equity grants made to the Executive will vest in accordance with a vesting schedule that is consistent with other grants under the 2010 Omnibus Incentive Compensation Plan (or successor plan) and will be subject in all respects to the terms of the 2010 Omnibus Incentive Compensation Plan (or successor plan) and the agreement evidencing such grant.

5. Benefits. During the Term, the Executive shall be entitled to participate in any and all benefit programs and arrangements generally made available by the Company to executive officers, including, but not limited to, pension plans, contributory and noncontributory welfare and benefit plans, disability plans and medical, death benefit and life insurance plans for which the Executive may be eligible during the Term. Furthermore, the Executive shall be permitted that number of days of paid time off ("*PTO*") during each calendar year as, consistent with Company policy, are provided to similarly situated employees; however, in no event shall Employee receive fewer than four weeks of PTO (20 business days). PTO may be used for vacation, sick time off, professional enrichment and education. Unused PTO shall accrue from one calendar year to another consistent with Company policy.

6. Expenses. During the Executive's employment, the Executive will be reimbursed for travel, entertainment and other out-of-pocket expenses reasonably incurred by the Executive on behalf of the Company in the performance of the Executive's duties hereunder, so long as (a) such expenses are consistent with the type and amount of expenses that customarily would be incurred by similarly situated corporate executives in the United States; and (b) the Executive timely provides copies of receipts for expenses in accordance with Company policy.

7. Adherence to Company Policy. The Executive acknowledges that the Executive is subject to insider information policies designed to preclude the Company's employees from violating the federal securities laws by trading on material, non-public information or passing such information on to others in breach of any duty owed to the Company or any third party. The Executive shall promptly execute any agreements generally distributed by the Company or to its employees requiring employees to abide by the Company's insider information policies. Executive is also required to comply with Company policies, including the Employee Handbook and Code of Business Conduct and Ethics, as a term and condition of his employment under this Agreement.

8. Termination.

(a) Disability. In accordance with applicable law, the Company may terminate the Executive's employment at any time after the Executive becomes Disabled. As used herein, "*Disabled*" means the incapacity of the Executive, on more than 75% of the standard business days (Monday through Friday) over any three month period, due to injury, illness, disease, or bodily or mental infirmity, to engage in the performance of all of the essential functions of his position, in spite of any reasonable accommodation.

(b) Death. The Executive's employment with the Company will terminate upon the death of the Executive.

(c) Termination with Cause. The Company may terminate the Executive's employment at any time for Cause by providing written notice of such termination to the Executive. As used herein, "*Cause*" means any of the following, as determined by the Board:

(i) the Executive's material breach of this Agreement;

(ii) the Executive's gross negligence (other than as a result of disability or occurring after the Executive's provision of notice in connection with a resignation for Good Reason) or willful misconduct in carrying out his duties hereunder, resulting in harm to the Company;

(iii) the Executive's material breach of any of his fiduciary obligations as an officer of the Company;

(iv) any conviction by a court of law of, or entry of a pleading of guilty or nolo contendere by the Executive with respect to, a felony or any other crime for which fraud or dishonesty is a material element, excluding traffic violations;

(v) the Executive willfully or recklessly engages in conduct which is materially injurious to the Company, monetarily or otherwise.

For purposes of determining Cause, no act or omission by the Executive shall be considered "willful" unless it is done or omitted in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act or failure to act based upon: (a) authority given pursuant to a resolution duly adopted by the Board, or (b) advice of counsel for the Company, shall be conclusively presumed to be done or omitted to be done by the Executive in good faith and in the best interests of the Company. In addition, as to subsections (i)-(iii) above, if the action or inaction in question is susceptible of a cure, then no finding of Cause shall occur prior to written notice to the Executive setting forth in reasonable detail the action or inaction at issue, and the Executive's failure to cure such condition following a cure period of no less than fifteen days.

(d) Termination Without Cause. The Company, at the direction of the Board, may terminate the Executive's employment without Cause at any time upon no less than ninety days' prior written notice, or ninety days' pay in lieu of notice.

