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, 2017

OR

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

For the Transition Period from _________ to _________.

Commission File Number 001-35008

GAIN CAPITAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-4568600**
(State or other jurisdiction of 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 30, 2017 was approximately $193 million.

As of March 1, 2018, the registrant had 44,864,805 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, 2017

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, 2017.

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 (the "Exchange Act"). These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which GAIN operates and management's current beliefs and assumptions. Any statements contained herein (including, without limitation, statements to the effect that management or GAIN "believes," "expects," "anticipates," "plans" and similar expressions) that are not statements of historical fact should be considered forward-looking statements and should be read in conjunction with the 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. 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. Our retail, institutional and futures segments service customers in more than 180 countries worldwide, and we conduct business from our offices in Bedminster, New Jersey; Jersey City, New Jersey; Chicago, Illinois; Powell, Ohio; London, England; Cornwall, England; Tokyo, Japan; Sydney, Australia; Shanghai, China; Pembroke, Bermuda; Hong Kong; Dubai, U.A.E.; Zurich, Switzerland; and Singapore.

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

We operate our business in three segments. Through our retail segment, we provide customers around the world access to a diverse range of global financial markets. We offer our customers access to over 12,500 financial products, including spot foreign exchange (forex), precious metals trading, as well as contracts for difference (CFDs), which are investment products with returns linked to the performance of underlying assets. We offer CFDs on currencies, commodities, indices, individual equities, bonds, options and interest rate products. In the United Kingdom, we offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment for residents of that country. In addition to these OTC products, our futures segment offers exchange-traded futures and options on futures on more than 30 global exchanges. Our institutional segment offers access to markets in spot and forward foreign exchange and precious metals via our GTX platform, as well as agency execution services. We provide deep liquidity in spot and forward foreign exchange and precious metals to buy-side and sell-side firms, including banks, brokers, hedge funds, Commodity Trading Advisors and asset managers. Each of our operating segments is discussed in more detail below. For financial information regarding our segments, please refer to Note 21 to our audited consolidated financial statements included in this Annual Report.

As a global provider of online trading services, our results of operations are impacted by a number of external factors, including market volatility, 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 factors may impact our results of operations in future periods. In addition, please refer to "Item 1A. Risk Factors" for a discussion of other factors that may impact our business.

The following table sets forth the key financial data and operating metrics for our business:

	Key Financial Data (in millions) Year Ended December 31,				
	2017	2016	2015	2014	2013
Net Revenue	$ 308.6	$ 411.8	$ 435.3	$ 369.2	$ 267.7
Net (loss)/income applicable to GAIN Capital Holdings, Inc.	$ (11.2)	$ 35.3	$ 10.3	$ 24.9	$ 28.1
Adjusted net (loss)/income(1)	$ (9.4)	$ 45.1	$ 34.3	$ 30.9	$ 29.8

	Key Operating Metrics (Unaudited) Year Ended December 31,				
	2017	2016	2015	2014	2013
Retail					
OTC Trading Volume (billions)	$ 2,473.6	$ 2,822.0	$ 3,985.8	$ 2,430.5	$ 1,796.7
OTC Average Daily Volume (billions)	$ 9.6	$ 10.9	$ 15.4	$ 9.4	$ 6.9
Active OTC Accounts (2) (3)	132,262	126,528	142,836	91,328	93,143
Client Assets (millions)	$ 749.6	$ 599.5	$ 675.6	$ 563.2	$ 592.9
Institutional					
ECN Volume (billions)	$ 2,979.6	$ 2,180.7	$ 1,865.1	$ 1,498.6	$ 1,127.9
ECN Average Daily Volume (billions)	$ 11.5	$ 8.4	$ 7.2	$ 5.8	$ 4.3
Swap Dealer Volume (billions)	$ 720.5	$ 779.4	$ 806.8	$ 1,685.1	$ 1,471.7
Swap Dealer Average Daily Volume (billions)	$ 2.8	$ 3.0	$ 3.1	$ 6.5	$ 5.7
Futures					
Number of Futures Contracts (4)	6,857,870	8,304,376	8,623,392	7,027,008	5,386,383
Futures Average Daily Contracts	27,322	32,954	34,356	28,108	21,460
Active Futures Accounts (2)	7,838	8,368	8,668	8,184	7,064
Client Assets (millions)	$ 229.2	$ 346.0	$ 245.0	$ 196.4	$ 146.4

(1) Adjusted net income is a non-GAAP financial measure and represents our net income excluding restructuring, acquisition and integration-related expenses, impairment on investment, loss on extinguishment of debt, and other corporate expenses. Please refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” under heading “Key Income Statement Line Items and Key Operating Metrics” and under heading “Reconciliation of Non-GAAP Financial Measures” for discussion and reconciliation of non-GAAP financial measures.
(2) Represents accounts which executed a transaction over the last 12 months.
(3) We have updated our historical active account disclosures to reflect a change in definition for certain accounts.
(4) Futures contracts represent the total number of contracts transacted by customers of our futures business.

For financial information by geographic area, please refer to Note 21 to our audited consolidated financial statements included in this Annual Report.

Growth Strategies

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

- Pursuing organic growth by:

    - Leveraging our global footprint and powerful brand assets to increase our overall share in the markets we operate.
    - Focusing on the development of our direct business versus our lower margin indirect business;
    - Providing an attractive proposition to address the needs of our two distinct customer segments: experienced active traders and retail investors; and
    - Introducing new, innovative products and services; including upgraded and enhanced trading platforms and tools as well as digital advisory products.
- Increasing operational excellence by:
    - Increasing automation, thereby reducing service costs;
    - Simplifying our technology "stack";
    - Rationalizing our brands across our three business segments; and
    - Seeking to achieve an optimal balance between insourcing versus outsourcing.
- Reducing revenue volatility through:
    - Reducing the variability between customer transaction revenue (CTR) and reported results;
    - Implementing artificial intelligence driven hedging programs;
    - Decreasing the cost of hedging; and
    - Further optimizing trade flow.
- We will also continue to selectively review mergers and acquisitions and other inorganic opportunities which complement our organic growth strategy.

Our Retail Segment

Our retail segment represented 74.9% of our net revenue for the year ended December 31, 2017. We conduct our retail business primarily through our FOREX.com and City Index brands. As of December 31, 2017, we had 185,729 funded retail accounts.

Through our retail segment, we provide customers around the world access to a diverse range of global financial markets. We offer our customers access to over 12,500 financial products, including spot foreign exchange (forex), precious metals trading, as well as contracts for difference (CFDs), which are investment products with returns linked to the performance of underlying assets. We offer CFDs on currencies, commodities, indices, individual equities, bonds, options and interest rate products. In the United Kingdom, we offer spread bets, which are investment products similar to CFDs, but that offer more favorable tax treatment for residents of that country. We offer these products under the diverse regulatory environments in which we operate. 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 channels for our retail segment are our Internet websites, FOREX.com and Cityindex.com, which are available in multiple languages, including English, Chinese, Japanese and Arabic. Our indirect channel includes our relationships with introducing brokers, who solicit customers on our behalf, and white label partners, who offer our trading services to their customers under their own brand. Total retail trading volume sourced through direct and indirect channels was 67% and 33%, respectively, for the year ended December 31, 2017.

We generate revenue in our retail segment principally from transaction fees we charge our customers, including the bid/offer spread, financing charges for positions held overnight, commissions on equity CFD trades and advisory services, and other account related fees.

In 2017, we generated approximately 72.7% of our retail segment trading volume from customers outside the United States. For a discussion of the risks associated with our retail segment operations outside the United States, please refer to "Item 1A. Risk Factors."

The following sections provide additional information regarding 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 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

We have longstanding relationships with a large number of institutional liquidity providers, as well as access to multiple liquidity venues. This allows us to offer our customers superior liquidity and 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. This ensures that our prices accurately reflect current market price levels and allows us to provide our customers high-speed trade execution. In 2017, we handled over 14 million trade requests and executed 99.9% of trades in less than one second, with an average execution speed of 0.03 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.

Efficient customer onboarding and account management

We have developed proprietary technology to handle numerous aspects of account onboarding and customer service including account opening and customer verification process, 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. We also offer account opening and funding functions on our mobile trading applications in order to provide a superior experience to the large 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.

Sophisticated risk management

Because we are exposed to market, credit and other risks in connection with our retail business, 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 a key focus for us. 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 the funds in customers' accounts are not sufficient to hold their positions. One such tool available on our trading platforms is a real-time margin monitoring tool that enables customers to know when they are approaching their margin limits. If a customer's equity falls below the amount required to support one or more positions, we will automatically liquidate positions to bring the customer's account into margin compliance.

In addition, we actively monitor and assess various market factors, including volatility and liquidity, and take steps to address identified risks, such as proactively adjusting required customer margin (both initial and maintenance). For example, on January 15, 2015, the Swiss National Bank, or SNB, unexpectedly announced that it would move interest rates to -0.75% and abandon the 1.20 floor for EUR/CHF that it had previously maintained. The announcement led to extraordinary volatility in the Swiss franc, which negatively impacted many market participants. However, as part of our ordinary course risk management process, we had identified significant risk relating to EUR/CHF products and had increased client margin requirements to 5% well in advance of the SNB's move, which mitigated the risk of negative client equity in the event the price floor was abandoned.

With respect to market risk, 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 liquidity providers 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 trades hedged with our liquidity providers, we earn the difference between the retail bid/offer spread we offer our customers and the wholesale bid/offer spread we receive from our liquidity providers. 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 continuously 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.

Our risk management policies and procedures are established and reviewed regularly by the Risk Committee of our Board of Directors. Our risk-management team monitors risk exposure continuously and updates 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 actively initiate proprietary market positions in anticipation of future movements in the relative prices of the products we offer.

Customers

Our retail customers consist primarily of self-directed traders, who execute trades on their own behalf. A small number of our customers 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 generally have a higher risk/reward profile. For the year ended December 31, 2017, self-directed customers represented approximately 99.3% 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 aggregated customer funds, and individuals that trade for a small number of customer accounts. For the year ended December 31, 2017, managed account customers collectively represented approximately 0.7% 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 newer traders. We use sophisticated tracking and measurement techniques to monitor the results of individual campaigns and continually work to optimize our overall marketing results.

One of our principal lead-generation tools 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 work 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 and CFD trading, to larger, more established financial services firms. 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. In 2017 we began to roll out a global affiliate program pursuant to which third parties refer customer to us in exchange for a one-time payment. The affiliate program commenced in the United Kingdom and we intend to extend it to our other major markets.

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 during 2017 can be categorized as follows:

- Regulated Forex Firm such as OANDA Corporation and FXCM. Like us, these firms have also expanded globally over the past several years, and we consider them to be competitors in several of our key markets. In February 2017, FXCM was required to cease offering its services in the United States by the Commodities Futures Trading Commission and we acquired substantially all of the company's U.S.-domiciled customers. For more information, please refer to Note 7 to our audited consolidated financial statements included in this Annual Report.

- Global Multi-Asset Trading Firms, including firms such as Interactive Brokers, IG Group Holdings plc and CMC Group. These firms generally offer a broad set of asset classes and earn a significant percentage of their revenue from CFDs, forex and exchange-traded products.

Our Institutional Segment

Through our institutional segment, we provide a variety of services to institutional investors including electronic access to foreign exchange and precious metals via an ECN, agency execution services from our voice sales team through our registered swap dealer; trading on a registered swap execution facility and prime-of-prime services in collaboration with the retail segment. For the year ended December 31, 2017, our institutional segment represented 9.8% of our net revenue.

In contrast to our retail segment, in our institutional segment, we act as agent between the principals to the transactions that are executed. We do not assume any market or credit risk, as we earn commissions or commission equivalents (markup/markdown) for our services. Our institutional segment also facilitates client orders through riskless principal trades.

Service Offerings

Through the ECN platform, which is branded under "GTX," we provide deep liquidity in spot and forward foreign exchange and precious metals to buy-side and sell-side firms, including banks, brokers, hedge funds, Commodity Trading Advisors and asset managers. GTX's centrally-cleared prime brokerage model supports true peer-to-peer trading capabilities and allows every GTX client to add market liquidity to the venue by posting real-time bids and offers, while also trading on other participants' bids and offers. For the year ended December 31, 2017, net revenue from our ECN business was 74% of the net revenue of our institutional segment.

Our prime-of-prime business, which we refer to as our GTX Direct offering, allows experienced traders who meet certain qualifications, but do not have a credit line with a prime broker, access to trading on the GTX ECN. Through GTX Direct, our clients deposit collateral with us and we make trades through the GTX trading platform on our clients' behalf, earning a commission for each trade.

The agency execution desk serves a broad range of participants across several asset classes, allowing clients to interact with the market based on their specific needs and preferences. Our agency execution business is currently positioned on as a compliment to our ECN offering, providing bespoke hands-on service for clients wishing to execute more complex or structured transactions.

Our swap execution facility, or SEF, offers electronic trading of non-deliverable forwards. We are in the process of on-boarding prime banks to serve as central clearing hubs to facilitate this business.

For the year ended December 31, 2017, net revenue from our agency execution business constituted 25% of the net revenue of our institutional segment.

GTX is powered by software and intellectual property that we first licensed on an exclusive basis in 2010. After undertaking significant development and enhancement efforts, we acquired full ownership of the software and intellectual property in July 2014.

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 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 Nex Group, formerly ICAP, through its EBS offering; Thomson Reuters; Currenex, owned by State Street Bank; Hotspot, a subsidiary of CBOE Holdings, Inc.; Integral Development Corp.; FastMatch Inc.; 360T Trading Networks; and others.

Our Futures Segment

Our futures segment offers execution and related services for exchange-traded futures and futures options on major U.S. and European exchanges. We clear our customers' trades through our regulated FCM, GAIN Capital Group, LLC ("GCGL"). In 2014, we expanded our futures business by acquiring a majority interest in Global Asset Advisors, LLC ("GAA"), a Chicago-based futures brokerage firm which principally markets to and services clients under the Daniels Trading ("DTR") brand. GAA is an introducing broker targeting retail and professional traders, primarily in equities and agricultural products. At the same time, we also acquired a majority interest in Top Third Ag Marketing, LLC ("TT"), an introducing broker, which uses options-based hedging strategies to help clients manage the risks of agricultural production.

Revenue in our futures segment is primarily generated through commissions earned on futures and futures options trades. Our futures segment represented 12.3% of our net revenue for the year ended December 31, 2017.

Advanced Trading Platform

Our futures segment provides customers an enhanced experience through our GAIN Trader proprietary trading platform. We have invested in high-speed connectivity to provide access to over 30 global electronic exchanges, which allows us to deliver streaming quotes and high-speed executions. The GAIN Trader platform has a robust suite of trading tools, including charting tools, custom alerts and indicators, as well as automated trading and risk management tools. Our futures segment also provides Trade Desk Manager, a version of our GAIN Trader platform offered to other introducing brokers, which allows them to manage their customers' accounts. In addition, we facilitate connection to our trading services through APIs from other front-end applications, and we license a white label version of our GAIN Trader platform to select third parties.

Risk Management

In our futures segment, we are exposed to credit risk as it relates to customer positions. If an adverse market move occurs and triggers an additional margin requirement, we may be unable to collect the additional margin in a timely manner, or at all. In such a case, we would incur bad debt expense, which could have a material adverse effect on our results of operations. To mitigate this risk, we monitor all client accounts in near real time using multiple tool and processes designed to ensure that our client accounts are trading within their means.

Sales and Marketing

As with our other segments, we seek to acquire futures customers as cost-efficiently as possible. Our principal source of new customers comes from a large network of introducing brokers, In addition, sales leads are generated through seminars, online advertising and other media. In addition to our marketing efforts, we attract our futures segment customers through dedicated sales staff at GCGL, GAA and TT. These sales teams focus on a variety of sectors and provide differentiated services to our customers.

Competition

Our futures segment competes for both introducing-broker generated business and direct client business. For introducing brokers, our primary competitors are the limited number of FCMs that own and operate proprietary technology, including FC Stone, R.J. O'Brien, Rosenthal Collins Group, Interactive Brokers, and ADM Investor Services.

The majority of our competitors for direct business are small, privately held firms like Allendale, Advance Trading, and Roach Ag Marketing; as well as larger firms such as Interactive Brokers, TD Ameritrade and E*Trade Financial Corporation.

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, City Index and GTX). 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), Forex Insider (registered service mark), ForexTrader (registered service mark), FOREX.com (registered service mark), It's Your World. Trade It. (registered service mark), GAIN Capital Futures (registered service mark), GAIN Futures, OEC (registered service mark). We also have registered trademarks covering our City Index brand name and logo in a variety of jurisdictions, including Australia, the United Kingdom, European Union, Singapore and China.

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;
- the methods by which customers can fund accounts with us;
- 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. 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, our sales employees are licensed pursuant to applicable regulation.

U.S. Regulation

In the United States, the CFTC and the NFA regulate our forex and futures 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. The CFTC Reauthorization Act, which grants the CFTC express authority to regulate the retail forex industry includes 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 between 2.0% and 5.0%, depending on the pair, of the notional value for retail forex transactions in “major currency” pairs and between 5.0% and 20%, depending on the pair, of the notional value for retail forex transactions in "non-major currency";
- providing that introducing brokers, money managers and fund managers 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; and
- 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

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, GCGL;
- 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 and swap execution facilities. Effective February 27, 2013, GAIN GTX, LLC, ("GTX SEF") became provisionally registered with the CFTC and NFA as a swap dealer. Effective June 2016, GTX SEF, LLC became permanently registered with the CFTC as a swap execution facility, replacing the temporary registration previously granted in April 2014. The CFTC and NFA have adopted, and may adopt, new rules including those more recently adopted requiring Retail Foreign Exchange Dealers to provide greater transparency about the cost associated with their forex transactions; required notification to NFA for FCMs that decide to offer customers the ability to trade any virtual currency futures product and monthly risk data reporting requirements for Swap Dealers. Our operations in the U.S. are also subject to regulatory capital requirements that require various of our subsidiaries to maintain a minimum level of net capital relative to customer obligations. For more information, please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Regulatory Capital Requirements.”

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.

United Kingdom Regulation

GAIN Capital U.K., Ltd. ("GCUK2"), Trade Facts, Ltd. ("Trade Facts") and GAIN Capital Payments Ltd. are registered in the U.K. and are regulated by the Financial Conduct Authority in respect of their trading activity. These U.K. Entities are required to comply with relevant U.K. and E.U. legislation and regulation. GAIN Capital-Forex.com U.K. Ltd. ("GCUK1") was regulated until October 6, 2017 when its business operations were integrated into GCUK2 and its license was deregistered with the FCA. Please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Regulatory Capital Requirements" for a discussion of minimum regulatory capital requirements applicable to our U.K. businesses.

Client Money Rules

GCUK2 is subject to the FCA's client money rules by virtue of being authorized by the FCA to hold client money. Under these rules, we are required to:

- maintain adequate segregation of client funds;
- maintain adequate records in order to be able to meet future obligations when we hold client assets as collateral and be able to identify details of those assets to clients;
- comply with custody rules when holding financial instruments (as defined by MiFID I) or other investments belonging to a client in the course of our business, including the safeguarding of those investments and holding all dividends and fees (e.g., stock lending fees) in accordance with the client money rules;
- have adequate organizational arrangements in place to minimize the risk that client money may be paid for the account of a client whose money has not yet been received by us;
- undertake daily internal and external client money reconciliations; and
- appoint an individual who is responsible for Client Asset Sourcebook, or CASS, oversight.

Anti-Money Laundering and Sanctions

As in the U.S., we are subject to statutory and regulatory requirements concerning our relationships with customers and the review and monitoring of their transactions. Specifically, the U.K. Entities are subject to ongoing customer due diligence, or CDD, obligations under the Money Laundering Regulations 2007, or MLR, and the FCA Handbook.

The prescribed CDD measures require the U.K. Entities to (i) verify customer identity and understand the nature and purpose of the proposed relationship on the basis of documents, data or information obtained from a reliable and independent source and (ii) review and monitor their customer's transactions and activities. The U.K. Entities are required to determine the extent of CDD measures required for each customer on a risk sensitive basis depending on the type of customer, business relationship, product or transaction and we must be able to demonstrate that such measures are appropriate in view of the risks of money laundering and terrorist financing. Our procedures are based on the Joint Money Laundering Group's Guidance for the U.K. Financial Sector, which provides guidance to firms for the determination of appropriate CDD measures.

The FCA requires the U.K. Entities to have systems and controls in place to enable them to identify, assess, monitor and manage money laundering risk. Accordingly, we have the requisite systems and controls in place which are comprehensive and proportionate to the nature, scale and complexity of our activities. We provide appropriate training to our employees in relation to money laundering and retain documentation of our risk management policies and risk profile in relation to money laundering. As required, we provide regular reports to our Money Laundering Reporting Officer, or MLRO, on the operation and effectiveness of these systems and controls, including details of our regular assessments of the adequacy of these systems and controls to ensure their compliance with FCA requirements.

Our systems and controls also include CDD and other measures to identify where customers and others with whom we transact may be subject to financial sanctions, including those initiated or adopted by the U.K. Treasury or the EU.

EMIR

The E.U. European Market Infrastructure Regulation (Regulation (EU) 648/2012), or EMIR, imposes requirements on entities that enter into any form of derivative contract, including foreign exchange derivatives, and applies directly to firms in the E.U. and indirectly to non-E.U. firms that trade with E.U. firms. Accordingly, the U.K. Entities need to:

- report all derivative contracts and their lifecycle events (concluded, modified and terminated) to which we are a party to a trade repository either by ourselves or through a third party;
- keep all records relating to concluding of derivative contracts and any subsequent modification for 5 years;
- comply with the risk management requirements for OTC bilateral derivatives, including portfolio reconciliation, portfolio compression, record keeping, dispute resolution and margining (these requirements began to be phased in starting in September 2016); and
- clear through central counterparties all OTC derivatives which will be subject to the mandatory clearing obligation.

Appropriateness assessments

Where firms offer “execution only” services for certain financial instruments which are deemed “complex”, E.U. Markets in Financial Instruments Directive (Directive 2004/39/EC), or MiFID I, requires firms to assess the appropriateness of those investments for retail clients. For this assessment, we are required to collect information about our existing and potential clients’ knowledge and experience with regard to specific products and services, including:

- the types of services, transactions and financial instruments with which the retail client is familiar;
- the nature, volume, and frequency of the retail client’s transactions in financial instruments and the period over which they have been carried out; and
- the level of education, and profession or relevant former profession of the retail client or potential retail client.

We are required to offer to a retail client or transact for them only those products that are deemed appropriate for their knowledge, experience and other circumstances. If the retail client demands a product that has been assessed as inappropriate for the retail client’s circumstances by us, we may either refuse to offer the product to the client, or allow them access to the product but we are required to give the retail client a warning that the product may be inappropriate to its circumstances. We are not required to undertake this analysis for professional clients as we are entitled to assume that a professional client has the necessary knowledge and experience in order to understand the risks involved in relation to the particular products or services for which he has been classified as a professional client.

MiFID II

MiFID I applied in the U.K. from November 2007 but has been recast into a new directive, the Markets in Financial Instruments Directive II (Directive 2014/65/EU), or MiFID II, and a new regulation, the Markets in Financial Instruments Regulation (Regulation 600/2014), or MiFIR. The changes implemented by MiFID II and MiFIR took effect on January 3, 2018.

MiFID II:

- expands the number of financial instruments for which firms are required to carry out an appropriateness assessment before providing an execution only service to retail clients;
- extends the pre- and post-trade transparency regime to derivatives traded on regulated markets, multi-lateral trading facilities, or MTFs, and organized trading facilities, or OTFs;
- expands transaction reporting to those financial instruments traded on MTFs, OTFs, and those financial instruments where the underlying instrument is traded on a Trading Venue; and
- gives E.U. Member State regulators the new power to ban or restrict the marketing, distribution or sale of a financial instrument or types of financial practice where there is a threat to investor protection, the orderly functioning and integrity of markets or to financial stability. The European Banking Authority and the European Securities and Markets Authority have similar powers to impose a ban on an EU-wide basis or in relation to a particular E.U. Member State.

Packaged Retail and Insurance-based Investment Products (PRIIPs)

Regulation 1286/486 on key information documents for packaged retail and insurance-based investment products, or the PRIIPs Regulation, took effect in the U.K. from January 1, 2018, reflecting a delay from the original implementation date of December 31, 2016. U.K. Entities now need to comply with the new regime set out in the PRIIPs Regulation in relation to

PRIIPS that they manufacture, advise on or sell to retail clients. The FCA regards derivatives (including options, futures, and contracts for differences) as falling within the definition of a PRIIP. The new regime requires us to provide retail clients with a standardized key information document, or KID, in good time before any transaction in derivatives is concluded or for transactions concluded by distance communications, after the transaction has taken place, but only if it is not possible to provide the KID in advance and the client consents.

ESMA's Consultation Paper: ESMA35-43-904

In January 2018, the European Securities and Markets Association, or ESMA, issued a consultation paper, referred to as ESMA35-43-904. In this paper, ESMA states that it is considering the possible use of its product intervention powers under Article 40 of MiFIR to address investor protection concerning the marketing, distribution and sale of CFDs and binary options to retail investors. These proposals include the use of enhanced risk disclosures, restrictions upon the offering of promotional incentives to clients, mandatory margin close-out levels for retail clients and varying limitations on the opening leverage that may be offered to clients; including an overall cap of 30 to 1 leverage for major currency pairs and lower leverage levels for other asset classes. The comment period for ESMA's consultation expired in February 2018 and we cannot currently predict which, if any, of the proposed changes will be implemented. The FCA have indicated that any U.K. policy measures covering similar topics would take in to account such ESMA measures once finalized.

Other International Regulation

We have provided below a brief description of the key aspects of the regulations governing our operations in the jurisdictions outside of the U.S. and the United Kingdom 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.

Japan

GAIN Capital Japan Co., Ltd., or GC Japan, is a registered Type I financial instruments business firm regulated by the Japan Financial Services Agency, or FSA, 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 140%, which is derived by dividing Net Capital (as defined in Law No. 25) by the sum of GC Japan's market, counterparty credit risk and operational risk. The FSA has also proposed new rules that would reduce the maximum leverage that brokers can offer to 10-to-1 from the current limit of 25-to-1. At December 31, 2017, GC Japan maintained $7.5 million more than the minimum required regulatory capital for a total of 6.0 times the required capital.

Australia

GAIN Capital Australia, Pty. Ltd., or GCAU, is regulated under the laws of Australia, including the *Corporations Act 2001* (Commonwealth of Australia). The 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 approximately $0.8 million (1.0 million AUD). The regulatory capital held is required to be in excess of 110% of its requirements at all times. At December 31, 2017, GCAU maintained $3.9 million more than the minimum required regulatory capital for a total of 5.9 times the required capital.

Hong Kong

GAIN Capital-Forex.com Hong Kong, Ltd., or GCHK, is licensed by the Securities and Futures Commission, or 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 $1.9 million. At December 31, 2017, GCHK maintained $2.8 million more than the minimum required regulatory capital for a total of 2.5 times the required capital.

Cayman Islands

GAIN Global Markets, Inc., or GGMI, our Cayman Island subsidiary, is a registered securities arranger and market maker with the Cayman Islands Monetary Authority, or CIMA. GGMI is required to maintain a capital level that is the greater of one quarter of relevant annual expenditure, or approximately $1.6 million. At December 31, 2017, GGMI maintained $0.8 million more than the minimum required regulatory capital for a total of 1.5 times the required capital.

Canada

GAIN Capital-Forex.com Canada, Ltd., or GCCA, is a Dealer Member of the Investment Industry Regulatory Organization of Canada, or IIROC, and regulated under the laws of Canada, including the Canadian Investor Protection Fund. In Canada, the securities industry is governed by provincial or territorial legislation, and there is no national regulator. Local legislation differs from province to province and territory to territory, but generally requires that forex dealing representatives register with applicable regulators and self-regulatory organizations in order to offer forex and/or CFD products to retail clients. GCCA's principal provincial regulator is the Ontario Securities Commission, or OSC. GCCA is required to maintain risk-adjusted capital in excess of the minimum capital requirement. At December 31, 2017, GCCA maintained $1.5 million more than the minimum required regulatory capital for a total of 8.5 times the required capital.

Singapore

GAIN Capital Singapore Pte., Ltd., or GCS, is registered by the Monetary Authority of Singapore ("MAS") and operates as an approved holder of Capital Market Services License. GCS is subject to the requirements of MAS and pursuant to the Securities and Futures Act (Cap 289). Under these rules GCS is required to maintain a minimum base capital of approximately $0.6 million (1.0 million SGD) and Financial Resources in excess of 120% of the total risk requirements, which is calculated as the sum of operational, counterparty, large exposure and market risk at all times. At December 31, 2017, GCS maintained $5.4 million more than the required minimum regulatory capital for a total of 10.0 times the required capital.

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, 2017, we had 708 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. Other offices include Bedminster, New Jersey; Jersey City, New Jersey; Chicago, Illinois; Powell, Ohio; London, England; Cornwall, England; Tokyo, Japan; Sydney, Australia; Shanghai, China; Pembroke, Bermuda; Hong Kong; Dubai, U.A.E.; Zurich, Switzerland; and Singapore. A complete list of our subsidiaries can be found in Exhibit 21.1 to this Annual Report.

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. 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. 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 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 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, technology, 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.

Our trading activities involve significant risks and unforeseen events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We offer our clients access to a wide array of products, including forex, CFDs, spread bets, futures, futures options, OTC currency derivatives and gold and silver spot trading products. Our trading activities in these various products involve significant risks.

Through our retail and institutional forex trading activities, our principal sources of revenues and profits arise 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.

All of the risks that pertain to our trading activities in the forex market also apply to our CFDs, spread bets, 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 platforms or our failure to properly manage the market risks associated with making markets for new products. The profit margins for these products may not be similar to the profit margins we have realized with respect to forex trading.

In our futures segment, we are also exposed to debit/deficit risk with our clients for exchange-traded futures and options on futures. An adverse market move related to a client's position may result in a debit balance, which, if we are unable to collect, would result in a bad debt expense. Such an expense could have a material adverse effect on our results of operations.

The accounting method for convertible debt securities that may be settled in cash, such as our 4.125% Convertible Senior Notes due 2018, our 4.125% Convertible Senior Notes due 2020, and our 5.00% Convertible Senior Notes due 2022, could have a material effect on our reported financial results.

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 due 2018, our 4.125% Convertible Senior Notes due 2020, and our 5.00% Convertible Senior Notes due 2022) 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 is reflected as a liability in our Consolidated Balance Sheets 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 shareholders' equity on our Consolidated Balance Sheets, 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 interest expense in current periods. Accordingly, we will report lower net income in our financial results than would have been recorded had we reflected only cash interest expense in our consolidated income statement because ASC 470-20 will require the interest expense associated with the notes to include both the current period's amortization of the original issue discount and the notes' cash coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as our 4.125% Convertible Senior Notes due 2018, our 4.125% Convertible Senior Notes due 2020, and our 5.00% Convertible Senior Notes due 2022) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, were issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings 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 due 2018, which were issued in November 2013, our 4.125% Convertible Senior Notes due 2020, which were issued in connection with our acquisition of City Index, and our 5.00% Convertible Senior Notes due 2022, which were issued in August 2017, 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.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, and personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, we have from time to time experienced third-party cyberattacks as well as unintentional errors that can damage our systems or expose sensitive information, and our information technology and infrastructure may be vulnerable to future attacks by hackers or compromised due to employee error, malfeasance or other disruptions, such as “distributed denial of service” or similar cyberattacks. Any such event could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

While our liability for known past events has not been material to our business, financial condition, results of operations or cash flows, any such access, disclosure or other loss of information could result in future legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of our operations and the services we provide to customers, damage to our reputation or a loss of confidence in our products and services, any of which could adversely affect our business, financial condition, results of operations and cash flows. Although we maintain cyber risk insurance, this insurance may not be sufficient to cover all of our losses from any future breaches of our systems.

Products linked to cryptocurrencies could expose us to technology, regulatory and financial risks.

We have recently begun offering derivative products linked to Bitcoin and other cryptocurrencies in certain jurisdictions, and intend to expand the types of products offered, the associated types of cryptocurrencies and the jurisdictions in which the products are offered. The distributed ledger technology underlying cryptocurrencies and other similar financial assets is evolving at a rapid pace and may be vulnerable to cyberattacks or have other inherent weaknesses that are not yet apparent. We may be, or may become, exposed to risks related to cryptocurrencies or other financial products that rely on distributed ledger technology through our facilitation of clients' activities involving such financial products linked to distributed ledger technology.

There is currently no broadly accepted regulatory framework for Bitcoin or other cryptocurrencies, and the regulation of cryptocurrencies is developing and changing rapidly in the United States and other countries around the world. For example, in the United States, it is unclear whether many cryptocurrencies are "securities" under federal securities laws, and the implications for us if any of our products are linked to cryptocurrencies that are determined to be securities could be significant and adverse. In addition, some market observers have asserted that recent price increases in many cryptocurrency markets, such as that for Bitcoin, indicate the existence of a "bubble," and if markets for any cryptocurrencies linked to our products suffer severe declines, our customers could experience significant losses and we could lose their business.

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 in which we operate 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. 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, the Financial Conduct Authority, or FCA, in the United Kingdom and by other regulators in other 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 federal, state and local laws, both in the U.S. and in the other jurisdictions in which we operate, 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 following 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 persons associated with us or failures in the processing of transactions.

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 OTC derivatives market served by our retail segment is rapidly evolving and 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 our institutional and futures segments.

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 successfully execute our growth strategy.

As we continue to seek to grow our business, we intend to execute a growth strategy that involves a number of different initiatives designed to organically grow our product offering and customer base, increase operational efficiency, reduce revenue volatility and rationalize and leverage our global brands, while still selectively pursuing acquisition opportunities. We also intend to continue 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 successfully execute all or any of these initiatives, and the results may vary from our expectations. Further, even if these initiatives are successful, 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 to both execute our growth strategy and to manage the resulting 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 2017, we generated approximately 72.7% of our retail segment 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, 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 FCA in the United Kingdom, the FSA, METI and MAFF in Japan, the SFC in Hong Kong, IIROC and the Ontario Securities Commission, or OSC, in Canada, MAS in Singapore, ASIC in Australia, and the CIMA 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.

Our acquisition strategy 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 have engaged in, and intend to continue to pursue, acquisitions of other businesses 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. Such acquisitions involve significant transaction expenses, including, but not limited to, fees paid to legal, financial, tax and accounting advisors, filing fees and printing costs. Acquisitions also present 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.

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 are conducted through subsidiaries that are regulated by governmental bodies or self-regulatory organizations. 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;
- the methods by which customers can fund accounts with us, including the recently implemented NFA ban on the use of credit cards to fund accounts in the United States;
- 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.

Regulatory changes in the jurisdictions in which we operate may disrupt our operations or require us to comply with additional regulatory requirements.

Recently, the legislative and regulatory environment in which we operate has undergone significant changes, and U.S. and foreign regulators have expressed their intention to review existing regulation in a number of areas. For example, In January 2018, the European Securities and Markets Association, or ESMA, issued a consultation paper, referred to as ESMA35-43-904. In this paper, ESMA states that it is considering the possible use of its product intervention powers under Article 40 of MiFIR to address investor protection concerning the marketing, distribution and sale of CFDs and binary options to retail investors. These proposals include the use of enhanced risk disclosures, restrictions upon the offering of promotional incentives to clients, mandatory margin close-out levels for retail clients and applying an overall cap of 30-to-1 leverage for major currency pairs and lower leverage levels for other asset classes. The FCA have indicated that any U.K. policy measures covering similar topics would take in to account such ESMA measures once finalized. In addition, the regulators in a number of European countries, such as France and Belgium, have already adopted rules and regulations that prohibit or limit offering, advertising and promoting leveraged derivative products such as CFDs, and other regulators may follow suit. In Japan, the FSA has proposed new rules that would reduce the maximum leverage that brokers can offer to 10-to-1 from the current limit of 25-to-1. In China, recent activity suggests that the Chinese government may be looking to adopt specific regulations governing trading of foreign exchange and CFD products. 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. Any of these new regulatory developments, alone or in combination, could have a material adverse effect on our business and profitability.

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, 2017, although a majority of our retail 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, a portion 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. 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. 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 retail customer liabilities over $10.0 million, plus 10% of all liabilities owed to eligible contract participant counterparties acting as a dealer that are not an affiliate. On a worldwide basis, as of December 31, 2017, we were required to maintain approximately $112.9 million in minimum capital in the aggregate across all jurisdictions. 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 and we are required to report the amount of regulatory capital we maintain to our regulators on a regular basis, and 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 operating subsidiaries.

Interpretation of corporate tax laws and regulations and changes in such laws and regulations, as well as adverse determinations regarding the application of such laws and regulations, could adversely affect our earnings.

We are subject to the income tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which we have significant business operations. These tax laws are complex and may be subject to different interpretations. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes and must also make estimates about when in the future certain items affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit. In addition, changes to the Internal Revenue Code, administrative rulings or court decisions could increase our provision for income taxes and reduce our earnings.

On December 22, 2017, President Trump signed into law P.L. no 115-97 “Tax Cuts and Jobs Act” which includes a broad range of tax law changes affecting businesses, including corporate tax rates, business deductions, and international tax provisions. As the law is new and administrative tax regulations have not yet been made available with respect to many of the provisions in this new law, it is uncertain as to how these new provisions will be interpreted and applied by the Internal Revenue Service and what impact this law will have on our business.

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. For example, the Cyprus Securities and Exchange Commission recently announced that it will require any registered investment firm in Cyprus that wishes to offer products to customers offered in another country to provide evidence of its authorization to offer products in that other country. If one of our regulators were to adopt a similar requirement, we could be subject to increased regulatory compliance costs or may be required to modify our business and operations. 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 United States 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.

Risks Related to Third Parties

If we lose access to our prime brokers and other liquidity providers, we may be unable to provide competitive 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 market liquidity. We maintain relationships with a large network of liquidity providers, including established global prime brokers such as J.P. Morgan, Citibank and UBS. We depend on these relationships, particularly those with our prime brokers, for our access to a pool of liquidity to ensure that we are able to execute our customers' trades in the products we offer at the notional amounts our customers request. These liquidity providers, although under contract with us, may terminate our arrangements at any time. If we were to experience a disruption in the services provided by a liquidity provider, particularly one of our prime brokers, due to a financial, technical or other adverse development, our business could be materially adversely affected to the extent that we are unable to transfer positions and margin balances to another liquidity provider that allows us to offer competitive trading services in a timely fashion. In the event of the insolvency of one of our prime broker or other liquidity providers, we might not be able to recover any or all of the funds we have on deposit with such entity since we will be among the entity's unsecured creditors. In the event that we no longer have access to the levels of liquidity that we currently have, we may be unable to provide competitive trading services, which would materially adversely affect our business, financial condition and results of operations and cash flows.

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 liquidity providers, 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 of our own funds and our customers' funds with banks and other financial institutions, including liquidity providers. In the event of the insolvency of one of these financial institutions, we might not be able to fully recover the assets we have deposited since we will be among the institution's unsecured creditors. As a result, our business could be materially adversely affected by the loss of these funds.

Retail Forex customer funds deposited with us in the United States are not permitted to be segregated from our own funds for purposes of applicable CFTC, NFA, bankruptcy or insolvency laws and regulations, meaning such funds may be at risk of default if we were to become insolvent.

Pursuant to CFTC and NFA regulations for our U.S.-regulated subsidiaries, retail forex customer funds deposited with us are not permitted to be segregated from our own funds for purposes of applicable CFTC, NFA, bankruptcy and insolvency laws and regulations. Although we are required to designate and report specific depository accounts as accounts holding assets to cover our obligations to retail forex customers; our customers' funds may be aggregated with our own for these purposes. In the event we were to become insolvent, our customers may be unable to fully recover the funds they have deposited with us, as they will be among our unsecured creditors, and the extent to which these funds will be entitled to insurance by the Federal Deposit Insurance Corporation is uncertain.

We are subject to credit risk in that a customer's losses may exceed the amount of cash in their account.

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. 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 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 price change or other market events. 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 price volatility and liquidity constraints, change faster than our ability to modify our margin requirements. Changes in market conditions or unforeseen extreme market events could result in our customers experiencing losses in excess of the funds they have deposited with us. In such an event, we may not be able to recover the negative client equity from our customers, which may result in our incurring a bad debt expense. In addition, if we cannot recover funds from our customers, we may nonetheless be required to fund positions we hold with our liquidity providers or other third parties. Any of the foregoing events could have a material adverse effect on our business, financial condition, 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, 2017, 37.2% 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. 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 alternative systems or service providers 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.

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, 2017, approximately 15.7% 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, or 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 offering of convertible debt securities. 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 new 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.

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 1, 2018, we had 44,864,805 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, 2018 was approximately 1,833,780 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.

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 due 2018 or our 4.125% Convertible Senior Notes due 2020 or our 5.00% Convertible Senior Notes due 2022, or otherwise.

As of December 31, 2017, we had approximately 66.4 million shares of common stock authorized but unissued. As of December 31, 2017, we have reserved an aggregate of 4.0 million shares for issuance under our equity incentive compensation plans.

In addition, our 4.125% Convertible Senior Notes due 2018, which were issued in November 2013, 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, these 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. During 2016 and 2017 the Company repurchased a significant portion of these Convertible Senior Notes and, as of December 31, 2017, the outstanding principal amount of the notes outstanding was $6.4 million.

Our 4.125% Convertible Senior Notes due 2020, which were issued in April 2015 in connection with our acquisition of City Index, 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 October 1, 2019, these 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 October 1, 2019, holders may convert their notes at any time.

Our 5.00% Convertible Senior Notes due 2022, which were issued in August 2017, 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 April 15, 2022, these notes may be converted only upon the occurrence of specified events set forth in indenture pursuant to which they were issued, while on or after April 15, 2022, holders may convert their notes at any time.

Any common stock that we issue, including under our 2015 Plan, 2011 Employee Stock Purchase Plan or other equity incentive plans that we may adopt in the future, or upon conversion of any of our 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. Our retail, institutional and futures segments service customers in more than 180 countries worldwide, and we conduct business from our offices in Bedminster, New Jersey; Jersey City, New Jersey; Chicago, Illinois; Powell, Ohio; London, England; Cornwall, England; Tokyo, Japan; Sydney, Australia; Shanghai, China; Pembroke, Bermuda; Hong Kong; Dubai, U.A.E.; Zurich, Switzerland; and Singapore. Our retail segment conducts business in each of these locations, except our locations in Illinois and Ohio, which are focused primarily on our futures segment. Our institutional segment conducts business primarily from our locations in New Jersey and Bermuda, with sales functions in Europe and Asia as well. Our corporate segment is primarily located in our corporate headquarters in Bedminster, New Jersey. All of our office space was leased as of December 31, 2017.

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 other 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.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 1, 2018, we estimate that we had approximately 72 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 underlying beneficial 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.

	2017		2016	
Quarter	**High**	**Low**	**High**	**Low**
First Quarter	$ 8.40	$ 6.62	$ 7.61	$ 6.21
Second Quarter	$ 8.68	$ 5.63	$ 7.03	$ 6.11
Third Quarter	$ 7.21	$ 6.16	$ 6.97	$ 6.15
Fourth Quarter	$ 10.00	$ 6.14	$ 7.01	$ 4.57

DIVIDEND POLICY

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, we have paid a $0.05 per share dividend to holders of our common stock. In November 2016, our Board of Directors approved a change in the dividend policy which increased the dividend to $0.06 per share to holders of our common stock. The latest dividend of $0.06 per share was declared on March 6, 2018 and is payable on March 30, 2018 to stockholders of record on March 27, 2018.