(e) Resignation for Good Reason. The Executive may resign from his employment with the Company for Good Reason by providing written notice to the Chief Executive Officer that an event constituting Good Reason has occurred and the Executive desires to resign from his employment with the Company as a result. Other than following a Change of Control, such notice must be provided to the Chief Executive Officer by the Executive within sixty days following the initial occurrence of the event constituting Good Reason. For the avoidance of doubt, following a Change of Control, notice from the Executive to the Chief Executive Officer that an event constituting Good Reason has occurred may be provided by the Executive at any time during the twelve month period following the Change of Control that is referred to in Section 10(a) below. After receipt of such written notice, the Chief Executive Officer shall have a period of sixty days to cure such event; provided, however, the Chief Executive Officer, may, at his or her sole option, determine not to cure such event and accept the Executive's resignation, effective thirty days following the Chief Executive Officer's receipt of the Executive's notice that an event constituting Good Reason has occurred. If, in the reasonable judgment of the Executive, the Chief Executive Officer does not cure the event constituting Good Reason within the requisite sixty day period, the Executive's employment with the Company shall terminate on account of Good Reason thirty days following the expiration of the Chief Executive Officer's cure period, unless the Chief Executive Officer determines to terminate the Executive's employment prior to such date. As used herein, "*Good Reason*" means that, without the Executive's consent, any of the following has occurred:

(i) a material diminution in the Executive's authority, duties, responsibilities or job title (for this purpose, not reporting to the Chief Executive Officer shall be deemed to be a material diminution of the Executive's authority);

(ii) a material diminution in the Executive's Base Salary;

(iii) a relocation of the Company's principal offices in Bedminster, New Jersey, or of the Executive's principal office (if different), to a location that is not within the New York metropolitan area; or

(iv) any action or inaction by the Company that constitutes a material breach by the Company of its obligations under this Agreement.

For the avoidance of doubt, in no event shall the expiration of this Agreement be construed as giving rise to Good Reason.

(f) Resignation Without Good Reason. The Executive may resign from his employment with the Company without Good Reason (as that term is defined in Section 8(e)) at any time upon no less than ninety days' prior written notice to the Chief Executive Officer. Upon such notice of resignation, the Company may, at its sole option, accept the Executive's resignation effective as of a date prior to the resignation date specified in the notice, and in such event, the earlier date will be the effective date of termination of the Executive's employment for all purposes hereunder.

9. Compensation Upon Termination Other Than in Connection With a Change In Control.

(a) Disability. Upon termination of employment pursuant to Section 8(a), the Executive will receive any Base Salary accrued and unpaid as of such date as well as any accrued but unused PTO and appropriate expense reimbursements. Such amounts will be paid as soon as practicable after the termination of employment. If the Executive becomes disabled before the end of the fiscal year, the Executive will also receive Incentive Compensation for such fiscal year on a pro rata basis (1/12th of the aggregate Incentive Compensation (based on the Executive's target bonus for such year) payable to the Executive for such fiscal year for each month in which he was employed on the last day of that month). Such pro rata Incentive Compensation will be paid at the time that the Incentive Compensation is payable to other executives. The Company shall have no further obligations under this Agreement to the Executive.

(b) Death. In the event of the Executive's death, the Executive's estate will receive his Base Salary accrued and unpaid as of the date of his death as well as any accrued but unused PTO and appropriate expense reimbursements. Such amounts will be paid as soon as practicable after the termination of employment. If the Executive dies before the end of the fiscal year, the Executive's estate will receive Incentive Compensation for such fiscal year on a pro rata basis (1/12th of the aggregate Incentive Compensation (based on the Executive's target bonus for such year) payable to the Executive for such fiscal year for each month in which he was employed on the last day of that month). Such pro rata bonus will be paid at the time that the Incentive Compensation is payable to other executives. The Company shall have no further obligations under this Agreement to the Executive.

(c) Termination Without Cause or Resignation With Good Reason Other Than in Connection With a Change in Control. If, other than in connection with a Change in Control as defined in Section 10, the Company terminates the Executive's employment without Cause pursuant to Section 8(d) or if the Executive resigns for Good Reason pursuant to Section 8(e), the Company will pay the Executive his Base Salary accrued and unpaid as of the date of termination of employment, as well as any accrued but unused PTO and appropriate expense reimbursements. Such amounts will be paid as soon as practicable after the termination of employment. In addition, subject to the Executive's execution and nonrevocation of the general release of claims described in Section 11 below, as well as Executive's compliance with the restrictive covenants set forth in Sections 13 through 16 below, the Company will also pay and/or provide to the Executive the following:

(i) severance in an amount equal to twelve months of the Executive's monthly Base Salary (the " *Severance Amount*"), less applicable withholdings, which shall be paid to the Executive in accordance with the Company's normal payroll practices in equal installments over the twelve month period following Executive's last day of employment and which shall commence as soon as administratively practicable following the expiration of the revocation period for the general release, but not later than sixty days following the date of Executive's last day of employment with the Company;

(ii) in accordance with Section 4(b), the Executive will receive any accrued and unpaid Incentive Compensation, less applicable withholdings, for which he is eligible, with such amount to be paid in a lump sum as soon as practicable after the termination of employment;