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 laws of 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, 2017, we repurchased approximately 3.8 million shares of our common stock pursuant to the terms of our approved stock repurchase plan.

Period	Total Number of Shares Purchased(1)		Average Price Paid per Share(1)	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)(3)
January 2017	283,436	$	7.06	283,436	$	22,539,824
February 2017	188,013	$	7.98	188,013	$	21,036,448
March 2017	140,974	$	8.15	140,974	$	19,884,029
April 2017	125,186	$	7.58	125,186	$	18,932,263
May 2017	263,238	$	6.08	263,238	$	17,327,119
June 2017	372,838	$	5.90	372,838	$	15,119,768
July 2017	190,823	$	6.47	190,823	$	13,880,398
August 2017	2,211,775	$	6.83	88,789	$	13,267,186
September 2017	—	$	—	—	$	13,267,186
October 2017	—	$	—	—	$	13,267,186
November 2017	—	$	—	—	$	13,267,186
December 2017	—	$	—	—	$	13,267,186

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

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

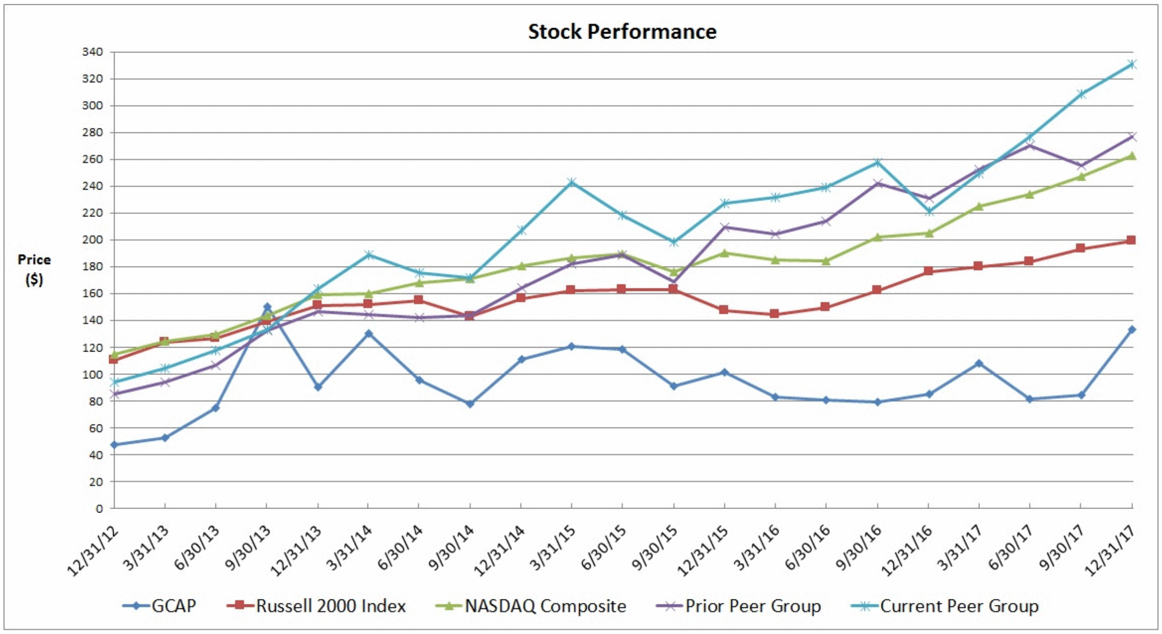
(3) On August 14, 2017, in connection and concurrent with the offering of the Company's 5.00% Convertible Senior Notes due in 2022, the Board of Directors approved the expenditure of up to $15.0 million for the purchase of the Company's common stock, of which $14.5 million was repurchased.

STOCK PERFORMANCE GRAPH

The following performance chart assumes an investment of $100 on December 15, 2010 (the date our shares began trading on the NYSE) and compares the change at December 15, 2010 through December 31, 2017 in the market price for our common stock with the Russell 2000 Index, the NASDAQ Composite Index, and a peer group identified by us (the “Selected Peer Group Index”). The Selected Peer Group Index was selected to include publicly-traded companies engaging in one or more of our 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: BGC Partners, Inc., CMC Markets plc, DST Systems, Inc., E*Trade Financial Corporation, FactSet Research Systems, Inc., IG Group Holdings plc, INTL FCStone, Inc., Investment Technology Group, Inc., MarketAxess Holdings, Inc., MSCI, Inc., Plus500 Ltd., and Virtu Financial, Inc. We have updated the Selected Peer Group to remove FXCM, Inc. and Knight Capital Group, Inc., each of which was included in the Selected Peer Group in our Annual Report on Form 10-K for the year ended December 31, 2016, as FXCM is no longer a competitor in the U.S. market since the Company purchased their U.S. customers in 2017, and Knight Capital Group, Inc. was acquired and is no longer publicly traded. Additionally, we have added CMC Markets plc, IG Group Holdings plc, Plus500 Ltd., and Virtu Financial, Inc. to our Selected Peer Group Index, as they engage in one or more of our lines of business.

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, 2017.

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)
Equity compensation plans approved by security holders	1,294,625	$ 6.25	3,980,836

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, 2017 and 2016 and for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, 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 and Comprehensive Income (in thousands, except share and per share data)				
	Year Ended December 31,				
	2017	2016	2015[(1)]	2014	2013[(1)]
Consolidated Statement of Operations and Comprehensive Income Data:					
Net revenue	$ 308,624	$ 411,825	$ 435,347	$ 369,189	$ 267,691
Total operating expense	$ 308,946	$ 354,162	$ 417,698	$ 317,592	$ 222,968
(Loss)/income before income tax (benefit)/expense	$ (17,087)	$ 47,242	$ 8,427	$ 45,450	$ 45,490
Net (loss)/income applicable to GAIN Capital Holdings, Inc.	$ (11,195)	$ 35,272	$ 10,279	$ 24,877	$ 28,107
(Loss)/earnings per common share:					
Basic	$ (0.20)	$ 0.67	$ 0.22	$ 0.56	$ 0.76
Diluted	$ (0.20)	$ 0.67	$ 0.22	$ 0.53	$ 0.71
Weighted average common shares outstanding used in computing (loss)/earnings per common share					
Basic	46,740,097	48,588,917	47,601,979	40,561,644	36,551,246
Diluted	46,740,097	48,785,674	48,379,051	43,214,895	39,632,878
Cash dividends per share	$ 0.24	$ 0.21	$ 0.20	$ 0.20	$ 0.20

	Selected Consolidated Balance Sheet (in thousands unless otherwise stated)				
	Year Ended December 31,				
	2017	2016	2015[(1)]	2014	2013[(1)]
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 209,688	$ 234,760	$ 171,888	$ 139,351	$ 39,871
Cash and securities held for customers	$ 978,828	$ 945,468	$ 920,621	$ 759,559	$ 739,318
Receivables from brokers	$ 78,503	$ 61,096	$ 121,153	$ 134,908	$ 227,630
Total assets	$ 1,448,647	$ 1,430,084	$ 1,424,559	$ 1,183,301	$ 1,112,560
Payables to customers	$ 978,828	$ 945,468	$ 920,621	$ 759,559	$ 739,318
Convertible senior notes	$ 132,221	$ 124,769	$ 121,740	$ 68,367	$ 65,360
Total shareholders' equity	$ 285,748	$ 294,182	$ 306,084	$ 249,920	$ 226,723

(1) There were material business combinations that occurred in 2013 and 2015, respectively, which impacted the comparability of the amounts shown above. Please refer to Note 10 to our audited consolidated financial statements for further discussion.

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

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the accompanying notes thereto provided under "Item 8. Financial Statements and Supplementary Data" contained elsewhere 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 offer our customers access to a diverse range of over 12,500 financial products, including spot foreign exchange, or forex, and precious metals trading, as well as "contracts for difference", or CFDs, which are investment products with returns linked to the performance of underlying assets.

We operate our business in three segments. Through our retail segment, we provide our retail customers around the world with access to a diverse range of global financial markets, including spot forex, precious metals, spread bets and CFDs on commodities, indices, individual equities and interest rate products, as well OTC options on forex. Our institutional segment provides agency execution services and offers access to markets and self-directed trading in foreign exchange, commodities, equities, options and futures via our GTX platform. Our futures segment offers execution and risk management services for exchange-traded futures and futures options on major U.S. and European futures and options exchanges. Each of our operating segments is discussed in more detail below.

As a global provider of online trading services, our results of operations are impacted by a number of external market factors, including market volatility and transaction volumes, competition, the regulatory environment in the various jurisdictions and markets in which we operate and the financial condition of the retail and institutional customers to whom we provide our 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. Please see "Item 1A. Risk Factors" for a discussion of other factors that may impact our business.

Market Environment and Trading Volatility

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

Our financial performance throughout 2017 reflects the effects of the lowest market volatility levels experienced over the past decade; with the trend one of generally decreasing volatility throughout the year and the lowest levels occurring in the fourth quarter of 2017. Despite the macro pressure on our business, we saw pockets of growth, particularly in direct client assets and our ECN platform, which has been taking market share and increasing trading volume.

Competition

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

Regulatory Environment

The major global regulatory overhaul of financial markets which occurred following the financial crisis in 2008 has generally continued in the various jurisdictions in which we operate. Early examples of such overhaul in the United States included passage of he Dodd-Frank Act and various related amendments to the Commodity Exchange Act. In December 2016, the FCA issued a consultation paper, referred to as CP16/40, that included a number of proposed changes to the regulatory requirements relating to companies, such as GCUK2, that offer CFDs and spread bets. These proposed requirements included enhanced risk disclosures, a ban on offering account bonuses or similar promotional incentives to clients, mandatory margin close-out levels for retail clients and limitations on the leverage that may be offered to clients, with the limitations varying based on whether the clients are classified as experienced or inexperienced using criteria identified by the FCA. In June 2017, the FCA stated that any further action would be delayed pending action by the European Securities and Markets Authority, which has been reviewing the regulation of CFDs by various European regulators for several years.

In January 2018, ESMA issued a consultation paper, referred to as ESMA35-43-904. In this paper, ESMA has stated that it is considering the possible use of its new product intervention powers under Article 40 of MiFIR to address investor protection concerning the marketing, distribution and sale of CFDs and binary options to retail investors. These proposals are similar to those issued by the FCA and include the use of enhanced risk disclosures, restrictions upon the offering of promotional incentives to clients, mandatory margin close-out levels for retail clients and varying limitations on the opening leverage that may be offered to clients; including an overall cap of 30 to 1 leverage for major foreign currency pairs and lower leverage levels for other asset classes. The FCA has indicated that any U.K. policy measures would take in to account such ESMA measures once finalized. The comment period for ESMA’s consultation expired in February 2018 and we cannot currently predict which, if any, of the proposed changes will be implemented. If ESMA's proposals are enacted as proposed, or similar measures are adopted, they will apply across Europe, including to our U.K. operations. The restrictions on leverage are expected to have a material effect on our clients' trading patterns and could have a material adverse effect on or results of operations and financial condition.

Similarly, the Japanese Financial Services Authority has proposed lowering permitted leverage for foreign currency and CFD's offered to retail investors in Japan to a maximum of 10 to 1. If adopted, our Japanese clients trading pattern may change significantly and the results of operations from our Japanese business may be materially adversely affected. As a result of regulatory change, we may be required to change our business strategy, including the nature of the products that we offer, the target market for our products or our overall strategy toward one or more geographic markets.

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

FXCM Asset Acquisition

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

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

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

We paid $7.2 million to FXCM as consideration for the purchased accounts for the twelve months ended December 31, 2017, which was capitalized and included as an intangible asset to be amortized on a straight line basis over its two year useful life.

Credit Facility

On August 3, 2017, we entered into a Credit Agreement (the “Credit Agreement”), with Barclays Bank PLC (“Barclays”), as Administrative Agent, Collateral Agent, Arranger and Documentation Agent, Sterling National Bank as Joint Bookrunner (“Sterling”), and the other lenders from time to time party thereto (together with Barclays and Sterling, the “Lenders”).

The Credit Agreement provides for a U.S. $50.0 million senior secured first lien revolving credit facility (the “Facility”), to be made available upon certain terms and conditions described below. Upon our request, the Facility may be increased by up to $25.0 million, with a minimum increase of $5.0 million. Each Lender has the absolute discretion to provide all or any part of the requested increase, or to decline to participate in the increase. Amounts available under the Facility may be borrowed, repaid and reborrowed on and after the closing date until the third anniversary of the closing date (the “Maturity Date”). All amounts outstanding under the Facility will initially bear interest, at our option, at a rate per annum equal to (i) the “Cost of

Funds Rate" or, if applicable, "Base Rate" plus 1.75% per annum, or (ii) "LIBOR Rate" plus 2.75% per annum, in each case as such terms are defined in the Credit Agreement. Beginning on the date on which we deliver to the Lenders financial statements for the first full fiscal quarter after the closing date, the applicable margin for the Facility will be determined on a sliding scale based on our Consolidated Gross Leverage Ratio (as defined in the Facility). As of December 31, 2017 the interest rate is 6.25%.

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

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

In addition to other events of default that are customary for transactions and facilities of this type (subject to applicable grace periods and materiality standards).

Convertible Notes

On August 22, 2017, we issued $92.0 million aggregate principal amount of our 5.00% Convertible Senior Notes due 2022, which amount includes the exercise in full of the over-allotment option granted to the initial purchasers of the notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The notes bear interest at a fixed rate of 5.00% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2018. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election. The notes will mature on August 15, 2022, unless earlier converted, redeemed or repurchased. We may not redeem the notes prior to August 15, 2020. The net proceeds from the offering of these notes were approximately $88.4 million, after deducting discounts to the initial purchasers and offering expenses payable by the Company.

City Index Acquisition

On April 1, 2015, we completed the acquisition of the entire issued and outstanding share capital of City Index (Holdings) Limited, or City Index, a global online trading firm specializing in CFDs, forex and spread betting from City Index Group Limited. The preliminary purchase price consisted of approximately (i) $6.1 million in cash, inclusive of working capital adjustments and $1.0 million in cash to be held in escrow; (ii) 5,319,149 shares of our common stock, including 4,787,234 shares to be held in escrow; and (iii) 4.125% unsecured Convertible Senior Notes with an aggregate principal amount of $60.0 million, including convertible senior notes with an aggregate principal amount of $54.0 million to be held in escrow. In addition, we paid City Index approximately $22.4 million, which was used to settle certain inter-company liabilities between City Index and City Index Group Limited.

Key Income Statement Line Items and Key Operating Metrics

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

Revenue

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

Retail Revenue

Retail revenue is our largest source of revenue. Retail revenue is principally comprised of trading revenue from our retail segment.

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

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

Retail revenue represented 74.9% and 80.3% of our total net revenue for the year ended December 31, 2017 and 2016, respectively.

For the year ended December 31, 2017, approximately 97% of our average daily retail trading volume was either naturally hedged or hedged by us with one of our liquidity providers, which is substantially similar to our average daily retail trading volume hedged of approximately 98% and 98% in 2016 and 2015, respectively. The remaining 3%, 2%, and 2% of our average daily retail trading volume in 2017, 2016 and 2015, respectively, consisted of our net exposure.

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

In 2015 and earlier periods, we had a retail sales trader business which provided high-touch trading services and execution to high net worth customers. We primarily earned commissions on this trade flow, which we typically hedged fully. In the latter part of 2015, our sales trader business was restructured and integrated into the rest of the retail segment.

Institutional Revenue

Institutional revenue consists of revenue from our GTX business, which provides a proprietary ECN trading platform and sales and trading services, principally to institutional customers. Revenue from our GTX business is generated primarily through commissions or commission-equivalents for trades executed on the GTX platform. We act as an agent for the trades executed on the GTX platform and, therefore, do not assume any market or credit risk in connection with those transactions. Our institutional revenue includes revenue generated by intercompany transactions with other segments/affiliates that are eliminated when calculating our consolidated net revenue. This intercompany revenue totaled approximately $0.8 million and $1.2 million for the year ended December 31, 2017 and 2016, respectively.

Futures Revenue

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

Other Revenue

Other revenue primarily comprises foreign currency translation gains and losses, as well as inactivity fees. During the twelve months ended December 31, 2015, corporate and other revenue also included a $6.7 million adjustment to the contingent consideration related to our Trade Facts acquisition. In December 2015, we entered into an agreement with the former owners of Trade Facts to satisfy all remaining obligations under the contingent earn-out arrangement for a one-time payment of $1.5 million, which was paid in early 2016.

Net Interest Revenue

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

Our cash and customer cash is generally invested in money market funds, which primarily invest in short-term United States government securities, treasury bills, and other money market instruments. Interest paid to customers varies primarily due to the net value of a customer account. A customer’s net account value equals cash on deposit plus the mark-to-market of open positions as of the measurement date. Interest income and interest expense are recorded when earned and incurred, respectively. Net interest revenue was $4.9 million for the year ended December 31, 2017, compared to net interest revenue of $1.1 million for the year ended December 31, 2016.

Expenses

Our expenses are principally comprised of the following:

Employee Compensation and Benefits

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

Selling and Marketing

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

Referral Fees

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

Referral fees are largely variable and change principally based on the level of customer trading volume directed to us from our white label partners and introducing brokers, the specific terms of our agreements with the white label partners and introducing brokers, which vary on a partner-by-partner and regional basis, and the relative percentage of trading volume generated from particular relationships in any given period. The majority of our white label and introducing broker partners are paid based on the trading volume generated by the customers they introduce, directly or indirectly, to us, rather than on a revenue sharing basis. As such, during periods in which their customers' trading activity is not profitable for us, if the associated trading volume remains high, we may be required to make larger payments to these partners despite the fact that we are generating lower revenue from the customers that they have introduced. Our indirect business accounted for 33.3%, 43.5%, 48.4% of retail trading volume in the years ended December 31, 2017, 2016 and 2015, respectively. The decline in indirect volume was due to our focus on expanding our direct business, efforts to optimize our indirect channel, as well as an increase in direct volume as a result of our acquisition of FXCM's U.S.-domiciled customer accounts.

Trading Expenses

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

General and Administrative

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

Depreciation and Amortization

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

Purchased Intangible Amortization

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

Communications and Technology

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

Bad Debt Provision

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

Restructuring Expenses

In 2016 and 2015 we incurred restructuring expenses, which reflected costs arising from headcount reductions and other exit costs, measured and disclosed in accordance with FASB ASC 420 *Exit or Disposal Cost Obligations* and ASC 712 *Compensation - Nonretirement Postemployment Benefits*.

Acquisition Expenses

In 2015 we incurred acquisition-related expenses, which included professional services costs, such as legal, accounting, valuation and other costs specified in FASB ASC 805. These costs are expensed as incurred.

Integration Expenses

In 2016 and 2015 we incurred integration expenses, which are acquisition-related costs that are incurred while integrating an acquired company into the consolidated group. These costs include retention bonuses paid to employees and the cost of retiring redundant assets.

Legal Settlement

On April 28, 2016, we entered into a settlement agreement with the claimants in the Cameron Farley Ltd. matter. Please refer to Note 16 to our audited consolidated financial statements for more detail. Pursuant to the terms of the settlement agreement, we agreed to make a one-time settlement payment in exchange for a full and final settlement of all claims. The settlement amount, net of insurance recoveries, totaled approximately $9.2 million.

Impairment of Investment

In 2017 we recognized an impairment expense due to an impairment of a small equity method investment.

Interest Expense on Long Term Borrowings

Interest expense on long term borrowings consists of interest expense on our 4.125% Convertible Senior Notes due 2018, issued in November 2013, interest expense on our 4.125% Convertible Senior Notes due 2020, issued in April 2015 as part of the consideration for the City Index acquisition, and interest expense on our 5.00% Convertible Senior Notes due 2022, issued in August 2017.

Non-GAAP Financial Measures

We use free cash available, adjusted net income and adjusted earnings per common share, each of which is a non-GAAP financial measure, to evaluate our business. We believe our reporting of free cash available, adjusted net income and adjusted earnings per share assists investors in evaluating our operating performance. Free cash available, 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 measures.

Free Cash Available

Free cash available is a non-GAAP financial measure and consists of our Cash and cash equivalents, plus our Receivables from banks and brokers, plus revolving credit facility, less the minimum regulatory capital requirements applicable to our business. We use this non-GAAP measure to evaluate our ability to fund growth in our business.

Adjusted Net Income and *Adjusted Earnings Per Share*

Adjusted net income is a non-GAAP financial measure and represents our net income excluding restructuring, acquisition and integration expenses, which include deal-related acquisition costs, such as legal, accounting and valuation expenses, accelerated amortization of trading platforms, loss on extinguishment of debt, loss on impairment of investments and other expenses incurred in connection with, or as a result of, merger and acquisition transactions. In addition, adjusted net income excludes the adjustment to the fair value of consideration from the Trade Facts acquisition and the bad debt expense related to the Swiss National Bank event in January 2015 and costs incurred in 2017 related fees paid for the Company’s operational strategy review. We exclude these items from our adjusted net income and adjusted earnings per share, because we view these as transactions that are not part of our core operations, which we believe to be the most meaningful indicators of the Company’s performance.