(iii) notwithstanding any eligibility requirement that the Executive must be employed by the Company as of the date on which the Incentive Compensation is paid, if the Executive's employment is terminated before such date in accordance with Section 8(d) or 8(e), he will be eligible to receive Incentive Compensation in an amount equal to an amount equal to his annual cash target bonus, as determined by the Chief Executive Officer, existing at such time, with such Incentive Compensation being paid in a lump sum at the same time that the Incentive Compensation is payable to other executives;

(iv) notwithstanding any provision to the contrary in any applicable grant agreement or the Company's 2010 Omnibus Incentive Compensation Plan (or a successor plan), all shares subject to Company equity grants (including without limitation stock options, stock units and stock awards) that vest solely on the Executive's continued employment with the Company for a specified period of time held by the Executive at the time of his termination date that would have vested within the twelve month period following the Executive's termination date if the vesting schedule for such grants were based on a monthly vesting schedule, as opposed to the vesting schedule set forth in his grant agreement, shall immediately vest in full and/or become immediately exercisable or payable on the Executive's termination date; and

(v) the Company will provide continued health benefits to the Executive at the same premium rates charged to other then current employees of the Company, or, at its option, waive that portion of the cost for COBRA continuation coverage that is in excess of what then current employees of the Company pay for health benefits under the Company's plan, for the twelve month period following his termination of employment, unless the Executive is eligible to be covered by health insurance provided by a future employer.

For the avoidance of doubt, acceleration, if any, of equity grants that vest in whole or in part based on the satisfaction of performance-based or market-based conditions will be governed by the terms of the applicable award agreement and/or plan.

(d) Termination With Cause and Resignation Without Good Reason. If the Company terminates the Executive's employment with Cause pursuant to Section 8(c), if the Executive resigns without Good Reason pursuant to Section 8(f), or is in material breach of any of the covenants set forth in Sections 13, 14, 15, 16 or 17 below, the Company will pay the Executive his Base Salary accrued and unpaid as of the date of termination of employment as well as any accrued but unused PTO and appropriate expense reimbursements. Such amounts will be paid as soon as practicable after the termination of employment and, following such payments, the Company shall have no further obligations under this Agreement to the Executive.

(e) Expiration of Agreement. If this Agreement expires without any extension or renewal of its terms, the Executive will be an at-will employee of the Company thereafter, in which event Executive will remain subject to the terms and restrictions of Sections 13-18 hereof for the duration of his employment with the Company, and the applicable Restricted

Period following the termination of employment, whether pursuant to an agreement or employment at-will. It is understood that the references in Section 14 hereof to Cause for termination and Resignation With Good Reason do not apply to any period of at-will employment, but will apply only with reference to the definition of the Restricted Period going forward as set forth in Section 14. If the Company elects to terminate the Executive's employment coincident with the expiration of this Agreement, the Company will pay the Executive his Base Salary accrued and unpaid as of the date of termination of employment as well as any accrued but unused PTO and appropriate expense reimbursements and, following such payments, the Company shall have no further obligations under this Agreement to the Executive except as set forth in Section 10(a).

10. Change in Control.

(a) Termination Without Cause or Resignation With Good Reason in Connection With a Change in Control. If, on or within twelve (12) months after a Change in Control, and whether or not the Term has previously expired, the Company or its successor terminates the Executive's employment without Cause pursuant to Section 8(d) or if the Executive resigns for Good Reason pursuant to Section 8(e), the Executive is entitled to his Base Salary accrued and unpaid as of the date of termination of employment as well as any accrued but unused PTO and appropriate expense reimbursements. Such amounts will be paid as soon as practicable after the termination of employment. In addition, subject to the Executive's execution and nonrevocation of the general release of claims described in Section 11 below and compliance with the requirements of Section 23 below, the Executive shall be entitled to the following:

(i) severance in an amount equal to twenty-four months of the Executive's monthly Base Salary (the " *Change in Control Severance Amount*"), less applicable withholdings, which shall be paid to the Executive in a lump sum as soon as administratively practicable following the expiration of the revocation period for the general release, but not later than sixty days following the date of Executive's last day of employment with the Company;

(ii) in accordance with Section 4(b), the Executive will receive any accrued and unpaid Incentive Compensation, minus applicable deductions and withholdings, for which he is eligible, with such amount to be paid in a lump sum as soon as practicable after the termination of employment with the Company;

(iii) notwithstanding any eligibility requirement that the Executive must be employed by the Company as of the date on which the Incentive Compensation is paid, if the Executive's employment is terminated before such date, he will be eligible to receive Incentive Compensation on a pro rata basis (1/12th of the aggregate Incentive Compensation payable to the Executive for the fiscal year for each month in which he was employed on the last day of that month), minus applicable deductions and withholdings, based on the target Incentive Compensation for the applicable period, with such pro rata Incentive Compensation being paid in a lump sum as soon as administratively practicable following the expiration of the revocation period for the general release, but not later than sixty days following the date of the Executive's last day of employment with the Company;

(iv) an amount equal to an amount equal to his annual cash target bonus, as determined by the Chief Executive Officer, existing at such time, with such amount to be paid in a lump sum as soon as administratively practicable following the expiration of the revocation period for the general release, but not later than sixty days following the date of the Executive's last day of employment with the Company;

(v) notwithstanding any provision to the contrary in any applicable grant agreement or the Company's 2010 Omnibus Incentive Compensation Plan (or a successor plan), all shares subject to Company equity grants (including without limitation stock options, stock units and stock awards) that vest solely on the Executive's continued employment with the Company for a specified period of time held by the Executive at the time of his termination date shall immediately vest in full and/or become immediately exercisable or payable on the Executive's termination date; and

(vi) the Company will provide continued health benefits to the Executive at the same premium rates charged to other then current employees of the Company, or at its option, waive that portion of the cost for COBRA continuation coverage that is in excess of what then current employees of the Company pay for health benefits under the Company's plan, for the twelve month period following his termination of employment, unless the Executive is eligible to be covered by health insurance provided by a future employer.

For the avoidance of doubt, acceleration, if any, of equity grants that vest in whole or in part based on the satisfaction of performance-based or market-based conditions will be governed by the terms of the applicable award agreement and/or plan. In the event that the Company modifies the performance periods or frequency at which discretionary bonuses are to be earned or paid, the references to Incentive Compensation in Section 9 and this Section 10 shall be construed accordingly to reflect such modified bonus periods or frequency.

(b) For the avoidance of doubt, the provisions in the Company's 2010 Omnibus Incentive Compensation Plan (or successor or predecessor equity compensation plans, as applicable) relating to the acceleration of vesting of equity awards in the event of a Change in Control shall apply to any equity awards held by the Executive.

(c) For purposes of this Agreement, "*Change in Control*" means a (i) Change in Ownership of the Company, (ii) Change in Effective Control of the Company, or (iii) Change in the Ownership of Assets of the Company, as described herein and construed in accordance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and Treasury guidance issued thereunder (the " *Code*"); except that no Change in Control shall be deemed to occur as a result of a change of ownership resulting from the death of a stockholder or a transaction in which the Company becomes a subsidiary of another corporation and in which the stockholders of the Company, immediately prior to the transaction, will beneficially own, immediately after the transaction, shares entitling such stockholders to more than 50% of all votes to which all stockholders of the parent corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote).

(i) A "*Change in Ownership of the Company*" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire, ownership of the capital stock of the Company that, together with the stock previously held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the capital stock of the Company. However, if any one Person is, or Persons Acting as a Group are, considered to own more than 50% of the total fair market value or total voting power of the capital stock of the Company, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of the Company or to cause a Change in Effective Control of the Company (as described below). An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which the Company acquires its stock in exchange for property will be treated as an acquisition of stock.

(ii) A "*Change in Effective Control of the Company*" shall occur if, in any twelve-month period, a majority of the members of the Board are not Continuing Directors. "Continuing Directors" means, as of any date of determination, any member of the Board who (a) was a member of the Board on the Start Date or (b) was nominated for election, elected or appointed to the Board with the approval of a majority of the Continuing Directors who were members of the Board at the time of such nomination, election or appointment (either by a specific vote or by approval of the Company's proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

(iii) A "*Change in the Ownership of Assets of the Company*" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons), assets from the Company that have a total gross fair market value equal to or more than 75% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, " *gross fair market value*" means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

(iv)The following rules of construction apply in interpreting the definition of Change in Control:

(a) A "*Person*" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder, other than employee benefit plans sponsored or maintained by the Company and by entities controlled by the Company or an underwriter of the capital stock of the Company in a registered public offering.

(b) Persons will be considered to be "*Persons Acting as a Group*" (or "*Group*") if (i) they are considered to be acting as a group within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act and the rules and regulations thereunder or (ii) they are owners of a corporation or other entity that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.

(c) For purposes of the definition of Change in Control, "fair market value" shall be determined by the Board.

(d) A Change in Control shall not include a transfer to a related person as described in Code Section 409A or a public offering of capital stock of the Company.