Adjusted earnings per share is a non-GAAP financial measure and represents our adjusted net income per share. We believe these financial measures assist investors in evaluating our operating performance. These non-GAAP financial measures have certain limitations, including that they do not have standardized meanings. Therefore, our definitions 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 Measures

For a reconciliation of free cash available to Cash and cash equivalents, please refer to the "Liquidity and Capital Resources" section below. 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,		
	2017	2016	2015
Net (loss)/income applicable to GAIN Capital Holdings, Inc.	$ (11,195)	$ 35,272	$ 10,279
Income tax (benefit)/expense	(6,855)	9,768	(3,512)
Equity in net loss of affiliate	343	62	—
Non-controlling interest	620	2,140	1,660
Pre-tax (loss)/income	(17,087)	47,242	8,427
Adjustments:			
Acquisition expense	—	—	2,819
Restructuring	—	1,041	3,482
Integration	—	2,788	33,092
Other items(1)	6,391	—	—
Adjustment to fair value of contingent consideration	—	—	(6,722)
Legal settlement	—	9,205	—
Bad debt related to SNB event in January 2015	—	—	2,500
Total adjustments	6,391	13,034	35,171
Adjusted pre-tax (loss)/income	(10,696)	60,276	43,598
Normalized income tax	2,246	(12,998)	(7,653)
Equity in net loss of affiliate	(343)	(62)	—
Non-controlling interest	(620)	(2,140)	(1,660)
Adjusted net (loss)/income (non-GAAP)	$ (9,413)	$ 45,076	$ 34,285
Adjusted (loss)/earnings per common share (non-GAAP):			
Basic	$ (0.20)	$ 0.93	$ 0.72
Diluted	$ (0.20)	$ 0.92	$ 0.71

(1) Other items include impairment of investment ($620), loss on extinguishment of debt ($4,944), and other corporate expenses ($827).

Operating Metrics

In addition to the financial measures 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,				
	2017	2016	2015	2014	2013
Retail					
OTC Trading Volume (billions)	$ 2,473.6	$ 2,822.0	$ 3,985.8	$ 2,430.5	$ 1,796.7
OTC Average Daily Volume (billions)	$ 9.6	$ 10.9	$ 15.4	$ 9.4	$ 6.9
Active OTC Accounts (1) (2)	132,262	126,528	142,836	91,328	93,143
Client Assets (millions)	$ 749.6	$ 599.5	$ 675.6	$ 563.2	$ 592.9
Institutional					
ECN Volume (billions)	$ 2,979.6	$ 2,180.7	$ 1,865.1	$ 1,498.6	$ 1,127.9
ECN Average Daily Volume (billions)	$ 11.5	$ 8.4	$ 7.2	$ 5.8	$ 4.3
Swap Dealer Volume (billions)	$ 720.5	$ 779.4	$ 806.8	$ 1,685.1	1,471.7
Swap Dealer Average Daily Volume (billions)	$ 2.8	$ 3.0	$ 3.1	$ 6.5	5.7
Futures					
Number of Futures Contracts (3)	6,857,870	8,304,376	8,623,392	7,027,008	5,386,383
Futures Average Daily Contracts	27,322	32,954	34,356	28,108	21,460
Active Futures Accounts (1)	7,838	8,368	8,668	8,184	7,064
Client Assets (millions)	$ 229.2	$ 346.0	$ 245.0	$ 196.4	$ 146.4

(1) Represents accounts which executed a transaction over the last 12 months.
(2) We have updated our historical active account disclosures to reflect a change in definition for certain accounts.
(3) Futures contracts represent the total number of contracts transacted by customers of our futures business.

OTC Trading Volume

OTC trading volume is the U.S. dollar equivalent of the aggregate notional value of OTC trades executed by customers in our retail segment. Approximately 40.1% of our overall customer trading volume in retail and institutional for the year ended December 31, 2017 was generated in our retail segment, compared to 48.8% for the year ended December 31, 2016.

OTC Average Daily Volume

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

Active OTC Accounts

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

Client Assets

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

Institutional Volume

Approximately 59.9% and 51.2% of our overall customer trading volume in retail and institutional for the years ended December 31, 2017 and 2016, respectively, was generated in our institutional segment.

ECN Volume

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

ECN Average Daily Volume

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

Swap Dealer Volume

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

Swap Dealer Average Daily Volume

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

Number of Futures Contracts

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

Futures Average Daily Contracts

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

Active Futures Accounts

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

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

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

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

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

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

Results of Operations

Our segment reporting structure includes three operating segments (retail, institutional, and futures). These operating segments are discussed in more detail below. We also report information relating to general corporate services in a fourth component, corporate and other. Please refer to Notes 1 and 21 to our audited consolidated financial statements for additional information.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue (amounts in thousands)

	Year Ended December 31,			
	2017	2016	$ Change	% Change
REVENUE:				
Retail revenue	$ 231,100	$ 330,744	$ (99,644)	(30.1)%
Institutional revenue	30,136	29,030	1,106	3.8 %
Futures revenue	37,964	47,430	(9,466)	(20.0)%
Other revenue	4,478	3,504	974	27.8 %
Total non-interest revenue	303,678	410,708	(107,030)	(26.1)%
Interest revenue	5,829	1,669	4,160	249.3 %
Interest expense	883	552	331	60.0 %
Total net interest revenue	4,946	1,117	3,829	342.8 %
Net revenue	$ 308,624	$ 411,825	$ (103,201)	(25.1)%

The decrease in retail revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in volume related to indirect customers and overall revenue capture compared to the prior year, primarily due to historically low levels of market volatility.

The increase in institutional revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to an increase in volume from the GTX platform, driven by high frequency traders.

The decrease in futures revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in volume across all futures customer types.

The increase in other revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to changes in foreign currency revaluations, partially offset by a decrease in data fees relating to dormant customer accounts.

Expenses (amounts in thousands)

	Year Ended December 31,			
	2017	2016	$ Change	% Change
Employee compensation and benefits	$ 95,218	$ 101,904	$ (6,686)	(6.6)%
Selling and marketing	31,200	28,742	2,458	8.6 %
Referral fees	53,671	70,752	(17,081)	(24.1)%
Trading expenses	29,041	31,159	(2,118)	(6.8)%
General and administrative	45,727	55,036	(9,309)	(16.9)%
Depreciation and amortization	17,907	13,905	4,002	28.8 %
Purchased intangible amortization	16,110	15,016	1,094	7.3 %
Communications and technology	19,699	20,460	(761)	(3.7)%
Bad debt provision	(247)	4,154	(4,401)	(105.9)%
Restructuring expenses	—	1,041	(1,041)	(100.0)%
Integration expenses	—	2,788	(2,788)	(100.0)%
Legal settlement	—	9,205	(9,205)	(100.0)%
Impairment of investment	620	—	620	100.0 %
Total operating expense	308,946	354,162	(45,216)	(12.8)%
OPERATING (LOSS)/PROFIT	(322)	57,663	(57,985)	(100.6)%
Interest expense on long term borrowings	11,821	10,421	1,400	13.4 %
Loss on extinguishment of debt	4,944	—	4,944	100.0 %
(LOSS)/INCOME BEFORE INCOME TAX (BENEFIT)/EXPENSE	(17,087)	47,242	(64,329)	(136.2)%
Income tax (benefit)/expense	$ (6,855)	$ 9,768	$ (16,623)	(170.2)%

The decrease in employee compensation and benefits for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a reduction in commission-based payments as a result of the decrease in volume and changes in methodology for calculating certain employee commissions for the period ended December 31, 2017.

The increase in selling and marketing expense for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to increases in marketing expenditures for our retail segment to support our organic growth strategy during the year ended December 31, 2017.

The decrease in referral fees for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to the decrease in indirect volume during the year ended December 31, 2017 as part of ongoing partner optimization.

The decrease in trading expenses for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in clearing fees and market data payments in line with the decrease in volume.

The decrease in general and administrative expenses for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a reduction in vendor payments, specifically in audit fees and regulatory assessments, and a reduction in rent due to renegotiation or extension of leased facilities, as well as a reduction in banking fees.

The decrease in communications and technology expense for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in spending on third-party services during the year ended December 31, 2017 as part of our ongoing cost saving plan.

The decrease in bad debt provision for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to large recoveries from 2015 and 2016 debtors offset by minimal bad debt incurred within the year.

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

The increase in impairment of investment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to an impairment of a small equity method investment.

During the third quarter of 2017, we repurchased $71.8 million in principal amount of our 4.125% Convertible Senior Notes due 2018 using a portion of the net proceeds of the offering of our 5.00% Convertible Senior Notes due 2022. As a result, we recognized a debt extinguishment loss of $4.9 million for the year ended December 31, 2017.

Income tax expense for the year ended December 31, 2017 decreased $16.6 million, with a tax benefit of $6.9 million compared to a tax expense of $9.8 million in the year ended December 31, 2016. Our effective tax rate for the year ended December 31, 2017 was 40.1%, compared to an effective tax rate of 20.7% for the year ended December 31, 2016. The increase in effective tax rate was primarily due to a change in the mix of earnings from different foreign jurisdictions, the impact of the release of income tax contingency reserves, as well as changes due to the Tax Cuts and Jobs Act. Please refer to Note 18 to our audited consolidated financial statements for more detail.

Segment Results - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Retail Segment (amounts in thousands)

	Year Ended December 31,			
	2017	**2016**	**$ Change**	**% Change**
Net revenue	$ 237,418	$ 336,353	$ (98,935)	(29.4)%
Employee compensation and benefits	60,887	62,423	(1,536)	(2.5)%
Selling and marketing	29,929	27,666	2,263	8.2 %
Referral fees	39,711	55,080	(15,369)	(27.9)%
Other operating expenses	61,735	75,488	(13,753)	(18.2)%
Segment profit	$ 45,156	$ 115,696	$ (70,540)	(61.0)%

The decrease in retail segment net revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in volume related to indirect customers with revenue capture trailing the prior year, primarily due to historically low levels of volatility.

The decrease in employee compensation and benefits expenses for the retail segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a reduction in our annual employee incentive compensation costs based on the decrease in our results for the year ended December 31, 2017.

The increase in selling and marketing expense for the retail segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to an increase in marketing expenditures to support our organic growth strategy during the year ended December 31, 2017.

The decrease in referral fees for the retail segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to the decrease in indirect volume for the year ended December 31, 2017 as part of ongoing partner optimization.

The decrease in other operating expenses for the retail segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a reduction in bank charges and UK trading expenses, as well as a reduction in bad debt related to large recoveries from 2015 and 2016 debtors, offset by minimal bad debt incurred in 2017.

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

Institutional Segment (amounts in thousands)

	Year Ended December 31,			
	2017	2016	$ Change	% Change
Net revenue	$ 31,155	$ 30,219	$ 936	3.1 %
Employee compensation and benefits	13,887	14,424	(537)	(3.7)%
Selling and marketing	86	103	(17)	(16.5)%
Other operating expenses	12,274	10,342	1,932	18.7 %
Segment profit	$ 4,908	$ 5,350	$ (442)	(8.3)%

The increase in institutional segment net revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to an increase in volume from the ECN platform, driven by high frequency traders.

The decrease in employee compensation and benefits expenses for the institutional segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in commissions and sales bonuses paid to employees as a result of changes to some commission schemes.

Selling and marketing expenses for the institutional segment remained relatively flat for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The increase in other operating expenses for the institutional segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to increased fees charged by our clearing firms as a result of the increase in trading volume.

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

Futures Segment (amounts in thousands)

	Year Ended December 31,			
	2017	2016	$ Change	% Change
Net revenue	$ 40,291	$ 48,084	$ (7,793)	(16.2)%
Employee compensation and benefits	9,387	11,967	(2,580)	(21.6)%
Selling and marketing	786	972	(186)	(19.1)%
Referral fees	13,960	15,672	(1,712)	(10.9)%
Other operating expenses	12,931	14,769	(1,838)	(12.4)%
Segment profit	$ 3,227	$ 4,704	$ (1,477)	(31.4)%

The decrease in futures segment net revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in volume across all customer types.

The decrease in employee compensation and benefits expenses for the futures segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to lower commissions paid to employees as a result of the decrease in trading volume and related revenue.

Selling and marketing expenses for the futures segment remained relatively flat for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The decrease in referral fees for the futures segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to the decrease in trading volume.

The decrease in other operating expenses for the futures segment for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a decrease in charges from our clearing brokers due to the decrease in trading volume.

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

Corporate and Other (amounts in thousands)

	Year Ended December 31,			
	2017	2016	$ Change	% Change
Other revenue	$ (240)	$ (2,831)	$ 2,591	(91.5)%
Employee compensation and benefits	11,057	13,090	(2,033)	(15.5)%
Selling and marketing	399	1	398	NM
Other operating expenses	6,453	10,210	(3,757)	(36.8)%
Loss	$ (18,149)	$ (26,132)	$ 7,983	(30.5)%

The increase in corporate and other revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to changes in foreign currency revaluations.

The decrease in employee compensation and benefits expenses for employees not attributed to any of our operating segments, such as our executive officers, for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a reduction in our annual employee incentive compensation costs based on the decrease in results for the year ended December 31, 2017.

The increase in selling and marketing expenses not attributed to any of our operating segments for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily related to marketing for the Company’s payments service offering.

The decrease in other operating expenses not attributed to any of our operating segments for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a reduction in corporate related insurance costs, temporary staffing costs, vendor payments and a reduction in rent payments due to renegotiation or extension of leased facilities as part of our ongoing cost saving plan.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue (amounts in thousands)

	Year Ended December 31,			
	2016	2015	$ Change	% Change
REVENUE:				
Retail revenue	$ 330,744	$ 347,489	$ (16,745)	(4.8)%
Institutional revenue	29,030	33,773	(4,743)	(14.0)%
Futures revenue	47,430	45,427	2,003	4.4 %
Other revenue	3,504	8,487	(4,983)	(58.7)%
Total non-interest revenue	410,708	435,176	(24,468)	(5.6)%
Interest revenue	1,669	1,220	449	36.8 %
Interest expense	552	1,049	(497)	(47.4)%
Total net interest revenue	1,117	171	946	553.2 %
Net revenue	$ 411,825	$ 435,347	$ (23,522)	(5.4)%

The decrease in retail net revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in trading volume.

The decrease in institutional revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in volume in our non-platform institutional trading services and a shift in the mix of trading volume on our GTX platform reflecting an increased percentage of lower revenue-per-contract transactions, partially offset by an increase in ECN trading volume.

The increase in futures revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to an increase in revenue per traded contract during the year.

The decrease in other revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to an adjustment to the recorded amount of contingent consideration relating to our Trade Facts acquisition in 2015, partially offset by an increase in foreign currency revaluation.

Expenses (amounts in thousands)

	Year Ended December 31,			
	2016	2015	$ Change	% Change
Employee compensation and benefits	$ 101,904	$ 106,581	$ (4,677)	(4.4)%
Selling and marketing	28,742	27,168	1,574	5.8 %
Referral fees	70,752	103,523	(32,771)	(31.7)%
Trading expenses	31,159	31,914	(755)	(2.4)%
General and administrative	55,036	55,067	(31)	(0.1)%
Depreciation and amortization	13,905	11,111	2,794	25.1 %
Purchased intangible amortization	15,016	16,550	(1,534)	(9.3)%
Communications and technology	20,460	18,929	1,531	8.1 %
Bad debt provision	4,154	7,462	(3,308)	(44.3)%
Acquisition expenses	—	2,819	(2,819)	(100.0)%
Restructuring expenses	1,041	3,482	(2,441)	(70.1)%
Integration expenses	2,788	33,092	(30,304)	(91.6)%
Legal settlement	9,205	—	9,205	100.0 %
Total operating expense	354,162	417,698	(63,536)	(15.2)%
OPERATING PROFIT	57,663	17,649	40,014	226.7 %
Interest expense on long term borrowings	10,421	9,222	1,199	13.0 %
INCOME BEFORE INCOME TAX EXPENSE/(BENEFIT)	47,242	8,427	38,815	460.6 %
Income tax expense/(benefit)	$ 9,768	$ (3,512)	$ 13,280	(378.1)%

The decrease in employee compensation and benefits expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the effects of restructuring actions taken in 2015 to reduce headcount following the City Index acquisition.

The increase in selling and marketing expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to increased costs to support our retail brands during the fourth quarter of 2016, partially offset by a reduction in marketing spend in the first three quarters of 2016 while we focused on integration activities.

The decrease in referral fees for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to our focus on terminating unprofitable partner relationships and, to a lesser extent, renegotiating ongoing partner agreements to more favorable terms.

The decrease in trading expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the full-year effect of the wind down of our sales trader business, which was integrated into our retail segment during the course of 2015.

General and administrative expenses remained relatively flat for the year ended December 31, 2016 compared to the year ended December 31, 2015.

The increase in depreciation and amortization for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the depreciation of property and equipment acquired in the City Index acquisition in the second quarter of 2015.

The decrease in purchased intangible amortization for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the full amortization of the GFT acquisition in the fourth quarter of 2015, partially offset by the amortization of intangible assets acquired as part of the City Index transaction.

The increase in communications and technology expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the inclusion of a full year of communication and technology expenses acquired as part of the City Index transaction in 2015.

The decrease in bad debt provision for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the $2.5 million in bad debt which arose in connection with the Swiss National Bank in January 2015.

The decrease in acquisition expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was due to a lack of acquisition expenses for the year ended December 31, 2016 compared to the $2.8 million of acquisition expenses for the year ended December 31, 2015, which arose primarily in connection with the City Index transaction. Acquisition expenses are costs directly attributable to acquisitions, including legal, accounting and other professional advisory fees.

The decrease in restructuring expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the wind down of our restructuring activities from the integration of City Index. Restructuring expenses include severance payments and related expenses that arose in connection with headcount reduction relating to our ongoing integration of City Index.

The decrease in integration expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the wind down of our restructuring activities from the integration of City Index. In the year ended December 31, 2016, these expenses consisted of acquisition-related activity, primarily the accelerated amortization of intangible and other assets made redundant as a result of the City Index acquisition, employee relocation costs and retention payments to employees. In the year ended December 31, 2015, these expenses included the accelerated amortization of the trading platform acquired in the GFT transaction which was retired following our acquisition of City Index.

On April 28, 2016, we entered into a settlement agreement with the claimants in the Cameron Farley Ltd. matter, discussed above in “Part 1 - Financial Information - Item 3. Legal Proceedings”. Pursuant to the terms of the settlement agreement, we agreed to make a one-time settlement payment in exchange for a full and final settlement of all claims. The settlement amount, net of insurance recoveries, totaled approximately $9.2 million.

Interest on long term borrowings was $10.4 million and $9.2 million for the years ended December 31, 2016 and December 31, 2015, respectively. Interest on long term borrowings consists of interest expense on our 4.125% Convertible Senior Notes due 2018, issued in November 2013, and our 4.125% Convertible Senior Notes due 2020, issued in April 2015 in connection with the City Index acquisition. The year ended December 31, 2016 was the first full year of interest expense for the 4.125% Convertible Senior Notes due 2020.

Income tax expense increased $13.3 million, resulting in a tax expense of $9.8 million for the year ended December 31, 2016, compared to income tax benefit of $3.5 million for the year ended December 31, 2015. Our effective tax rate in the year ended December 31, 2016 was 20.7% compared to an effective tax rate of (41.7)% in the year ended December 31, 2015. The increase in effective tax rate for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a change in the mix of earnings from different foreign jurisdictions. Please refer to Note 18 to our audited consolidated financial statements for more detail.

Segment Results - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Retail Segment (amounts in thousands)

	Year Ended December 31,			
	2016	2015	$ Change	% Change
Net revenue	$ 336,353	$ 351,472	$ (15,119)	(4.3)%
Employee compensation and benefits	62,423	67,515	(5,092)	(7.5)%
Selling and marketing	27,666	26,129	1,537	5.9 %
Referral fees	55,080	87,175	(32,095)	(36.8)%
Other operating expenses	75,488	76,301	(813)	(1.1)%
Segment profit	$ 115,696	$ 94,352	$ 21,344	22.6 %

The decrease in retail segment net revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in trading volume, partially offset by an increase in revenue per million.

The decrease in employee compensation and benefits expenses for the retail segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a reduction in our annual employee incentive compensation costs, as well as the headcount reductions effected in the third and fourth quarters of 2015.

The increase in selling and marketing expenses for the retail segment for the retail segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to increased costs to support the retail brands during the fourth quarter of 2016, partially offset by a reduction in marketing spend in the first three quarters of 2016 while we focused on integration activities.

The decrease in referral fees for the retail segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to our focus on terminating unprofitable partner relationships and, to a lesser extent, renegotiating ongoing partner agreements to more favorable terms.

The decrease in other operating expenses for the retail segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in U.K. regulatory fees, partially offset by an increase in audit fees for the year ended December 31, 2016.

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

Institutional Segment (amounts in thousands)

	Year Ended December 31,			
	2016	2015	$ Change	% Change
Net revenue	$ 30,219	$ 35,072	$ (4,853)	(13.8)%
Employee compensation and benefits	14,424	15,305	(881)	(5.8)%
Selling and marketing	103	138	(35)	(25.4)%
Other operating expenses	10,342	9,573	769	8.0 %
Segment profit	$ 5,350	$ 10,056	$ (4,706)	(46.8)%

The decrease in institutional segment net revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in volume in our non-platform institutional trading services and a shift in the mix of trading volume on our GTX platform reflecting an increased percentage of lower revenue-per-contract transactions, partially offset by an increase in ECN trading volume.

The decrease in employee compensation and benefits expenses for the institutional segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in commissions paid to employees as a result of the decrease in revenue.

Selling and marketing expenses for the institutional segment remained relatively flat for the year ended December 31, 2016 compared to the year ended December 31, 2015.

The increase in other operating expenses for the institutional segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to the mix of trading fees paid to third parties for the year ended December 31, 2016, compared to the prior year.

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

Futures Segment (amounts in thousands)

	Year Ended December 31,			
	2016	2015	$ Change	% Change
Net revenue	$ 48,084	$ 45,797	$ 2,287	5.0 %
Employee compensation and benefits	11,967	10,634	1,333	12.5 %
Selling and marketing	972	901	71	7.9 %
Referral fees	15,672	16,348	(676)	(4.1)%
Other operating expenses	14,769	13,960	809	5.8 %
Segment profit	$ 4,704	$ 3,954	$ 750	19.0 %

The increase in futures segment net revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to an increase in revenue per traded contract in 2016.

The increase in employee compensation and benefits expenses for the futures segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to additional commissions paid to employees as a result of the increase in revenue.

Selling and marketing expenses for the futures segment remained relatively flat for the year ended December 31, 2016 compared to the year ended December 31, 2015.