(e) For purposes of the definition of Change in Control, Code Section 318(a) applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treas. Reg. § 1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

11. Release of Claims. As a condition for the payments of the Severance Amount or the Change in Control Severance Amount and Incentive Compensation provided in Section 9(c) or Section 10(a), the Executive must execute a general release of all claims (including claims under local, state and federal laws, but excluding claims for payment due under Section 9(c) or Section 10(a)) that the Executive has or may have against the Company and current and former related individuals or entities (the "*Release*"). The Release shall be in a form reasonably acceptable to the Company, and shall include confidentiality, cooperation, and non-disparagement provisions, as well as other terms requested by the Company that are typical of an executive severance agreement. The consideration provided for in Section 9(c) or Section 10(a) is conditioned upon and will not be paid (or be provided) until the execution of the Release and the expiration of any revocation period; provided that notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of the Executive's execution of the Release, directly or indirectly, result in the Executive designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year. The Company shall provide the Release to the Executive by no later than ten days after the Executive terminates employment with the Company, and the Executive shall execute the Release during the statutory time period specified by applicable law. If the Release is not executed during the statutory time period specified by applicable law, the Company's obligation to pay any Severance Amount, Change in Control Severance Amount, or Incentive Compensation and to provide any acceleration of vesting and continued health benefits provided for in Section 9(c) or Section 10(a) pursuant to this Agreement shall terminate.

12. Section 280G Cutback. The Executive shall bear all expense of, and be solely responsible for, all federal, state, local or foreign taxes due with respect to any payment received under this Agreement, including, without limitation, any excise tax imposed by Code Section 4999. Notwithstanding anything to the contrary in this Agreement, in the event that any payment or benefit received or to be received by the Executive pursuant to the terms of this Agreement or in connection with the Executive's termination of employment or contingent upon a Change in Control pursuant to any plan or arrangement or other agreement with the Company or any affiliate (collectively, the "*Payments*") would be subject to the excise tax imposed by Code Section 4999, as determined by the Company, then the Payments shall be reduced to the extent necessary to prevent any portion of the Payments from becoming nondeductible by the Company under Code Section 280G or subject to the excise tax imposed under Code Section 4999, but only if, by reason of that reduction, the net after-tax benefit received by the Executive exceeds the net after-tax benefit the Executive would receive if no reduction was made. For this purpose, " *net after-tax benefit*" means (i) the total of all Payments that would

constitute "excess parachute payments" within the meaning of Code Section 280G, less (ii) the amount of all federal, state, and local income taxes payable with respect to the Payments calculated at the maximum marginal income tax rate for each year in which the Payments shall be paid to the Executive (based on the rate in effect for that year as set forth in the Code as in effect at the time of the first payment of the Payments), less (iii) the amount of excise taxes imposed on the Payments described in clause (i) above by Code Section 4999. If, pursuant to this Section 12, Payments are to be reduced, the Company shall determine which Payments shall be reduced in a manner so as to avoid the imposition of additional taxes under Code Section 409A.

13. Confidentiality; Return of Company Property.

(a) The Executive acknowledges that, by reason of Executive's employment by the Company, Executive will have access to confidential information of the Company, including, without limitation, information and knowledge pertaining to products, inventions, discoveries, improvements, innovations, designs, ideas, trade secrets, proprietary information, business strategies, packaging, advertising, marketing, distribution and sales methods, sales and profit figures, employees, customers and clients, and relationships between the Company and its business partners, including dealers, traders, distributors, sales representatives, wholesalers, customers, clients, suppliers and others who have business dealings with them ("*Confidential Information*"). The Executive acknowledges that such Confidential Information is a valuable and unique asset of the Company and covenants that, both during and after the Term, Executive will not disclose any Confidential Information to any person or entity, except as the Executive's duties as an employee of the Company may require, without the prior written authorization of the Chief Executive Officer. The obligation of confidentiality imposed by this Section 13 shall not apply to Confidential Information that otherwise becomes generally known to the public through no act of the Executive in breach of this Agreement or any other party in violation of an existing confidentiality agreement with the Company, or which is required to be disclosed by court order or applicable law.

(b) All records, designs, patents, business plans, financial statements, manuals, memoranda, lists, research and development plans and products, and other property delivered to or compiled by the Executive by or on behalf of the Company or its vendors or customers that pertain to the business of the Company shall be and remain the property of the Company, and be subject at all times to its discretion and control. Likewise, all property, including without limitation all documents, whether in computer or hard copy form, that Executive creates or receives during and as a result of his employment by the Company, shall be returned to the Company upon request and at the end of the Executive's employment.