The decrease in referral fees for the futures segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in indirect futures volumes.

The increase in other operating expenses for the futures segment for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to an increase in trading expenses.

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

Corporate and Other (amounts in thousands)

	Year Ended December 31,			
	2016	2015	$ Change	% Change
Other revenue	$ (2,831)	$ (3,716)	$ 885	(23.8)%
Employee compensation and benefits	13,090	13,127	(37)	(0.3)%
Selling and marketing	1	—	1	100.0 %
Other operating expenses	10,210	11,038	(828)	(7.5)%
Loss	$ (26,132)	$ (27,881)	$ 1,749	(6.3)%

The increase in corporate and other revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to changes in foreign currency revaluations.

Employee compensation and benefits expenses for employees not attributed to any of our operating segments, such as our executive officers, remained relatively flat for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Selling and marketing expenses for employees not attributed to any of our operating segments remained relatively flat for the year ended December 31, 2016 compared to the year ended December 31, 2015.

The decrease in other operating expenses not attributed to any of our operating segments for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily due to a decrease in professional fees.

Liquidity and Capital Resources

We have historically financed our liquidity and capital needs primarily through the use of funds generated from operations by our subsidiaries, the issuance of debt and equity securities, including the 4.125% Convertible Senior Notes due 2018 that we issued in the fourth quarter of 2013, the 4.125% Convertible Senior Notes due 2020 that were issued in 2015 in connection with our acquisition of City Index, the 5.00% Convertible Senior Notes due 2022 that were issued in the third quarter of 2017, and access to secured lines of credit, such as the revolving credit facility entered into in August 2017. We plan to finance our future operating liquidity and regulatory capital needs in a manner consistent with our past practice. We expect that our capital expenditures for the next 12 months will be lower than 2017, as we continue to identify areas for savings.

We primarily hold and invest our cash at various financial institutions and in various investments, including cash held at banks, deposits at our liquidity providers and money market funds which primarily invest in short-term U.S. government securities, treasury bills, and other money market instruments. In general, we believe all of our investments and deposits are of high credit quality and we have more than adequate liquidity to conduct our businesses.

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

Regulatory Capital Requirements

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of December 31, 2017 and the actual amounts of capital that were maintained on that date (amounts in millions):

Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital
GAIN Capital Group, LLC	$ 34.7	$ 48.0	$ 13.3
GAIN Capital Securities, Inc.	0.1	0.4	0.3
GAIN Capital U.K., Ltd.	69.7	208.1	138.4
GAIN Capital Japan Co., Ltd.	1.5	9.0	7.5
GAIN Capital Australia, Pty. Ltd.	0.8	4.7	3.9
GAIN Capital-Forex.com Hong Kong, Ltd.	1.9	4.7	2.8
GAIN Global Markets, Inc.	1.6	2.4	0.8
GAIN Capital-Forex.com Canada, Ltd.	0.2	1.7	1.5
GAIN Capital Singapore Pte., Ltd.	0.6	6.0	5.4
Trade Facts, Ltd.	0.6	3.2	2.6
Global Asset Advisors, LLC	—	1.8	1.8
GAIN Capital Payments Ltd.	0.2	0.4	0.2
GTX SEF, LLC	1.0	1.4	0.4
Total	$ 112.9	$ 291.8	$ 178.9

Our futures commission merchant and forex dealer subsidiary, GCGL, is subject to the Commodity Futures Trading Commission Net Capital Rule (Rule 1.17) and NFA Financial Requirements, Sections 1 and 11. Under applicable provisions of these regulations, GCGL is required to maintain adjusted net capital of the greater of $1.0 million or 8% of Customer and Non-Customer Risk Maintenance Margin, or $20.0 million plus 5% of all liabilities owed to retail customers exceeding $10.0 million, plus 10% of all liabilities owed to eligible contract participant counterparties acting as a dealer that are not an affiliate. Net capital represents current assets less total liabilities as defined by CFTC Rule 1.17. GCGL’s current assets primarily consist of cash and cash equivalents reported on its balance sheet as cash, receivables from brokers and trading securities, which are generally short-term U.S. government securities. GCGL’s total liabilities include payables to customers, accrued expenses, accounts payable, sales and marketing expense payable, introducing broker fees payable and other liabilities. From net capital we take certain percentage deductions or haircuts against assets held based on factors required by the Commodity Exchange Act to calculate adjusted net capital. GCGL’s net capital and adjusted net capital changes from day to day. As of December 31, 2017, GCGL had net capital of approximately $48.0 million and net capital requirements and haircut charges of $34.7 million. As of December 31, 2017, GAIN Capital Group’s excess net capital was $13.3 million. We believe that we currently have sufficient capital to satisfy these on-going minimum net capital requirements. In accordance with CFTC regulation 1.12 and NFA Financial Requirements Section 1, a 20.0% decrease in GCGL’s net capital and a 30.0% decrease in excess net capital due to a planned equity withdrawal requires regulatory notification and/or approval.

GAIN Capital Securities, Inc. (“GCSI”) is a broker-dealer registered with the SEC under the Securities Exchange Act of 1934, as amended. GCSI is a member of the Financial Industry Regulatory Authority (“FINRA”), 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 $0.1 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, 2017, GCSI maintained $0.3 million more than the minimum required regulatory capital for a total of 4.0 times the required capital.

GCUK2 is regulated by the FCA as a full scope €730k IFPRU Investment Firm. GCUK2 is required to maintain the greater of approximately $0.9 million (€730,000) or the Financial Resources Requirement, which is calculated as the sum of the firm’s operational, credit, counterparty, concentration and market risk. At December 31, 2017, GCUK2 maintained $138.4 million more than the minimum required regulatory capital for a total of 3.0 times the required capital.

GC Japan is a registered Type I financial instruments business firm regulated by the Japan Financial Services Agency (“FSA”) in accordance with Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended). GC Japan is a member of the Financial Futures Association of Japan. GC Japan is subject to a minimum capital adequacy ratio of 140%, which is derived by dividing Net Capital (as defined in Law No. 25) by the sum of GC Japan’s market, counterparty credit risk and operational risk. At December 31, 2017, GC Japan maintained $7.5 million more than the minimum required regulatory capital for a total of 6.0 times the required capital.

GCAU is regulated under the laws of Australia, including the *Corporations Act 2001* (Commonwealth of Australia). GCAU holds an Australian Financial Services License that has been issued by ASIC. GCAU is required to maintain a minimum capital requirement of $0.8 million (1.0 million AUD). The regulatory capital held is required to be in excess of 110% of its requirements at all times. At December 31, 2017, GCAU maintained $3.9 million more than the minimum required regulatory capital for a total of 5.9 times the required capital.

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 $1.9 million. At December 31, 2017, GCHK maintained $2.8 million more than the minimum required regulatory capital for a total of 2.5 times the required capital.

GGMI, the Company's Cayman Island subsidiary, is a registered securities arranger and market maker with the Cayman Islands Monetary Authority ("CIMA"). GGMI is required to maintain a capital level that is the greater of one quarter of relevant annual expenditure, or the financial resources requirement which is the sum of the Base Requirement, counterparty and position risk requirement, or $1.6 million. At December 31, 2017, GGMI maintained $0.8 million more than the minimum required regulatory capital for a total of 1.5 times the required capital.

GCCA is a Dealer Member of the Investment Industry Regulatory Organization of Canada ("IIROC") and regulated under the laws of Canada, including the Canadian Investor Protection Fund. In Canada, the securities industry is governed by provincial or territorial legislation, and there is no national regulator. Local legislation differs from province to province and territory to territory, but generally requires that forex dealing representatives register with applicable regulators and self-regulatory organizations in order to offer forex and/or CFD products to retail clients. GCCA's principal provincial regulator is the Ontario Securities Commission, or OSC. GCCA is required to maintain risk-adjusted capital in excess of the minimum capital requirement. At December 31, 2017, GCCA maintained $1.5 million more than the minimum required regulatory capital for a total of 8.5 times the required capital.

GCS is registered by the Monetary Authority of Singapore ("MAS") and operates as an approved holder of Capital Market Services License. GCS is subject to the requirements of MAS and pursuant to the Securities and Futures Act (Cap 289). Under these rules GCS is required to maintain a minimum base capital of approximately $0.6 million (1.0 million SGD) and Financial Resources in excess of 120% of the total risk requirements, which is calculated as the sum of operational, counterparty, large exposure and market risk at all times. At December 31, 2017, GCS maintained $5.4 million more than the required minimum regulatory capital for a total of 10.0 times the required capital.

Trade Facts is regulated by the FCA as a BIPRU Limited License Firm. Trade Facts is required to maintain a base financial resources requirement of approximately $0.6 million (€0.5 million) and a capital requirement of the higher of either credit risk plus market risk or a fixed overhead requirement. At December 31, 2017, Trade Facts maintained $2.6 million more than the minimum required regulatory capital for a total of 5.3 times the required capital.

GAA is a registered Introducing Broker and is subject to the CFTC Net Capital Rule (Rule 1.17). Under applicable provisions of these rules, GAA is required to maintain adjusted net capital of less than $0.1 million. At December 31, 2017, GAA maintained $1.8 million more than the minimum required regulatory capital.

GAIN Capital Payments Ltd. is regulated in the U.K. by the FCA and is authorized to carry out payment services under the Payment Services Regulations 2009. The regulatory capital must be the greater of either (i) $0.2 million (€0.1 million) or (ii) requirements determined by the fixed overhead requirement. At December 31, 2017, GAIN Capital Payments Ltd. maintained $0.2 million more than the minimum required regulatory capital for a total of 2.0 times the required capital.

GTX SEF is a registered swap execution facility with the CFTC and is subject to the requirements under CFTC regulations 37.1300-1306. Under applicable provisions of these regulations, GTX SEF is required to maintain financial resources of more than or equal to the total of its operating costs for a period of at least one year financial resources requirements, calculated on a rolling basis. At December 31, 2017, GTX SEF maintained $0.4 million more than the minimum required regulatory capital for a total of 1.4 times the required capital.

Effective from 2016, the FCA began transitioning in additional capital requirements in the form of a conservation buffer and a countercyclical capital buffer as set out in Capital Requirements Directive, or CRD IV, Article 160 Transitional Provisions for Capital Buffers. The transitional period began on January 1, 2016 and the minimum common equity tier 1 capital ratio requirement, currently at 6.375% for the year of 2018, will increase to 7.0% as of January 1, 2019. Given the nature of our UK-regulated firms' activities, the effect of the countercyclical buffer is expected to be negligible.

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

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

Operating Cash

We are required to maintain cash on deposit with our liquidity providers in order to conduct our hedging activities. As of December 31, 2017, we posted $78.5 million in cash with liquidity providers. As of December 31, 2017, our total client assets were $978.8 million compared to $945.5 million as of December 31, 2016, an increase of $33.4 million. Total client assets represent amounts due to clients, including deposits and unrealized gains or losses arising from open positions.

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 209.7	$ 234.8
Receivables from brokers	78.5	61.1
Revolving credit facility (undrawn)	50.0	—
Net operating cash	338.2	295.9
Less: Minimum regulatory requirements	(112.9)	(113.0)
Less: Payables to brokers	(2.8)	—
Less: Convertible senior notes due 2018	(6.4)	—
Liquidity (1)	$ 216.1	$ 182.9

(1) Our Convertible Senior Notes due 2020 and 2022 are excluded given their long-dated maturity

The increase in our liquidity for the twelve months ended December 31, 2017 was primarily due to the availability of the $50.0 million revolving credit facility we entered into in August 2017 and the $15.9 million net proceeds of the offering of our 5.00% Convertible Senior Notes due in 2022, partially offset by the net loss of $11.2 million and the purchase of treasury stock of $26.2 million.

Convertible Senior Notes

On November 27, 2013, we issued $80.0 million aggregate principal amount of our 4.125% Convertible Senior Notes due 2018 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the note offering were approximately $77.2 million, after deducting discounts to the initial purchasers and estimated offering expenses payable by the Company. We used a portion of the net proceeds of the offering of our 5.00% Convertible Senior Notes due 2022 to repurchase $71.8 million in principal amount of our 4.125% Convertible Senior Notes due 2018.

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

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

On August 22, 2017, we issued $92.0 million aggregate principal amount of our 5.00% Convertible Senior Notes due 2022, which includes the exercise in full of the over-allotment option granted to the initial purchasers of the notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The notes bear interest at a fixed rate of 5.00% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2018. The notes are convertible into cash, shares of our common stock, or a combination thereof, at our election. The notes will mature on August 15, 2022, unless earlier converted, redeemed or repurchased. We may not redeem the notes prior to August 15, 2020. The net proceeds from the offering of these notes were approximately $88.4 million, after deducting discounts to the initial purchasers and estimated offering expenses payable by the Company.

Under applicable accounting guidance, an entity must separately account for the liability and equity components of convertible debt instruments whose conversion may be settled entirely or partially in cash in a manner that reflects the issuer's economic interest cost for non-convertible debt. The liability component of the notes is initially valued at the fair value of a similar debt instrument that does not have an associated equity component and is reflected as a liability in our consolidated balance sheet in an amount equal to the fair value, which, as of December 31, 2017 and 2016, was $132.2 million and $124.8 million, respectively. The equity component of the notes is included in the additional paid-in capital section of our shareholders' equity on our Consolidated Balance Sheets, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component. The equity component, as of December 31, 2017 and 2016, for our convertible senior notes was $38.6 million and $27.4 million, respectively. This original issue discount is amortized to non-cash interest expense over the term of the notes, and, as a result, we record a greater amount of interest expense in current periods. Accordingly, we reported 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 requires the interest expense associated with the notes to include both the current period's amortization of the original issue discount and the notes' cash coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the notes.

In addition, under certain circumstances, convertible debt instruments whose conversion may be settled entirely or partly in cash (such as our 4.125% Convertible Senior Notes due 2018, 4.125% Convertible Senior Notes due 2020, and 5.00% Convertible Senior Notes due 2022) are currently accounted for using the treasury stock method. Under this method, the shares issuable upon conversion of the notes are not included in the calculation of diluted earnings per share unless the conversion value of the notes exceeds their principal amount at the end of the relevant reporting period. If the conversion value exceeds their principal amount, then, for diluted earnings per share purposes, the notes are accounted for as if the number of shares of common stock that would be necessary to settle the excess, if we elected to settle the excess in shares, were issued. The accounting standards in the future may not continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares, if any, issuable upon conversion of the notes, then our diluted earnings (loss) per share could be adversely affected.

Credit Facility

On August 3, 2017, the Company entered into a Credit Agreement, dated as of August 2, 2017, for a three year U.S. $50.0 million senior secured first lien revolving credit facility that matures in August 2020. Upon request of the Company, the credit facility may be increased by up to $25.0 million, with a minimum increase of $5.0 million. The credit facility contains covenants that are customary for an issuer with senior debt. As of December 31, 2017, we were in compliance with the covenants for our credit facility. The Company will pay a quarterly commitment fee based on the undrawn portion of the facility and interest on amounts drawn.

As of December 31, 2017, there were no amounts outstanding under the revolving line of credit.

Cash Flow

The following table sets forth a summary of our cash flow for each of the three years ended December 31, 2017 (amounts in thousands):

	Year ended December 31,		
	2017	2016	2015
Net cash provided by operating activities	$ 11,131	$ 124,839	$ 77,213
Net cash used in investing activities	(28,114)	(31,327)	(16,081)
Net cash used in financing activities	(21,530)	(21,175)	(25,840)
Effect of exchange rate changes on cash and cash equivalents	13,441	(9,465)	(2,755)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	$ (25,072)	$ 62,872	$ 32,537

The primary drivers of our cash flow provided by/(used for) operating activities are net income, adjusted for non-cash charges, such as depreciation and amortization, and amounts posted as collateral with liquidity providers.

Our largest operating expenses are employee compensation and benefits, marketing and referral fees. Employee compensation and benefits include salaries, bonuses and other employee related costs, as well as commissions paid to certain sales personnel. Marketing expenses consist primarily of selling and promotional costs to support our retail, institutional and futures brands. Referral fees consist primarily of payments made to our white label partners and introducing brokers.

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 customers in any given period is influenced by the impact of unrealized gains and losses on our customer balances, such that 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, 2017 Compared to Year Ended December 31, 2016

Operating Activities

Cash provided by operating activities was $11.1 million for the year ended December 31, 2017, compared to $124.8 million provided by operating activities for the year ended December 31, 2016. Net income decreased approximately $48.0 million and receivable from brokers decreased 75.9 million. This was offset by an increase of approximately $5.0 million due to the loss on extinguishment of debt for the year ended December 31, 2017.

Investing Activities

Cash used for investing activities was $28.1 million for the year ended December 31, 2017, compared to $31.3 million used for investing activities in the year ended December 31, 2016. Cash used for the purchase of intangible assets increased approximately $7.2 million related to the purchase of FXCM customer assets in the year ended December 31, 2017, which was offset by the purchase of an additional 24% ownership interest in each of GAA and TT for an aggregate purchase price of $7.4 million in the prior year and a net decrease of $3.0 million in the cash used for the purchase of property and equipment.

Financing Activities

Cash used for financing activities was $21.5 million for the year ended December 31, 2017, compared to $21.2 million used for financing activities for the year ended December 31, 2016. Cash used for the purchase of treasury stock increased $17.2 million due to our stock repurchase activities, in particular for purchases made as part of the convertible refinancing, offset by the net impact of the convertible note refinancing of $17.7 million for the year ended December 31, 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Operating Activities

Cash provided by operating activities was $124.8 million for the year ended December 31, 2016, compared to $77.2 million provided by operating activities for the year ended December 31, 2015. Non-cash integration costs decreased approximately $26.5 million due to the acceleration of the amortization of the GFT platform in the year ended December 31, 2015. This was offset by an increase in cash provided by deferred taxes of $8.9 million for the year ended December 31, 2016.

Investing Activities

Cash used for investing activities was $31.3 million for the year ended December 31, 2016, compared to $16.1 million used for investing activities in the year ended December 31, 2015. Cash used for acquisitions and for the purchase of intangible assets increased approximately $3.3 million, which was offset by the purchase of an additional 24% ownership interest in each of GAA and TT for an aggregate purchase price of $7.4 million and a decrease of $7.6 million in cash received in the City acquisition in 2015. Cash used for the purchase of property and equipment increased $4.2 million.

Financing Activities

Cash used for financing activities was $21.2 million for the year ended December 31, 2016, compared to $25.8 million used for financing activities for the year ended December 31, 2015. Cash used in acquisitions decreased $13.9 million as the City Index acquisition closed in 2015 and there were no acquisitions in 2016. In addition, cash used for tax benefit from employee stock option exercises increased $1.1 million, cash used for the purchase of treasury stock increased $3.9 million due to our stock repurchase activities for the year ended December 31, 2016, and cash used for the repurchase of the convertible notes increased $1.7 million due to the note buy backs for the year ended December 31, 2016.

Capital Expenditures

Capital expenditures were $20.9 million for the year ended December 31, 2017, compared to $23.9 million for the year ended December 31, 2016 and $19.7 million for the year ended December 31, 2015. Capital expenditures for the years ended December 31, 2017, 2016, and 2015 were primarily related to the development and additional features to various trading platforms and websites.

Off-Balance-Sheet Arrangements

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

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2017 (amounts in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Purchase Obligations	$ 24,265	$ 16,997	$ 7,268	$ —	$ —
Operating Leases	25,162	5,191	7,133	7,505	5,333
Total	$ 49,427	$ 22,188	$ 14,401	$ 7,505	$ 5,333

The amounts reported above for "Purchase Obligations" are calculated to include mandatory pre-cancellation notice periods, if any. Excluded from the amounts set forth above are obligations relating to the $6.4 million in principal amount of our 4.125% Convertible Senior Notes due 2018 that we issued in the fourth quarter of 2013, the $60.0 million in principal amount of our 4.125% Convertible Senior Notes due 2020 that were issued in 2015 in connection with our acquisition of City Index, and the $92.0 million in principal amount of our 5.00% Convertible Senior Notes due 2022 that we issued in the third quarter of 2017, as our obligations under these Convertible Senior Notes are not certain to be settled in cash. By their terms, these Convertible Senior Notes may be settled in cash, shares of our common stock or in a combination of shares and cash at our discretion.

Purchase obligations due in less than one year primarily consist of agreements with service providers related to maintenance, data, system support and network services.

Critical Accounting Policies and Estimates

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 management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. While our significant accounting policies are described in more detail in the notes to our consolidated financial statements, we believe the following accounting policies are critical to the estimates and assumptions used in the preparation of our consolidated financial statements.

Goodwill and Intangible Assets

We obtained goodwill and intangible assets as a result of the acquisitions of certain of our subsidiaries. Goodwill represents the excess of the cost over the fair market value of net assets acquired. We are required to periodically assess whether any of our goodwill is impaired. In order to do this, we apply judgment in determining our reporting units, which represent our business segments. 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. When testing for goodwill impairment, the Company first assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company concludes it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative fair value test is performed to determine any potential impairment loss. We performed our annual test for goodwill impairment in the fourth quarter of 2017 and noted there was no impairment.

Intangible assets with definite useful lives are subject to amortization and are evaluated for recoverability when events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable in accordance with ASC 360, *Property, Plant, and Equipment*. If such an event or change occurs, we estimate cash flows directly associated with the use of the intangible asset to test its recoverability and assess its remaining useful life. The projected cash flows require assumptions related to revenue growth, operating margins and other relevant market, economic and regulatory factors. If the expected undiscounted future cash flows from the use and eventual disposition of a finite-lived intangible asset or asset group are not sufficient to recover the carrying value of the asset, we then compare the carrying amount to its current fair value. We estimate the fair value using market prices for similar assets, if available, or by using a discounted cash flow model. We then recognize an impairment loss for the amount by which the carrying amount exceeds its fair value. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on our financial results.