14. Non-Competition. While the Executive is employed at the Company and for a period of twelve months after the termination of his employment with the Company for any reason, other than following termination without Cause or Resignation for Good Reason after a Change in Control, pursuant to Section 10, in which case such period shall be six months (as applicable, the "*Restricted Period*"), the Executive will not, directly or indirectly, own, maintain, finance, operate, engage in, assist, be employed by, contract with, license, or have any interest in, or association with, a business or enterprise primarily engaged in or planning to be primarily engaged in, the Internet retail trading of foreign exchange, futures or options on futures or any other businesses in which the Company is substantially engaged (which shall be defined as any business activity from which the Company generated at least $5 million of revenue over the twelve months immediately preceding the month in which the termination of employment occurs) at the time of the Employee's termination of employment.

15. Solicitation of Clients. During the Restricted Period, the Executive shall not, directly or indirectly, including through any other person or entity, seek business from any Client on behalf of any enterprise or business other than the Company, refer business generated from any Client to any enterprise or business other than the Company, or receive commissions based on sales or otherwise relating to the business from any Client, enterprise or business other than the Company, provided that such solicitation, if successful, would have an adverse effect on the Company. For purposes of this Agreement, the term "*Client*" means any person, firm, corporation, limited liability company, partnership, association or other entity (i) to which the Company sold or provided services during the twelve-month period prior to the time at which any determination is required to be made as to whether any such person, firm, corporation, partnership, association or other entity is a Client, or (ii) who or which has been approached by an employee of the Company for

the purpose of soliciting business for the Company and which business was reasonably expected to generate revenue in excess of $100,000 per annum.

16. Solicitation of Employees. During the Restricted Period, the Executive, directly or indirectly, shall not contact or solicit any employee of the Company for the purpose of hiring them or causing them to terminate their employment relationship with the Company.

17. Inventions, Ideas, Processes, and Designs. All inventions, ideas, processes, programs, software, and designs (including all improvements) conceived or made by the Executive during his employment with the Company (whether or not actually conceived during regular business hours) and related to the business of the Company, or the business approved by the Board to be engaged in by the Company, shall be disclosed in writing promptly to the Company and shall be the sole and exclusive property of the Company. An invention, idea, process, program, software, or design (including an improvement) shall be deemed related to the actual or approved business of the Company if (x) it was made with the Company's equipment, supplies, facilities, or Confidential Information, (y) results from work performed by the Executive for the Company, or (z) pertains to the current business or demonstrably anticipated research or development work of the Company. The Executive shall cooperate with the Company and its attorneys in the preparation of patent and copyright applications for such developments and, upon request, shall promptly assign all such inventions, ideas, processes, and designs to the Company. The decision to file for patent or copyright protection or to maintain such development as a trade secret shall be in the sole discretion of the Company, and the Executive shall be bound by such decision.

18. Specific Performance/Remedies. The Executive acknowledges that the services to be rendered by the Executive are of a special, unique and extraordinary character and, in connection with such services, the Executive will have access to Confidential Information vital to the Company's business. Executive further agrees that the covenants contained in Sections 13, 14, 15, 16 and 17 are reasonable and necessary to protect the legitimate business interests of the Company. By reason of this, the Executive consents and agrees that if the Executive violates any of the provisions of Section 13, 14, 15, 16 and 17 hereof, the Company would sustain irreparable injury and that monetary damages would not provide adequate remedy to the Company. The Executive hereby agrees that the Company shall be entitled to have Section 13, 14, 15, 16 and 17 hereof specifically enforced (including, without limitation, by injunctions and restraining orders) by any court in the State of New Jersey having equity jurisdiction, agrees to be subject to the jurisdiction and venue of said court, and agrees that the Company may seek injunctive relief without the necessity of posting a bond. As a further and non-exclusive remedy, Executive understands that a breach of the covenants contained in Sections 13, 14, 15, 16 or 17 above that causes material harm to the Company as reasonably determined by the Board (which determination shall be binding and final) shall eliminate Executive's entitlement to any further payment of the Severance Amount, Change in Control Severance Amount, Incentive Compensation, acceleration of vesting and continued health benefits provided for in Section 9(c) or Section 10(a), and Executive shall be required to return any such amounts in the event of such a breach except for an amount equal to one month's salary, and which amount is sufficient to serve as valid consideration for the release of claims set forth in Section 11 hereof. Executive further agrees that any amounts forfeited or withheld shall not be considered as liquidated damages, and that nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages from the Executive.