Income Taxes

ASC 740, *Income Taxes*, establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. A valuation allowance may be recorded against deferred tax assets if it is more likely than not that those assets will not be realized. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could materially impact our financial position or results of operations.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit for each such position that has a greater than fifty percent likelihood of being realized upon ultimate resolution. We consider many factors when evaluating and estimating our tax positions and tax benefits. Such estimates involve interpretations of regulations, rulings, case law, etc. and are inherently complex. Our estimates may require periodic adjustments and may not accurately anticipate actual outcomes as resolution of income tax treatments in individual jurisdictions typically would not be known for several years after completion of any fiscal year. The impact of our reassessment of uncertain tax positions in accordance with ASC 740 did not have a material impact on the results of operations, financial condition or liquidity.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers", which is part of ASC Topic 606. It defines how companies report revenues from contracts with customers and also requires certain enhanced disclosures. The standard's provisions and related amendments are effective for annual reporting periods beginning after December 15, 2017. On January 1, 2018, the Company adopted this guidance, which did not have a material impact on the Company's financial statements. A substantial portion of revenue falls under ASC Topic 825, Financial Instruments, which is excluded from the scope of the new guidance. The Company adopted ASU No. 2014-09 using the modified retrospective approach, which includes presenting the cumulative effects of initial application, if any, along with supplemental disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Restricted Cash", requiring that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance became effective on January 1, 2018 and will be applied using a retrospective transition method to each period presented. The Company concluded that cash held for customers, including amounts required to be segregated under federal or other regulations is considered restricted cash and will present such cash with total cash on the statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (Step 2) from the goodwill impairment test. Instead, an impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. The guidance will be effective prospectively for the Company for the quarter ending December 31, 2020, with early adoption permitted after January 1, 2017. Management will adopt this approach to the extent if Step 2 is required.

In February 2016, the FASB issued ASU No. 2016-02, which amended the guidance on accounting for leases. The FASB issued this update to increase transparency and comparability among organizations. This update requires recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company is currently assessing the impact on its Financial Statements of adopting this guidance.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220)," to address certain income tax effects in Accumulated Other Comprehensive Income (AOCI) resulting from the tax reform enacted in 2017. The amended guidance provides an option to reclassify tax effects within AOCI to retained earnings in the period in which the effect of the tax reform is recorded. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted. The Company is currently assessing the impact on its Financial Statements of adopting this guidance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the potential for adverse changes in the value of a Company's financial instruments as a result of changes in market conditions. We do not hold financial instruments for trading purposes on a long-term basis. We continually evaluate our exposure to market risk and oversee the establishment of policies, procedures and controls to ensure that market risks are identified and analyzed on an ongoing basis.

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 are held in cash and cash equivalents including cash at banks, deposits at liquidity providers, 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, 2017, an immediate 100 basis point increase in short-term interest rates would result in approximately $10.3 million more in annual pretax income.

Foreign Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of our earnings and assets. Entities that have assets and liabilities denominated in currencies other than the primary economic environment in which the entity operates are subject to re-translation. We monitor our exchange rate exposure and may make settlements to reduce our exposure. We do not take proprietary directional market positions.

Virtually all sales and related operating costs are denominated in the currency of the local country and translated into USD for consolidated reporting purposes. Although the majority of the assets and liabilities of these subsidiaries are denominated in the functional currency of the subsidiary, they may also hold assets or liabilities denominated in other currencies. These items may give rise to foreign currency transaction gains and losses. As a result, our results of operations and financial position are exposed to changing currency exchange rates. We may consider entering into hedging transactions to mitigate our exposure to foreign currency exchange rates. These hedging transactions may not be successful.

Credit Risk

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

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

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

Market Risk

We are exposed to market risk in connection with our retail trading activities. Because we act as counterparty to our retail customers' transactions, we are exposed to risk on each trade that the 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 instrument, as well as assessment of a range of market inputs, including trade size, dealing rate, customer margin and market liquidity. Our risk-management procedures require our team of senior traders to monitor risk exposure on a continuous basis and update senior management both informally over the course of the trading day and formally through intraday and end of day reporting. A key component of our approach to managing market risk is that we do not initiate market positions for our own account in anticipation of future movements in the relative prices of products we offer. To facilitate our risk-management activities, we maintain levels of capital in excess of those currently required under applicable regulations. As of December 31, 2017, we maintained capital levels of $291.8 million, which represented approximately 2.6 times the capital we were required to hold under applicable regulations.

Cash Liquidity Risk

In normal conditions, our market making business and related services is self-financing as we generate sufficient cash flows to pay our expenses as they become due. As a result, we generally do not face the risk that we will be unable to raise cash quickly enough to meet our payment obligations as they arise. Our cash flows, however, are influenced by customer trading volume, currency volatility and liquidity in markets in which we have positions. These factors are directly impacted by domestic and international market and economic conditions that are beyond our control. In an effort to manage this risk, we have secured a substantial liquidity pool by establishing trading relationships with several financial institutions. These relationships provide us with sufficient access to liquidity to allow us to consistently execute significant trades in varying market conditions at the notional amounts our customers desire by providing us with as much as 50:1 leverage on the notional amounts of our available collateral we have on deposit with such financial institutions. We generally maintain collateral on deposit, which includes our funds and our customers' funds, with our liquidity providers. Collateral on deposit ranged from $81.4 million to $245.0 million in the aggregate during the year ended December 31, 2017.

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

Operational Risk

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements are included in pages F-1 to F-53 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.

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 the Company’s internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*. 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, 2017.

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, 2017 as stated in their report on the following page.

(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, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
GAIN Capital Holdings, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited GAIN Capital Holdings, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes and financial statement schedule I (collectively, the consolidated financial statements), and our report dated March 14, 2018, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

New York, New York
March 14, 2018

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.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

Consolidated Financial Statements:

Financial Statement Schedule:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
GAIN Capital Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of GAIN Capital Holdings, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes and financial statement schedule I (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2016.

New York, New York
March 14, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows of GAIN Capital Holdings, Inc. and subsidiaries (the "Company") for the year ended December 31, 2015. Our audit also included the financial statement schedule for the year ended December 31, 2015, 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 these consolidated financial statements and financial statement schedule based on our audit. We did not audit the consolidated financial statements of GAIN Capital UK Limited, a wholly owned subsidiary, which statements reflect revenues constituting 24% of the related consolidated financial statement amounts for the year ended December 31, 2015. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GAIN Capital UK Limited, is based solely on the report of the other auditors.

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 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 audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of GAIN Capital Holdings, Inc. and subsidiaries for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, based on our audit and the report of the other auditors, such financial statement schedule for the year ended December 31, 2015, when considered in relation to the basic 2015 consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

New York, New York
March 17, 2016

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholder
Gain Capital UK Limited
London, United Kingdom

We have audited the profit and loss account, statement of changes in equity and cash flows for the nine-month period ended December 31, 2015 and the related notes to the financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of Gain Capital UK Limited's operations and cash flows for the nine-month period ended December 31, 2015 in accordance with United Kingdom Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

United Kingdom Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' varies in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 29 to the financial statements.

/s/ BDO LLP

BDO LLP
London, United Kingdom
March 15, 2016

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

	December 31, 2017	December 31, 2016
ASSETS:		
Cash and cash equivalents	$ 209,688	$ 234,760
Cash and securities held for customers	978,828	945,468
Receivables from brokers	78,503	61,096
Property and equipment, net	40,742	36,462
Intangible assets, net	61,969	67,358
Goodwill	33,036	32,107
Other assets	45,881	52,833
Total assets	$ 1,448,647	$ 1,430,084
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities		
Payables to customers	$ 978,828	$ 945,468
Payables to brokers	2,789	—
Accrued compensation and benefits	10,104	13,559
Accrued expenses and other liabilities	33,947	41,547
Income tax payable	599	3,965
Convertible senior notes	132,221	124,769
Total liabilities	$ 1,158,488	$ 1,129,308
Commitments and contingent liabilities		
Redeemable non-controlling interests	$ 4,411	$ 6,594
Shareholders' equity		
Common stock ($0.00001 par value; 120 million shares authorized, 53,612,340 shares issued and 45,152,299 shares outstanding as of December 31, 2017; 120 million shares authorized, 52,848,811 shares issued and 48,220,243 shares outstanding as of December 31, 2016)	$ —	$ —
Additional paid-in capital	235,659	218,392
Retained earnings	122,686	143,399
Accumulated other comprehensive loss	(15,670)	(36,842)
Treasury stock, at cost (8,460,041 shares at December 31, 2017 and 4,628,568 at December 31, 2016, respectively)	(56,927)	(30,767)
Total shareholders' equity	285,748	294,182
Total liabilities and shareholders' equity	$ 1,448,647	$ 1,430,084

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)

	Year Ended December 31,		
	2017	2016	2015
REVENUES:			
Retail revenue	$ 231,100	$ 330,744	$ 347,489
Institutional revenue	30,136	29,030	33,773
Futures revenue	37,964	47,430	45,427
Other revenue	4,478	3,504	8,487
Total non-interest revenue	303,678	410,708	435,176
Interest revenue	5,829	1,669	1,220
Interest expense	883	552	1,049
Total net interest revenue	4,946	1,117	171
Net revenue	$ 308,624	$ 411,825	$ 435,347
EXPENSES:			
Employee compensation and benefits	$ 95,218	$ 101,904	$ 106,581
Selling and marketing	31,200	28,742	27,168
Referral fees	53,671	70,752	103,523
Trading expenses	29,041	31,159	31,914
General and administrative	45,727	55,036	55,067
Depreciation and amortization	17,907	13,905	11,111
Purchased intangible amortization	16,110	15,016	16,550
Communications and technology	19,699	20,460	18,929
Bad debt provision	(247)	4,154	7,462
Acquisition expenses	—	—	2,819
Restructuring expenses	—	1,041	3,482
Integration expenses	—	2,788	33,092
Legal settlement	—	9,205	—
Impairment of investment	620	—	—
Total operating expense	308,946	354,162	417,698
OPERATING (LOSS)/PROFIT	(322)	57,663	17,649
Interest expense on long term borrowings	11,821	10,421	9,222
Loss on extinguishment of debt	4,944	—	—
(LOSS)/INCOME BEFORE INCOME TAX (BENEFIT)/EXPENSE	(17,087)	47,242	8,427
Income tax (benefit)/expense	(6,855)	9,768	(3,512)
Equity in net loss of affiliate	(343)	(62)	—
NET (LOSS)/INCOME	(10,575)	37,412	11,939
Net income attributable to non-controlling interest	620	2,140	1,660
NET (LOSS)/INCOME APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	(11,195)	35,272	10,279
Other comprehensive income/(loss):			
Foreign currency translation adjustment	21,172	(30,977)	(4,352)
COMPREHENSIVE INCOME APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.	$ 9,977	$ 4,295	$ 5,927
(Loss)/earnings per common share:			
Basic	$ (0.20)	$ 0.67	$ 0.22
Diluted	$ (0.20)	$ 0.67	$ 0.22
Weighted average common shares outstanding used in computing (loss)/earnings per common share:			
Basic	46,740,097	48,588,917	47,601,979
Diluted	46,740,097	48,785,674	48,379,051

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

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

	Common Stock		Treasury Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares [1]	Amount					
BALANCE—January 1, 2015	42,934,559	$ —	$ (16,720)	$ 148,378	$ 119,775	$ (1,513)	$ 249,920
Net income applicable to GAIN Capital Holdings, Inc.	—	—	—	—	10,279	—	10,279
Exercise of options	638,241	—	—	2,386	—	—	2,386
Issuance of common stock	5,319,149	—	—	45,100	—	—	45,100
Conversion of restricted stock into common stock	440,651	—	—	—	—	—	—
Issuance of common stock for the employee stock purchase plan	92,777	—	—	789	—	—	789
Purchase of treasury stock	(654,362)	—	(5,088)	—	—	—	(5,088)
Shares withheld for net settlements of share-based awards	—	—	—	—	—	—	—
Share-based compensation	—	—	—	3,680	—	—	3,680
Tax benefit of stock options exercises	—	—	—	1,140	—	—	1,140
Convertible note issuance	—	—	—	15,348	—	—	15,348
Tax effect of debt discount on convertible notes	—	—	—	(3,840)	—	—	(3,840)
Other	—	—	—	—	(56)	—	(56)
Adjustment to the redemption value of put options related to non-controlling interests	—	—	—	—	308	—	308
Dividends declared	—	—	—	—	(9,530)	—	(9,530)
Foreign currency translation adjustment	—	—	—	—	—	(4,352)	(4,352)
BALANCE—December 31, 2015	48,771,015	$ —	$ (21,808)	$ 212,981	$ 120,776	$ (5,865)	$ 306,084
Net income applicable to GAIN Capital Holdings, Inc.	—	—	—	—	35,272	—	35,272
Exercise of options	179,501	—	—	706	—	—	706
Issuance of common stock	—	—	—	—	—	—	—
Conversion of restricted stock into common stock	500,253	—	—	—	—	—	—
Issuance of common stock for the employee stock purchase plan	96,173	—	—	611	—	—	611
Purchase of treasury stock	(1,317,369)	—	(8,894)	—	—	—	(8,894)
Shares withheld for net settlements of share-based awards	(9,330)	—	(65)	—	—	—	(65)
Share-based compensation	—	—	—	4,151	—	—	4,151
Tax effect of debt discount on convertible notes	—	—	—	48	—	—	48
Repurchase of convertible senior notes	—	—	—	(105)	—	—	(105)
Adjustment to the redemption value of put options related to non-controlling interests	—	—	—	—	(2,715)	—	(2,715)
Adjustment to fair value of redeemable non-controlling interests	—	—	—	—	258	—	258
Dividends declared	—	—	—	—	(10,192)	—	(10,192)
Foreign currency translation adjustment	—	—	—	—	—	(30,977)	(30,977)

BALANCE—December 31, 2016	48,220,243	$ —	$ (30,767)	$ 218,392	$ 143,399	$ (36,842)	$ 294,182
Net loss applicable to GAIN Capital Holdings, Inc.	—	—	—	—	(11,195)	—	(11,195)
Exercise of options	88,427	—	—	356	—	—	356
Conversion of restricted stock into common stock	572,060	—	—	—	—	—	—
Issuance of common stock for the employee stock purchase plan	103,042	—	—	642	—	—	642
Purchase of treasury stock	(3,776,283)	—	(25,778)	—	—	—	(25,778)
Shares withheld for net settlements of share-based awards	(55,190)	—	(382)	—	—	—	(382)
Share-based compensation	—	—	—	5,093	—	—	5,093
Recognition of debt discount on convertible notes	—	—	—	18,399	—	—	18,399
Tax effect of debt discount on convertible notes	—	—	—	(7,037)	—	—	(7,037)
Repurchase of convertible senior notes	—	—	—	(186)	—	—	(186)
Adjustment to the redemption value of put options related to non-controlling interests	—	—	—	—	1,656	—	1,656
Dividends declared	—	—	—	—	(11,174)	—	(11,174)
Foreign currency translation adjustment	—	—	—	—	—	21,172	21,172
BALANCE—December 31, 2017	45,152,299	$ —	$ (56,927)	$ 235,659	$ 122,686	$ (15,670)	$ 285,748

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

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

	Year Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/income	$ (10,575)	$ 37,412	$ 11,939
Adjustments to reconcile net (loss)/income to cash provided by operating activities			
(Gain)/loss on foreign currency exchange rates	(719)	1,692	2,432
Depreciation and amortization	34,017	28,921	27,661
Non-cash integration costs	—	366	26,827
Deferred tax benefit	(2,630)	(3,481)	(12,355)
Amortization of deferred financing costs	495	442	354
Bad debt provision	(247)	4,154	7,462
Convertible senior notes discount amortization	4,917	4,311	3,624
Share-based compensation	5,093	4,151	3,680
Loss/(gain) on extinguishment of debt	4,944	(89)	—
Equity in net loss of affiliate	343	62	—
Adjustment to fair value of contingent consideration	—	—	(6,722)
Impairment of cost basis investment	620	—	—
Changes in operating assets and liabilities:			
Cash and securities held for customers	5,352	(77,216)	101,325
Receivables from brokers	(17,549)	58,360	45,576
Payables to brokers	2,789	—	—
Other assets	5,872	(13,079)	(7,674)
Payables to dealers, FCM’s, customers	(5,352)	77,216	(101,325)
Accrued compensation and benefits	(3,942)	2,045	(7,454)
Accrued expenses and other liabilities	(10,059)	(6,703)	(18,748)
Income tax payable	(2,238)	6,275	611
Net cash provided by operating activities	11,131	124,839	77,213
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(20,930)	(23,883)	(19,676)
Purchase of partial interest in GAA/TT	—	(7,444)	—
Acquisition of FXCM assets	(7,184)	—	—
Funding of acquisitions, net of cash acquired	—	—	(3,258)
Cash received relating to acquisitions	—	—	7,612
Purchase of investment	—	—	(759)
Net cash used in investing activities	(28,114)	(31,327)	(16,081)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contractual payments for acquisitions	—	—	(13,893)
Proceeds from exercise of stock options	356	706	2,386
Proceeds from employee stock purchase plan	642	611	789
Purchase of treasury stock	(26,160)	(8,959)	(5,088)
Excess tax benefit from employee stock option exercises	—	—	1,140
Dividend payments	(11,174)	(10,192)	(9,530)
Distributions to non-controlling interest holders	(1,147)	(1,605)	(1,644)
Convertible note issuance, net of commissions	89,010	—	—
Repurchase of convertible notes	(73,057)	(1,736)	—
Net cash used in financing activities	$ (21,530)	$ (21,175)	$ (25,840)

Effect of exchange rate changes on cash and cash equivalents	13,441	(9,465)	(2,755)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(25,072)	62,872	32,537
CASH AND CASH EQUIVALENTS—Beginning of year	$ 234,760	$ 171,888	$ 139,351
CASH AND CASH EQUIVALENTS—End of year	$ 209,688	$ 234,760	$ 171,888
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 5,660	$ 6,251	$ 5,065
Income taxes	$ 4,512	$ 8,438	$ 9,861
Non-cash financing activities:			
Common stock issued as consideration for business acquisition	$ —	$ —	$ 45,100
Convertible senior notes issued as consideration for business acquisition	$ —	$ —	$ 65,000
Deferred taxes related to convertible senior notes issued	$ (7,037)	$ —	$ (3,840)
Adjustment to the redemption value of put options related to non-controlling interests	$ 1,656	$ (2,715)	$ 308

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

GAIN CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

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

The Company is a global provider of trading services and solutions, specializing in over-the-counter, or OTC, and exchange-traded markets. The Company operates its business in three segments. Through its retail segment, the Company provides its retail customers around the world with access to a diverse range of global financial markets, including spot forex, precious metals, spread bets and contracts for difference, or CFDs, on commodities, indices, individual equities, options and interest rate products, as well as OTC options on forex. The Company's institutional segment provides agency execution services and electronic access to spot and forward foreign exchange and precious metals markets via the electronic communications network, or ECN, GTX. The Company's futures segment offers execution and risk management services for exchange-traded products on major U.S. and European exchanges. For more information about the Company's segments, please refer to Note 21.

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

GAIN Capital-Forex.com U.K., Ltd. ("GCUK1") and GCUK2 are each registered in the United Kingdom ("U.K.") and regulated by the Financial Conduct Authority ("FCA") as full scope €730k IFPRU Investment Firms. GCUK1 was regulated until October 6, 2017 when it was integrated into GCUK2 and its license was deregistered with the FCA.

In April 2015, the Company acquired all of the outstanding share capital of City Index from City Index Group Limited. GCUK2, GCAU and GCS are each subsidiaries that were acquired as part of the City Index acquisition. Each of these entities is regulated locally by the relevant regulators, including the FCA.

In December 2016, the Company acquired additional ownership interests in each of Global Asset Advisors, LLC ("GAA") and Top Third Ag Marketing, LLC ("Top Third"), increasing its ownership percentage of each company to 79%.

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") and have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and other subsidiaries in which the Company holds a controlling financial interest. All intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. In presenting the consolidated financial statements, management makes significant 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 useful lives of intangible assets and other long-lived assets with finite lives;
- Incentive based compensation accruals and valuation of share-based payment arrangements;
- The recognition and measurement of uncertain tax positions; 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 primarily generates revenue through market making and by providing trading execution services for its clients. The Company categorizes revenue as *Retail revenue*, *Institutional revenue, Futures revenue, Other revenue and Net interest revenue*.

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

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

Institutional revenue consists of revenue from the Company's GTX business, which provides a proprietary trading platform and sales and trading services to institutions. Revenue for the GTX business is generated primarily through commissions or spreads on trades executed on the GTX platform or by voice-brokers. The Company acts as an agent for the trades executed on the GTX platform. The Company does not assume any market or credit risk in connection with those transactions. Revenues are booked on a trade date basis.

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

Other revenue primarily comprises account management and transaction fees, inactivity, training fees charged to customer accounts, and adjustments to contingent consideration, as well as foreign currency transaction gains and losses.

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

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

Restructuring expenses

In 2016 and 2015, 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. These costs are expensed as incurred.

Acquisition expenses

In 2015, the Company incurred acquisition related expenses, which included costs such as legal, accounting, valuation and other costs specified in accounting guidance. These costs are expensed as incurred.

Integration expenses

In 2016 and 2015, the Company incurred integration expenses, which are acquisition related costs that are subsequently incurred while integrating the acquired company into the consolidated group. These costs are expensed as incurred.

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. The Company's cash equivalents consisted of U.S. treasury bills and money market accounts with an initial 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 and other highly liquid assets 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*. In addition, the Company holds certain customer funds in segregated or secured broker accounts. Legally segregated balances are not available for general use, in accordance with certain jurisdictional regulatory requirements. As of December 31, 2017, $105.2 million of total cash and securities held for customers are invested in U.S. government and agency securities.

Receivables from Brokers

Receivables from brokers include funds that the Company has posted with brokers as collateral required by agreements for holding hedging positions. Also, *Receivables from brokers* contains funds required to collateralize customer futures trading, as well as the related excess and the Company's own collateral. These amounts are reflected as *Receivables from brokers* on the Consolidated Balance Sheets and include gains or losses realized on settled contracts, as well as unrealized gains or losses on open positions.

Fair Value Measurements

Certain financial assets and liabilities are measured at fair value in accordance with applicable accounting guidance, as discussed in Note 3 Fair Value Information.

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

The above referenced receivables and payables include open trading positions which are held at fair value, hedging and customer positions, both of 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.

Concentrations of Credit Risk

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

The Company also has credit risk related to receivables from brokers included in *Receivables from brokers* and *Cash and cash equivalents*. As of December 31, 2017 and 2016, 41% and 54%, respectively, of the Company's brokers receivables included in the Consolidated Balance Sheets were from one large, global financial institution.

Property and Equipment and Other Long-Lived Assets

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

The Company accounts for costs incurred to develop its trading platforms and related software in accordance with Accounting Standards Codification (ASC) 350-40, *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.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Company periodically evaluates the carrying value of long-lived assets when events and circumstances warrant such review. The carrying value of a long-lived asset is considered impaired when the anticipated identifiable undiscounted cash flows from such an asset (or asset group) are less than 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. This guidance applies to assets held for use and not to assets held for sale. The Company has no assets held for sale. The Company has identified no such impairment indicators as of December 31, 2017 or December 31, 2016.

Foreign Currencies

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate (the functional currency). The Company has determined that it's functional currency is U.S. dollars (USD). The Company's *Accumulated other comprehensive income/(loss)* consists of foreign currency translation adjustments from subsidiaries not using the USD as their functional currency.

Foreign currency transactions are remeasured into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognized in *Other revenue* on the Consolidated Statements of Operations and Comprehensive Income. The Company recorded a foreign exchange gain of $0.7 million, and losses of $1.7 million and $2.4 million, for the years ended December 31, 2017, 2016, and 2015, respectively.

Intangible Assets

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

The Company analyzes its business, legal and regulatory environment at least annually and on an interim basis when conditions indicate impairment may have occurred to determine whether its indefinite-lived intangible assets are likely to be impaired. This qualitative assessment indicated that it is more likely than not that the Company's indefinite lived intangible assets are not impaired. Please refer to Note 7 for additional information.

Goodwill

The Company obtained goodwill as a result of the acquisitions of certain subsidiaries. Goodwill represents the excess of the cost over the fair market value of net assets acquired. In accordance with relevant accounting guidance, the Company tests goodwill for impairment on an annual basis during the fourth quarter and on an interim basis when conditions indicate impairment may have occurred (please refer to Note 7). In performing these assessments, management relies on and considers a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable market transactions (to the extent available), other market data and the Company's overall market capitalization. There are inherent uncertainties related to these factors which require judgment in applying them to the analysis of goodwill and intangible assets for impairment.

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

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

For the year ended December 31, 2017, the Company performed a qualitative analysis for each of its reporting units to determine whether it was more likely than not that the fair value was less than the carrying value. As a result of this assessment, the Company determined that it was not necessary to perform a quantitative impairment test and concluded that goodwill assigned to each reporting unit was not impaired at December 31, 2017.

Derivatives

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

Allowance for Doubtful Accounts

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

Payables to Customers

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

Payables to Brokers

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

Referral 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. White label partners offer our trading services to their customers under their own brand. Their fees are referred to as introducing broker fees and are recorded on a trade date basis, in *Referral Fees,* in the Consolidated Statements of Operations and Comprehensive Income.

Trading Expenses

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

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against deferred tax assets if it is more likely than not that such assets will not be realized. Contingent income tax liabilities are recorded when the criteria for loss recognition have been met. An uncertain tax position is recognized based on the determination of whether or not a tax position is more likely than not to be sustained upon examination based upon the technical merits of the position. If this recognition threshold is met, the tax benefit is then measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. At December 31, 2017, the Company has changed its position regarding the earnings of its foreign subsidiaries. As a result of changes in U.S. tax law, the Company will no longer assert permanent reinvestment for a majority of its foreign earnings. However, the Company does assert that the earnings of its Australian subsidiaries will be permanently reinvested in the working capital and other business needs of the subsidiaries to the extent that repatriation of these earnings would trigger additional taxes.

Share Based Compensation

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

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

The risk-free interest rate used in the Black-Scholes option-pricing model is based on the U.S. Treasury yield curve in effect at the time of grant. The expected option life is based on historical experience of employee exercise behavior. Expected volatility is based on historical volatility, implied volatility, price observations taken at regular intervals and other factors deemed appropriate. Expected dividend is based upon the current dividend rate. There were no stock options granted in 2017.

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

Treasury Shares

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

Earnings Per Common Share

Basic earnings per common share is calculated using the weighted average common shares outstanding during the year. Common equivalent shares from stock options and restricted stock awards, using the treasury stock method, are also included in the diluted per share calculations unless their effect of inclusion would be anti-dilutive. Please refer to Note 15 for discussion of the impact of the Company's convertible notes and non-controlling interests on EPS.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers", which is part of ASC Topic 606. It defines how companies report revenues from contracts with customers and also requires certain enhanced disclosures. The standard's provisions and related amendments are effective for annual reporting periods beginning after December 15, 2017. On January 1, 2018, the Company adopted this guidance, which did not have a material impact on the Company's financial statements. A substantial portion of revenue falls under ASC Topic 825, Financial Instruments, which is excluded from the scope of the new guidance. The Company adopted ASU No. 2014-09 using the modified retrospective approach, which includes presenting the cumulative effects of initial application, if any, along with supplemental disclosures.

In November 2016, the FASB issued ASU No. 2016-18, "Restricted Cash", requiring that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance became effective on January 1, 2018 and will be applied using a retrospective transition method to each period presented. The Company concluded that cash held for customers, including amounts required to be segregated under federal or other regulations is considered restricted cash and will present such cash with total cash on the statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (Step 2) from the goodwill impairment test. Instead, an impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. The guidance will be effective prospectively for the Company for the quarter ending December 31, 2020, with early adoption permitted after January 1, 2017. Management will adopt this approach to the extent Step 2 is required.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which amended the guidance on accounting for leases. The FASB issued this update to increase transparency and comparability among organizations. This update requires recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company is currently assessing the impact on its Financial Statements of adopting this guidance.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220)," to address certain income tax effects in Accumulated Other Comprehensive Income (AOCI) resulting from the tax reform enacted in 2017. The amended guidance provides an option to reclassify tax effects within AOCI to retained earnings in the period in which the effect of the tax reform is recorded. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods. Early adoption is permitted. The Company is currently assessing the impact on its Financial Statements of adopting this guidance.

3. FAIR VALUE INFORMATION

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

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

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

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

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

	Fair Value Measurements on a Recurring Basis as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial Assets (Liabilities):				
Cash and cash equivalents:				
Money market accounts	$ 219,286	$ —	$ —	$ 219,286
Cash and securities held for customers:				
US treasury bills: U.S. government and agency securities	105,190	—	—	105,190
Receivable from brokers:				
Broker derivative contracts	—	4,966	—	4,966
Other assets:				
Certificates of deposit	175	—	—	175
Other	130	—	—	130
Payables to customers:				
Customer derivative contracts	—	129,966	$ —	129,966
Payables to brokers:				
Broker derivative contracts		(3,170)		(3,170)
Total	$ 324,781	$ 131,762	$ —	$ 456,543

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

The Company has not changed its valuation techniques in measuring the fair value of any financial assets and liabilities during the years ended December 31, 2017 and December 31, 2016, nor has there been any movement between levels during these respective periods.

Level 1 Financial Assets

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

Level 2 Financial Assets and Liabilities

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

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

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

Level 3 Financial Liabilities

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

Financial Instruments Not Measured at Fair Value

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

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

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

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

The carrying value of *Convertible senior notes* represents the notes' principal amounts net of unamortized discount (please refer to Note 13). The Company assessed the notes' fair value as determined by current Company-specific and risk free interest rates as of the balance sheet date.

The table below represents the financial assets and liabilities at their carrying value and fair value:

(amounts in thousands)	As of December 31, 2017		Fair Value Measurements using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Receivables from brokers	$ 73,537	$ 73,537	$ —	$ 73,537	$ —
Payables to brokers	$ 381	$ 381	$ —	$ 381	$ —
Financial Liabilities:					
Payables to customers	$ 1,108,794	$ 1,108,794	$ —	$ 1,108,794	$ —
Convertible senior notes	$ 132,221	$ 205,073	$ —	$ 205,073	$ —

	As of December 31, 2016		Fair Value Measurements using:		
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:					
Receivables from brokers	$ 55,868	$ 55,868	$ —	$ 55,868	$ —
Financial Liabilities:					
Payables to customers	$ 1,061,146	$ 1,061,146	$ —	$ 1,061,146	$ —
Convertible senior notes	$ 124,769	$ 122,264	$ —	$ 122,264	$ —

4. DERIVATIVES

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

	December 31, 2017		
	Gross amounts of assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
Derivative Instruments:			
Foreign currency exchange contracts	$ 121,104	$ (31,556)	$ 89,548
CFD contracts	102,659	(62,322)	40,337
Metals contracts	4,084	(2,207)	1,877
Total	$ 227,847	$ (96,085)	$ 131,762

	December 31, 2017		
	Cash Collateral	Net amounts of assets/(liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) presented in the balance sheet
Derivative Assets/(Liabilities:)			
Receivables from brokers	$ 73,537	$ 4,966	$ 78,503
Payables to customers	$ (1,108,794)	$ 129,966	$ (978,828)
Payables to brokers	$ 381	$ (3,170)	$ (2,789)

	December 31, 2016		
	Gross amounts of assets for derivative open positions at fair value	Gross amount of (liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) for derivative open positions at fair value
Derivative Instruments:			
Foreign currency exchange contracts	$ 130,301	$ (59,631)	$ 70,670
CFD contracts	74,443	(37,241)	37,202
Metals contracts	18,766	(5,733)	13,033
Total	$ 223,510	$ (102,605)	$ 120,905

	December 31, 2016		
	Cash Collateral	Net amounts of assets/(liabilities) for derivative open positions at fair value	Net amounts of assets/(liabilities) presented in the balance sheet
Derivative Assets/(Liabilities):			
Receivables from brokers	$ 55,868	$ 5,228	$ 61,096
Payables to customers	$ (1,061,145)	$ 115,677	$ (945,468)

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

	December 31, 2017	
	Total contracts in long positions	Total contracts in short positions
Derivative Instruments:		
Foreign currency exchange contracts	2,075,789	4,148,056
CFD contracts	126,519	174,835
Metals contracts	414	217
Total	2,202,722	4,323,108

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

The Company did not designate any of its derivatives as hedging instruments. Net gains with respect to derivative instruments reflected in *Retail Revenue* in the accompanying Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2017 and 2016 were as follows (amounts in thousands):

	For the Years Ended December 31,	
	2017	2016
Derivative Instruments:		
Foreign currency exchange contracts	$ 114,149	$ 163,096
CFD contracts	101,663	128,737
Metals contracts	15,151	38,089
Total	$ 230,963	$ 329,922

5. RECEIVABLES FROM BROKERS

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

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

	December 31, 2017	December 31, 2016
Required collateral	$ 73,537	$ 55,868
Open foreign exchange positions	4,966	5,228
Total	$ 78,503	$ 61,096

6. PROPERTY AND EQUIPMENT

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

	December 31, 2017	December 31, 2016
Software	$ 57,047	$ 52,891
Computer equipment	18,390	19,797
Leasehold improvements	11,068	11,055
Telephone equipment	643	778
Office equipment	2,110	2,138
Furniture and fixtures	3,592	2,285
Web site development costs	386	644
Gross property and equipment	93,236	89,588
Less: Accumulated depreciation and amortization	(52,494)	(53,126)
Property and equipment, net	$ 40,742	$ 36,462

Depreciation and amortization expense for property and equipment was $17.9 million, $13.9 million and $11.1 million for the years ended December 31, 2017, 2016, and 2015, respectively.

The Company adjusted the amortization period of certain property and equipment that experienced changes in useful lives as a result of the City Index acquisition. This change in useful lives resulted in no additional charge for the year ended December 31, 2017 and an additional charge of $0.4 million for the year ended December 31, 2016. The additional charge was recorded in *Integration expenses.*

The Company wrote off certain property and equipment that became obsolete as a result of the City Index acquisition. This resulted in an additional charge of $1.9 million for the year ended December 31, 2015. The additional charge was recorded in *Integration expenses*. There was no additional charge incurred for the year ended December 31, 2017 and December 31, 2016.

The Company retired $21.0 million of fully depreciated property and equipment for the year ended December 31, 2017.

7. INTANGIBLE ASSETS

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

	December 31, 2017			December 31, 2016		
Intangibles	**Gross**	**Accumulated Amortization**	**Net**	**Gross**	**Accumulated Amortization**	**Net**
Customer list	$ 60,420	$ (31,698)	$ 28,722	$ 50,253	$ (20,928)	$ 29,325
Technology	72,204	(43,270)	28,934	70,145	(37,074)	33,071
Trademark	7,680	(3,730)	3,950	7,104	(2,505)	4,599
Total finite lived intangibles	$ 140,304	$ (78,698)	$ 61,606	$ 127,502	$ (60,507)	$ 66,995
Trademarks not subject to amortization(1)	363	—	363	363	—	363
Total intangibles assets	$ 140,667	$ (78,698)	$ 61,969	$ 127,865	$ (60,507)	$ 67,358

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

The Company had the following identifiable intangible assets and weighted average amortization periods as of December 31, 2017:

Intangible Asset	Amount (in thousands)		Weighted average amortization period
Customer list	$	60,420	6.9
Technology		72,204	9.0
Trademark(1)		8,043	6.7
Total intangible assets	$	140,667	

(1) Trademarks with an indefinite life, as described above, comprise $0.4 million of the $8.0 million of trademarks.

Amortization expense for the purchased intangibles was $16.1 million, $15.0 million and $16.6 million for the years ended December 31, 2017, 2016, and 2015, respectively.

The Company adjusted the amortization period of certain intangible assets that experienced changes in useful lives as a result of the City Index acquisition. This change in useful lives resulted in $19.7 million of additional expense for the year ended December 31, 2015. The additional charges were recorded in *Integration expenses.* There was no additional charge for the year ended December 31, 2017 and December 31, 2016.

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

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

The Company has paid $7.2 million to FXCM as consideration for the purchased accounts for the year ended December 31, 2017, which was capitalized and included as an intangible asset and amortized on a straight line basis over its two year useful life.

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

Years Ended December 31,:		
2018	$	16,362
2019		11,400
2020		9,486
2021		9,407
2022		6,171
Thereafter		8,780
Total	$	61,606

Goodwill

Goodwill is evaluated for impairment on an annual basis during the fourth quarter and in interim periods when events or changes indicate the carrying value may not be recoverable. The Company operates under three reporting units, retail, institutional and futures. There were no additions or impairments to the carrying value of the Company's goodwill during the year ended December 31, 2017.

For the year ended December 31, 2017, the Company performed a qualitative analysis to determine whether it was more likely than not that the fair value of its reporting units was less than their carrying value. As a result of this assessment, the Company determined that it was not necessary to perform a quantitative impairment test and concluded that goodwill assigned to each of its reporting units was not impaired at December 31, 2017.

As of December 31, 2017 and December 31, 2016, the Company had recorded goodwill of approximately $33.0 million and $32.1 million, respectively. The increase of $0.9 million was related to foreign currency translation adjustments.

The following represents the changes in the carrying amount of goodwill by segment for 2017 and 2016 (amounts in thousands):

	Retail	Institutional	Futures	Total
Carrying amount of goodwill as of December 31, 2016	$ 25,222	$ 4,519	$ 2,366	$ 32,107
Foreign currency translation adjustments	730	131	68	929
Carrying amount of goodwill as of December 31, 2017	$ 25,952	$ 4,650	$ 2,434	$ 33,036

8. OTHER ASSETS

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

	December 31, 2017	December 31, 2016
Vendor and security deposits	$ 11,923	$ 9,670
Income tax receivable	2,132	1,017
Deferred tax assets, net	10,698	15,071
GTX trade receivables	5,758	7,515
Customer debit positions	2,384	9,781
Allowance on customer debit positions	(1,959)	(9,237)
Insurance receivable	—	3,500
Prepaid assets	9,523	8,300
Miscellaneous receivables	4,872	6,615
Equity method investment	—	601
Deferred commitment fees	550	—
Total other assets	$ 45,881	$ 52,833

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

Balance as of January 1, 2015	$ (4,555)
Addition to provision	(7,462)
Amounts collected/written off	5,185
Balance as of December 31, 2015	(6,832)
Addition to provision	(4,154)
Amounts collected/written off	1,749
Balance as of December 31, 2016	(9,237)
Addition to provision	247
Amounts collected/written off	7,031
Balance as of December 31, 2017	$ (1,959)

9. RELATED PARTY TRANSACTIONS

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

IPGL Limited, the majority selling shareholder in the acquisition of City Index, has a trading account with the Company which is recorded in *Payables to customers* on the Consolidated Balance Sheet. The aggregate amount of these funds was $15.9 million and $3.8 million at December 31, 2017 and December 31, 2016, respectively.

10. ACQUISITIONS

City Index (Holdings) Limited

On April 1, 2015, the Company acquired the entire issued and outstanding share capital of City Index. City Index is a global online trading firm specializing in offering CFDs, forex and spread betting for retail customers. This acquisition was made to strengthen and diversify the Company's existing global footprint in the retail business.

The purchase price consisted of approximately $6.1 million in cash, inclusive of working capital adjustments and $1.0 million in cash to be held in escrow; 5,319,149 shares of the Company's common stock, inclusive of 4,787,234 shares to be held in escrow; and 4.125% unsecured Convertible Senior Notes with an aggregate principal amount of $60.0 million and fair value of $65.0 million, inclusive of an aggregate principal amount of $54.0 million to be held in escrow. In addition, the Company paid City Index approximately $22.4 million, which was used to settle certain inter-company liabilities between City Index and City Index Group Limited (its former parent company).

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

Cash	$	6,103
Convertible senior notes		65,000
Common stock issued		45,100
Total purchase price	$	116,203

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

Cash	$	10,546
Cash and securities held for customers		281,576
Receivable from brokers		35,974
Property and equipment		10,466
Prepaid assets		4,038
Other assets		5,119
Total tangible assets		347,719
Total liabilities assumed		299,000
Net assets acquired		48,719
Identifiable intangible assets:		
Customer list		34,277
Trade name		6,645
Technology		26,157
Intangible assets, net		67,079
Goodwill	$	405

Acquisition expenses were $2.8 million for the year ended December 31, 2015. They were recorded in *Acquisition Expense.*

For the period from acquisition to December 31, 2015, revenues generated by City Index were $136.0 million, of which $30.8 million have been eliminated in consolidation, and expenses were $95.0 million of which $2.3 million have been eliminated in consolidation. City Index generated income before taxes of $41.0 million, of which $28.5 million has been eliminated in consolidation.

The weighted average lives of City Index's intangible assets are 7.9 years for customer lists, 7.0 years for trade names, and 6.9 years for technology.

Pro Forma Information (unaudited):

The following unaudited pro forma data is presented as if the acquisition of City Index had occurred on January 1, 2015. 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 City Index operated as a combined entity for the periods presented.

Unaudited pro forma income statement line items for the twelve months ended December 31, 2015 were as follows (amounts in thousands):

	For the Fiscal Year Ended December 31, 2015
REVENUE:	
Total non-interest revenue	$ 471,959
Interest revenue	1,303
Interest expense	1,049
Total net interest revenue	254
Net revenue	472,213
EXPENSES:	
Depreciation and amortization	11,753
Purchased intangible amortization	18,619
Other expense items	424,229
Total operating expense	454,601
OPERATING PROFIT	17,612
Interest on long term borrowings	10,267
Gain on extinguishment of debt	—
Impairment of investment	—
INCOME BEFORE INCOME TAX EXPENSE	7,345
Income tax expense	126
NET INCOME	7,219
Net income attributable to non-controlling interests	1,660
Net income applicable to Gain Capital Holdings, Inc.	$ 5,559

Restructuring

The Company incurred $1.0 million and $3.5 million of restructuring expenses for the twelve months ended December 31, 2016 and December 31, 2015, respectively. These expenses reflected the cost of reducing global headcount following the City Index acquisition and are recorded in *Restructuring expenses* in the Consolidated Statements of Operations and Comprehensive Income. The restructuring liabilities have all been paid as of December 31, 2016. During 2017, the Company incurred no additional restructuring expenses related to the global headcount reductions following the City Index acquisition.

11. NON-CONTROLLING INTERESTS

Non-controlling interests

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

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

The non-controlling interests are not classified as liabilities, because redemption is not mandatory or at fixed prices. They are not classified as equity because their redemption is not exclusively in the Company's control. Therefore, the non-controlling interests are held in temporary equity in the Consolidated Balance Sheets.

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

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

	Redeemable non-controlling interests
December 31, 2015	$ 11,046
Purchase of additional shares of non-controlling interests	(7,444)
Adjustment to fair value of non-controlling interests	(258)
Adjustment to the redemption value of non-controlling interests	2,715
Net income attributable to non-controlling interests	2,140
Distributions to non-controlling interest holders	(1,605)
December 31, 2016	$ 6,594
Adjustment to the redemption value of non-controlling interests	(1,656)
Net income attributable to non-controlling interests	620
Distributions to non-controlling interest holders	(1,147)
December 31, 2017	$ 4,411

12. REVOLVING CREDIT ARRANGEMENT

On August 3, 2017, the Company entered into a Credit Agreement, dated as of August 2, 2017, for a three year U.S. $50.0 million senior secured first lien revolving credit facility that matures in August 2020. Upon request of the Company, the credit facility may be increased by up to $25.0 million, with a minimum increase of $5.0 million. The credit facility contains covenants that are customary for an issuer with senior debt. As of December 31, 2017, we were in compliance with the covenants for our credit facility. The commitment fees of $0.5 million paid at establishment of the credit facility will be amortized over the life of the facility and was recorded to *Other Assets*.