19. Complete Agreement. This Agreement embodies the entire agreement of the parties with respect to the Executive's employment, compensation, benefits and related items and supersedes any other prior oral or written agreements, arrangements or understandings between the Executive and the Company, other than the award agreements reflecting outstanding equity awards held by the Executive as of the date of this Agreement which shall continue to control such equity awards except as expressly modified by Sections 9(c) and 10(a) of this Agreement. This Agreement may not be changed or terminated orally but only by an agreement in writing signed by the parties hereto.

20. Waiver. The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by such party.

21. Governing Law; Assignability; Arbitration.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New Jersey without reference to the choice of law provisions thereof.

(b) The Executive may not, without the Company's prior written consent, delegate, assign, transfer, convey, pledge, encumber or otherwise dispose of this Agreement or any interest herein. Any such attempt shall be null and void and without effect. The Company and the Executive agree that this Agreement and all of the Company's rights and obligations hereunder may be assigned or transferred by the Company and shall be assumed by and be binding upon any successor to the Company.

Executive agrees that any dispute, controversy or claim arising out of or related to Executive's employment with the Company, this Agreement or any claim for breach thereof (other than disputes, controversies or claims relating to Executive's obligations under Sections 13-18 hereof) must be submitted within six (6) months of the time when the occurrence or event giving rise to the dispute, controversy or claim arose to binding arbitration conducted by the American Arbitration Association ("AAA") in Somerset County, New Jersey, and to be governed by AAA rules. Any arbitral award determination shall be final and binding upon the parties. For any proceedings not covered by arbitration (including those relating to Executive's obligations under Sections 13-18 hereof), the Parties submit to the exclusive jurisdiction of any court of competent jurisdiction in the State of New Jersey as provided for in Section 18 hereof. Executive understands and agrees that by virtue of this Agreement he is giving up rights otherwise afforded to him in a civil court action, including his right to a trial by jury.

22. Severability. If any provision of this Agreement or any part thereof, including, without limitation, Sections 13, 14, 15, 16 or 17, as applied to either party or to any circumstances shall be adjudged by a court of competent jurisdiction to be void or unenforceable, the same shall in no way affect any other provision of this Agreement or remaining parts thereof, which shall be given full effect without regard to the invalid or unenforceable part thereof, or the validity or enforceability of this Agreement. In the event an arbitrator or court of competent jurisdiction deems the restrictive covenants unreasonably lengthy in time or overly broad in scope, it is the intention and agreement of the parties that those provisions which are not fully enforceable be deemed as having been modified to the extent necessary to render them reasonable and enforceable and that they be enforced to such extent.

23. Notices. All notices to the Company or the Executive, permitted or required hereunder, shall be in writing and shall be delivered personally, by telecopier or by courier service providing for next-day delivery or sent by registered or certified mail, return receipt requested, to the following addresses:

If to the Company:

GAIN Capital Holdings, Inc.
Bedminster One
135 Route 202/206
Bedminster, New Jersey 07921
Attention: Chief Executive Officer

If to the Executive, to the address set forth on the first page hereof.

Either party may change the address to which notices shall be sent by sending written notice of such change of address to the other party. Any such notice shall be deemed given, if delivered personally, upon receipt; if telecopied, when telecopied; if sent by courier service providing for next-day delivery, the next business day following deposit with such courier service; and if sent by certified or registered mail, three days after deposit (postage prepaid) with the U.S. mail service.

24. Section 409A.

(a) This Agreement shall be interpreted to avoid the imposition of any additional taxes under Code Section 409A. If any payment or benefit cannot be provided or made at the time specified herein without incurring additional taxes under Code Section 409A, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. The preceding provisions, however, shall not be construed as a guarantee by the Company of any particular tax effect to the Executive under this Agreement. For purposes of Code Section 409A, each payment under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. In no event may the Executive, directly or indirectly, designate the calendar year of payment.

(b) To the maximum extent permitted under Code Section 409A, the cash severance payments payable under this Agreement are intended to comply with the 'short-term deferral exception' under Treas. Reg. §1.409A-1(b)(4), and any remaining amount is intended to comply with the 'separation pay exception' under Treas. Reg. §1.409A-1(b)(9)(iii) or any successor provision; provided, however, any amount payable to the Executive during the six-month period following the Executive's termination date that does not qualify within either of the foregoing exceptions and is deemed as deferred compensation subject to the requirements of Code Section 409A, then such amount shall hereinafter be referred to as the 'Excess Amount.' If the Executive is a "key employee" of a publicly traded corporation under Section 409A at the time of his separation from service and if payment of the Excess Amount under this Agreement is required to be delayed for a period of six months after separation from service pursuant to Code Section 409A, then notwithstanding anything in this Agreement to the contrary, payment of such amount shall be delayed as required by Code Section 409A, and the accumulated postponed amount shall be paid in a lump sum payment within ten days after the end of the six month period. If the Executive dies during the postponement period prior to the payment of the postponed amount, the amounts withheld on account of Section 409A shall be paid to the personal representative of the Executive's estate within sixty days after the date of the Executive's death. A "*key employee*" shall mean an employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under Code Section 409A, as determined by the Board, in its sole discretion. The determination of key employees, including the number and identity of persons considered key employees and the identification date, shall be made by the Board in accordance with the provisions of Code Sections 416(i) and 409A.

(c) To the extent the Executive is, at the time of his termination of employment under this Agreement, participating in one or more deferred compensation arrangements subject to Code Section 409A, the payments and benefits provided under those arrangements shall continue to be governed by, and to become due and payable in accordance with, the specific terms and conditions of those arrangements, and nothing in this Agreement shall be deemed to modify or alter those terms and conditions.

(d) "Termination of employment," "resignation," or words of similar import, as used in this Agreement means, for purposes of any payments under this Agreement that are payments of deferred compensation subject to Code Section 409A, the Executive's "separation from service" as defined in Code Section 409A.

(e) Nothing herein shall be construed as having modified the time and form of payment of any amounts or payments of "deferred compensation" (as defined under Treas. Reg. § 1.409A-1(b)(1), after giving effect to the exemptions in Treas. Reg. §§ 1.409A-1(b)(3) through (b)(12)) that were otherwise payable pursuant to the terms of any agreement between Company and the Executive in effect on or after January 1, 2005 and prior to the date of this Agreement.

(f) All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of Code Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement is not subject to liquidation or exchange for another benefit.

25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

26. Separation. All covenants that, by their terms, naturally would survive the termination or expiration of this Agreement, including but not limited to Sections 11, 12, 13, 14 and 15 hereof, shall survive the termination or expiration of this Agreement.

[SINGATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Employment Agreement as of the date first above written.

GAIN CAPITAL HOLDINGS, INC.

By: /s/ Glenn H. Stevens

Name: Glenn H. Stevens

Title: President and Chief Executive Officer

/s/ Jason Emerson

Jason Emerson

Exhibit 21.1

List of Subsidiaries

Entity Name	Jurisdiction of Incorporation
GCAM, LLC	Delaware
GAIN Holdings, LLC	Delaware
GAIN Capital Group, LLC	Delaware
S.L. Bruce Financial Corporation	Ohio
GAIN Capital Securities, Inc.	Delaware
GAIN Capital Holdings International, LLC	Delaware
GAIN Global Markets, Inc.	Cayman Islands
Island Traders (Cayman), Limited	Cayman Islands
GAIN Capital-Forex.com Hong Kong, Ltd.	Hong Kong
Forex.com Japan Co., Ltd.	Japan
GAIN Capital Forex.com Australia Pty. Ltd.	Australia
GAIN Capital-Forex.com Singapore, Ltd.	Singapore
GAIN Capital-Forex.com U.K., Ltd.	England and Wales
GAIN Capital-Forex.com Canada, Ltd.	Canada
GAIN GTX, LLC	Delaware
GAIN GTX, Singapore Pte. Ltd.	Singapore
GAIN Capital Service Company, LLC	Delaware
GAIN Capital Holdings International, B.V.	The Netherlands
GAIN Capital Holdings International Finance Company, B.V.	The Netherlands
GAIN Capital GTX International, B.V.	The Netherlands
GAIN Capital – Forex.com International, B.V.	The Netherlands
GAIN Global Markets International, B.V.	The Netherlands
GAIN Capital – Forex.com Cyprus Ltd.	Cyprus
GTX SEF, LLC	Delaware
Global Futures & Forex, Ltd.	Michigan
GFT Global Markets UK, Ltd.	England
GFT Global Markets Asia PTE, Ltd.	Singapore

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-171841 on Form S-8 of our reports dated March 17, 2014, relating to the consolidated financial statements and financial statement schedule of GAIN Capital Holdings, Inc. and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2013.

/s/ Deloitte & Touche LLP
New York, New York
March 17, 2014

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Glenn H. Stevens, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 17, 2014

/s/ Glenn H. Stevens

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

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jason Emerson, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: March 17, 2014

/s/ Jason Emerson
Jason Emerson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

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

1. The accompanying annual report on Form 10-K for the fiscal year ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: March 17, 2014

/s/ Glenn H. Stevens

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

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

Exhibit 32.2

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

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

1. The accompanying annual report on Form 10-K for the fiscal year ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: March 17, 2014

/s/ Jason Emerson

Jason Emerson
Chief Financial Officer
(Principal Financial and Accounting Officer)

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