As of December 31, 2017, there were no amounts outstanding under the revolving line of credit.

13. CONVERTIBLE SENIOR NOTES

Convertible Senior Notes due 2022

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

Prior to the close of business on the business day immediately preceding April 15, 2022, the Notes may be converted only upon the occurrence of specified events set forth in the Indenture. On or after April 15, 2022, until the close of business on the business day immediately preceding the maturity date, holders may convert their Notes at any time. Subject to the foregoing, the Notes are convertible at the option of the holders and will be settled, at the Company's election, by the payment or delivery of cash, shares of the Company's common stock, or a combination thereof. The conversion rate is initially 122.0107 shares of the Company's common stock per $1,000 principal amount of Notes (equivalent to an initial conversion price of approximately $8.20 per share of common stock). The conversion rate and the corresponding conversion price will be subject to adjustment in some circumstances described in the Indenture.

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

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

Convertible Senior Notes due 2020

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

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

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

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

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

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. These Convertible Senior Notes pay interest semi-annually on June 1 and December 1 at a rate of 4.125% per year, which commenced on June 1, 2014. During the first quarter of 2016, the Company repurchased $1.9 million in principal amount of the convertible senior notes due in 2018, for an aggregate purchase price of $1.7 million. During the third quarter of 2017, the Company repurchased $71.8 million in principal amount of the convertible senior notes due in 2018, for an aggregate purchase price of $73.7 million with the proceeds from the issuance of Convertible Senior Notes due in 2022. As a result we recognized an extinguishment loss of $4.9 million. The Company currently intends to settle the remaining outstanding debt in cash upon maturity.

The Convertible Senior 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 (such 5 consecutive trading day period 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 the Company's common stock and the conversion rate on such trading day;
- Upon the occurrence of specified corporate events (as described in the offering memorandum); or
- If the Company has 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 accounting guidance, an entity must separately account for the liability and equity components of a convertible debt instrument that may be settled entirely or partially in cash upon conversion. The separate accounting must reflect the issuer's economic interest cost. The fair value of the equity component, net of pro-rata initial purchasers' discounts, is included in the additional paid-in capital section of shareholders' equity in the Company's Consolidated Balance Sheets. The principal amount of the Convertible Senior Notes is reduced by unamortized original issue discount, which reflects the Convertible Senior Notes fair value. The original issue discount will be amortized over the life of the Convertible Senior Notes due 2022, 2020 and 2018 using the effective interest rate of 10.4%, 8.6% and 8.1%, respectively.

Relevant accounting guidance requires entities to disclose the dilutive effects of convertible instruments. As of December 31, 2017 and 2016, 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, 2017 and 2016.

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

	December 31, 2017	December 31, 2016
Liability component - principal	$ 158,350	$ 138,150
Deferred bond discount	(25,624)	(13,213)
Deferred financing cost	(505)	(168)
Liability component - net carrying value	$ 132,221	$ 124,769
Additional paid in capital	$ 39,405	$ 27,822
Discount attributable to equity	(826)	(419)
Equity component	$ 38,579	$ 27,403

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

	For the Fiscal Year Ended December 31,	
	2017	2016
Interest expense - stated coupon rate	$ 6,535	$ 5,725
Interest expense - amortization of deferred bond discount and costs	5,286	4,696
Total interest expense - convertible note	$ 11,821	$ 10,421

14. SHARE BASED PAYMENTS

Total share-based compensation expense recognized during 2017, 2016 and 2015 consisted of the following (amounts in thousands):

	For the Years Ended December 31,		
	2017	2016	2015
Employee compensation and benefits	$ 5,093	$ 4,151	$ 3,680

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

The 2015 Plan replaced the GAIN Capital Holdings, Inc. 2010 Omnibus Incentive Compensation Plan, (the "2010 Plan"). The 2015 Plan has available 4.0 million shares and no additional 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 ("ISO"), nonqualified stock options ("NQSO"), restricted stock awards ("RSA"), restricted stock units ("RSU"), stock appreciation rights and other stock-based awards. The "evergreen" provision that allowed the Company to authorize additional shares to be issued under the 2010 plan was removed from the 2015 Plan. Accordingly, the maximum number of shares that can be issued will be fixed and cannot be increased in the future without shareholder approval.

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

Stock Options

The following table summarizes the stock option activity under all plans from January 1, 2017 through December 31, 2017 (in thousands, except per share amounts):

	Options Outstanding			
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding January 1, 2017	1,393	$ 6.13	2.96	
Granted	—	—	0.00	
Exercised	(88)	4.03	3.07	
Forfeited/Expired	(10)	9.80	4.39	
Outstanding December 31, 2017	1,295	$ 6.25	2.65	$ 4,857
Vested and expected to vest options	1,286	$ 6.24	2.63	$ 4,824
Exercisable, December 31, 2017	1,033	$ 5.90	2.07	$ 4,235

Fair market value of common stock at exercise date	$ 621
Cost to exercise	356
Net value of stock options exercised	$ 265

The total intrinsic value of stock options exercised during 2017, 2016, and 2015, respectively, was $0.3 million, $0.5 million and $3.5 million. During 2017, the Company had 0.2 million stock options vest. The Company received $0.4 million, $0.7 million, and $2.4 million from stock option exercises in 2017, 2016, and 2015, respectively.

The Company granted 0.2 million and 0.1 million options to employees in 2016 and 2015, respectively. The weighted average grant-date fair value of stock options granted in the years ended December 31, 2016 and 2015 was $2.18 and $3.43, respectively. The Company made no option grants in 2017.

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

	For the Fiscal Year Ended December 31,		
	2017	2016	2015
Valuation Assumptions			
Risk-free rate	NA	1.19%	1.47%
Expected volatility	NA	47.63%	49.08%
Expected term (years)	NA	4.75	4.75
Dividend yield	NA	3.0%	2.1%

The expected volatility was calculated on the basis of the volatility of the Company's common stock. 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.

Restricted Stock Units and Restricted Stock Awards

The 2015 Plan provides for the issuance of RSUs that are convertible on a 1:1 basis into shares of the Company’s common stock. The Company maintains a restricted stock unit account for each grantee. RSU grants typically vest over four years, with 25% vesting on each anniversary date of the grant. After the RSUs vest, the grantee shall receive payment in the form of cash, shares of the Company’s common stock, or a combination of the two, as determined by the Company. Payment of cash and issuance of shares shall be made upon the vesting date, upon a predetermined delivery date, upon a change in control of the Company, or upon the employee leaving the Company. The Company has historically settled these awards through the issuance of common stock to recipients and intends to continue to do so. The Company may also issue performance grants, which vest immediately, but under which delivery of the common stock is 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 2017, 2016, and 2015, 1.0 million, 0.9 million and 0.6 million RSUs, respectively, were granted to employees and members of the Board of Directors.

A summary of the status of the Company's non-vested shares of RSUs as of December 31, 2017 and changes during the year ended December 31, 2017 are presented below (in thousands, except per share amounts):

Non-Vested Shares	Number of RSUs	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2017	1,474	$ 7.49
Granted	963	8.20
Vested	(572)	7.25
Forfeited	(140)	7.86
Non-vested at December 31, 2017	1,725	$ 7.93

The total grant-date fair value of RSUs granted during the years ended December 31, 2017, December 31, 2016 and December 31, 2015 was $7.9 million, $6.2 million, and $5.7 million, respectively.

As of December 31, 2017, there was $11.5 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2015 Plan. The cost is expected to be recognized over a weighted-average period of approximately three years.

Employee Stock Purchase Plan

The 2011 Employee Stock Purchase Plan ("ESPP") was adopted by the Company's Board of Directors on November 22, 2010. The ESPP became effective on January 1, 2011. The ESPP permits eligible employees to purchase shares of the Company's common stock at a 15% discount from the lesser of the fair market value per share of the Company's common stock on the first day of the offering period or the fair market value of the Company's common stock on the interim purchase date through after-tax payroll deductions. The total number of shares reserved for issuance under the ESPP was initially 500,000. It is intended that the ESPP meet the requirements for an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. For the year ended December 31, 2017 and December 31, 2016, 103,042 shares and 96,173 shares were issued under the ESPP, respectively. The discount on the ESPP of $0.1 million is recorded in *Employee compensation and benefits i*n the Consolidated Statement of Operations and Comprehensive Income.

15. EARNINGS PER COMMON SHARE

Basic and diluted (loss)/earnings per common share are computed by dividing net (loss)/income by the weighted average number of common shares outstanding during the period. Diluted (loss)/earnings per share includes the determinants of basic net income per share and, in addition, gives effect to the potential dilution that would occur if securities or other contracts to issue common stock were exercised, vested or converted into common stock, unless they are anti-dilutive. Diluted weighted average common shares include vested and unvested stock options, unvested restricted stock units and unvested restricted stock awards. Approximately 0.5 million and 0.2 million stock options were excluded from the calculation of diluted (loss)/earnings per share for the years ended December 31, 2017 and 2016, respectively, as they were anti-dilutive.

Diluted (loss)/earnings per share excludes any shares of Company common stock potentially issuable under the Company's convertible senior notes, which are discussed in Note 13. Based upon an assumed trading price of $13 for each share of the Company's common stock, and if the relevant conditions under the indenture governing the 2018, 2020, and 2022 convertible senior notes were satisfied, there would be an additional 0.0 million, 1.5 million, and 4.2 million dilutive shares as of December 31, 2017 for the 2018, 2020 and 2022 notes, respectively.

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

	For the years ended December 31,		
	2017	2016	2015
Net (loss)/income applicable to GAIN Capital Holdings, Inc.	$ (11,195)	$ 35,272	$ 10,279
Adjustment[(1)]	1,656	(2,715)	308
Net (loss)/income available to GAIN common shareholders	$ (9,539)	$ 32,557	$ 10,587
Weighted average common shares outstanding:			
Basic weighted average common shares outstanding	46,740,097	48,588,917	47,601,979
Effect of dilutive securities:			
Stock options	245,259	163,223	424,087
RSUs/RSAs	35,746	33,534	352,985
Diluted weighted average common shares outstanding	46,740,097	48,785,674	48,379,051
(Loss)/earnings per common share:			
Basic	$ (0.20)	$ 0.67	$ 0.22
Diluted	$ (0.20)	$ 0.67	$ 0.22

(1) During the years ending December 31, 2017, 2016 and 2015, the Company concluded that the carrying value of the Company's redeemable non-controlling interests was less than their redemption value, requiring that an adjustment to the carrying value be recorded for purposes of calculating earnings per common share. The adjustment to increase or reduce the carrying value will, respectively, reduce or increase earnings per common share by reducing or increasing net income available to common shareholders.

16. 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 consolidated financial statements and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to income. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even reasonably possible or to estimate the amount of any loss. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss.

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

Litigation

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

17. COMMITMENTS AND CONTINGENCIES

Leases & Purchase Obligations — 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. Certain of the Company's leases include renewal options and escalation clauses. In addition, the Company has certain non-cancelable purchase obligations for its operational needs. Future annual minimum lease payments for the Company's non-cancellable operating leases and purchase obligations are as follows (amounts in thousands):

Years Ended December 31,:		
2018	$	22,188
2019		8,993
2020		5,409
2021		3,988
2022		3,516
2023 and beyond		5,333
Total	$	49,427

Rent expense, which is recorded on a straight-line basis, was $2.6 million, $2.9 million, and $3.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

18. INCOME TAXES

The following table presents the U.S. and non-U.S. components of (loss)/income before income tax (benefit)/expense for the years ended December 31, 2017, 2016, and 2015 (amounts in thousands):

	For the Fiscal Year Ended December 31,		
	2017	2016	2015
U.S.	$ (20,685)	$ 2,701	$ (39,761)
Non-U.S.	3,598	44,541	48,188
Total (loss)/income before tax (benefit)/expense	$ (17,087)	$ 47,242	$ 8,427

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

	For the Fiscal Year Ended December 31,		
	2017	2016	2015
Current			
Federal	$ (5,765)	$ 3,365	$ 1,136
State	48	336	172
U.K.	771	8,859	7,239
Japan	188	64	127
Australia	571	—	—
Other non-U.S.	(39)	625	169
Total current income tax (benefit)/expense	(4,226)	13,249	8,843
Deferred			
Federal	(938)	(276)	(9,889)
State	(953)	(822)	(1,375)
U.K.	(1,558)	601	(337)
Singapore	412	(2,162)	—
Japan	175	(528)	(148)
Other non-U.S.	233	(620)	(545)
Change in valuation allowance	—	326	(61)
Total deferred tax benefit	(2,629)	(3,481)	(12,355)
Total income tax (benefit)/expense	$ (6,855)	$ 9,768	$ (3,512)

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.

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

	December 31,	
	2017	2016
Deferred tax assets		
Foreign net operating losses	$ 10,474	$ 10,161
Share-based compensation	1,105	1,506
Intangible assets	1,554	5,423
Basis difference in property and equipment	3,938	5,138
Other	943	2,793
Total deferred tax assets	18,014	25,021
Valuation allowance	(1,156)	(1,179)
Total deferred tax assets after valuation allowance	16,858	23,842
Deferred tax liabilities		
Unrealized trading losses	(559)	(4,234)
Discount on convertible note	(5,601)	(4,727)
Other	—	(181)
Total deferred liabilities	(6,160)	(9,142)
Net deferred tax assets	$ 10,698	$ 14,700

The Company has $58.6 million in net operating loss (“NOL”) carry forwards as of December 31, 2017. These NOLs begin to expire in 2020. The Company has a deferred tax asset of $10.5 million relating to these NOLs for which it has established a valuation allowance of $1.0 million. The net change in the valuation allowance is $0.02 million.

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

	2017	2016	2015
Federal income tax at statutory rate	35.00 %	35.00 %	35.00 %
Increase/(decrease) in effective tax rate resulting from:			
State income tax	3.44 %	(0.67)%	(9.25)%
Foreign rate differential	(52.55)%	8.20 %	(96.96)%
Deemed dividends	— %	0.01 %	55.30 %
Non-deductible transaction costs	— %	— %	11.71 %
Impact of non-controlling interests	1.27 %	(1.59)%	(6.89)%
Contingent liability	— %	— %	(27.92)%
Foreign losses	— %	— %	(19.20)%
162 (m)	(0.85)%	0.33 %	3.44 %
GFT carryback	— %	— %	(6.58)%
Uncertain tax positions	26.94 %	2.36 %	19.67 %
Impairment of investment	— %	8.36 %	— %
Non-taxable dividend	62.44 %	(32.16)%	— %
U.K. bank tax	— %	2.92 %	— %
Rate changes	(13.14)%	(1.34)%	— %
Toll tax inclusion	(25.96)%	— %	— %
Foreign tax credit	10.28 %	— %	— %
True-ups and deferred tax adjustments	(2.73)%	(2.78)%	— %
Other permanent differences	(4.03)%	2.04 %	— %
Effective Tax Rate	40.11 %	20.68 %	(41.68)%

In 2017, the Company had a number of discrete tax items that impacted its effective tax rate:

- The Company paid inter-company dividends due to internal restructuring of $41.5 million, which are non-taxable in the jurisdictions received.
- The Company released $4.6 million of income tax contingencies.
- As a result of the enactment of the “Tax Cuts and Jobs Act” in the U.S. on December 22, 2017 (the "Tax Reform"), the Company: (1) included a provisional $12.6 million of additional income, related to the mandatory deemed repatriation of untaxed foreign earnings, offset by current year losses and a foreign tax credit of $1.7 million; and (2) incurred $2.2 million of tax expense with respect to a DTA revaluation as a result of the change in corporate tax rate from 35% to 21%.
- The current U.S. tax liability has been estimated using provisional amounts of untaxed foreign earnings. Additionally, the impact of foreign tax credits and the impact on state taxes is provisional. These provisional amounts will be finalized within the measurement period.

At December 31, 2017, as a result of the Tax Reform, the Company has changed its position regarding the repatriation of earnings of its foreign subsidiaries. The Company asserts that the earnings of its foreign subsidiaries will be permanently reinvested in the working capital and other business needs of the subsidiaries to the extent that repatriation of these earnings would trigger additional capital gains and/or foreign withholding taxes. As such, amounts that can be brought back without triggering capital gains and/or foreign withholding taxes will not be considered permanently reinvested. Based on our analysis, we do not believe that the potential impact of the unrecognized deferred tax liability associated with the repatriation of such earnings would be material to the financial statements.

At December 31, 2017, the Company did not have any uncertain tax positions.

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

	As of December 31,		
	2017	2016	2015
Beginning balance as of January 1	$ 4,628	$ 11,801	$ 10,517
Increases based on tax positions related to the current period	—	—	885
Increases/(decreases) based on tax positions related to prior periods	(4,331)	(6,617)	429
Decreases related to settlements	(297)	(554)	—
Decreases related to a lapse of applicable statute of limitations	—	(2)	(30)
Ending balance as of December 31	$ —	$ 4,628	$ 11,801

Included in the balance of unrecognized tax benefits as of December 31, 2017, December 31, 2016, and December 31, 2015 are $0.0 million, $4.6 million and $11.8 million, respectively, of tax benefits that, if recognized, would affect the effective tax rate. The Company's open tax years range from 2013 through 2017 for its U.S. federal returns, from 2015 through 2017 for the U.K., from 2012 through 2017 for Japan, and from 2012 through 2017 for its major state jurisdictions. It is reasonably possible that the amount of liability for unrecognized tax benefits could change during the next 12 months due to open examinations. An estimate of the range of the possible change cannot be made until issues are further developed or examinations closed.

In addition to the total unrecognized tax benefits noted above, the Company recorded $0.0 million, $0.9 million, and $1.8 million of penalties and interest for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively. These amounts are recorded in *Income tax (benefit)/expense* in the Consolidated Statements of Operations and Comprehensive Income and are part of the uncertain tax positions impact when reconciling the federal income tax rate to the Company's effective tax rate.

19. RETIREMENT PLANS

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

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, 2017, 2016 and 2015 was $0.9 million, $0.9 million, and $0.9 million, respectively.

20. REGULATORY REQUIREMENTS

The following table illustrates the minimum regulatory capital our subsidiaries were required to maintain as of December 31, 2017 and the actual amounts of capital that were maintained (amounts in millions):

Entity Name	Minimum Regulatory Capital Requirements	Capital Levels Maintained	Excess Net Capital	Percent of Requirement Maintained
GAIN Capital Group, LLC	$ 34.7	$ 48.0	$ 13.3	138%
GAIN Capital Securities, Inc.	0.1	0.4	0.3	400%
GAIN Capital U.K., Ltd.	69.7	208.1	138.4	299%
GAIN Capital Japan Co., Ltd.	1.5	9.0	7.5	600%
GAIN Capital Australia, Pty. Ltd.	0.8	4.7	3.9	588%
GAIN Capital-Forex.com Hong Kong, Ltd.	1.9	4.7	2.8	247%
GAIN Global Markets, Inc.	1.6	2.4	0.8	150%
GAIN Capital-Forex.com Canada, Ltd.	0.2	1.7	1.5	850%
GAIN Capital Singapore Pte., Ltd.	0.6	6.0	5.4	1,000%
Trade Facts, Ltd.	0.6	3.2	2.6	533%
Global Asset Advisors, LLC	—	1.8	1.8	180%
GAIN Capital Payments Ltd.	0.2	0.4	0.2	200%
GTX SEF, LLC	1.0	1.4	0.4	140%
Total	$ 112.9	$ 291.8	$ 178.9	258%

21. SEGMENT INFORMATION

ASC 280, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise which engage in business activities from which they may earn revenues and incur expenses and about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision making group, in deciding how to allocate resources and in assessing performance. Reportable segments are defined as 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.

Retail Segment

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

Institutional Segment

The institutional segment provides agency execution services and offers access to markets and self-directed trading in foreign exchange, commodities, equities, options and futures via an electronic communications network, or ECN, through the Company's GTX platform. The Company also offers high touch sales and trading aided by a team of sales employees.

Futures Segment

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

Corporate and other

Corporate and other provides general corporate services to the Company's segments and also includes eliminations between operating segments which were $2.3 million, $1.2 million and $1.3 million for the twelve months ended December 31, 2017, 2016 and 2015, respectively. Corporate and other revenue primarily comprises foreign currency transaction gains and losses. During the twelve months ended December 31, 2015, corporate and other revenue also included a $6.7 million adjustment to the contingent consideration related to the Trade Facts acquisition.

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

	Retail		
	Year Ended December 31,		
	2017	2016	2015
Net revenue	$ 237,418	$ 336,353	$ 351,472
Employee compensation and benefits	60,887	62,423	67,515
Selling and marketing	29,929	27,666	26,129
Referral fees	39,711	55,080	87,175
Other operating expenses	61,735	75,488	76,301
Segment profit	**$ 45,156**	**$ 115,696**	**$ 94,352**

	Institutional		
	Year Ended December 31,		
	2017	2016	2015
Net revenue	$ 31,155	$ 30,219	$ 35,072
Employee compensation and benefits	13,887	14,424	15,305
Selling and marketing	86	103	138
Other operating expenses	12,274	10,342	9,573
Segment profit	**$ 4,908**	**$ 5,350**	**$ 10,056**

	Futures		
	Year Ended December 31,		
	2017	2016	2015
Net revenue	$ 40,291	48,084	45,797
Employee compensation and benefits	9,387	11,967	10,634
Selling and marketing	786	972	901
Referral fees	13,960	15,672	16,348
Other operating expenses	12,931	14,769	13,960
Segment profit	**$ 3,227**	**$ 4,704**	**$ 3,954**

	Corporate and Other		
	Year Ended December 31,		
	2017	2016	2015
Other revenue	$ (240)	$ (2,831)	$ (3,716)
Employee compensation and benefits	11,057	13,090	13,127
Selling and marketing	399	1	—
Other operating expenses	6,453	10,210	11,038
Loss	**$ (18,149)**	**$ (26,132)**	**$ (27,881)**

Reconciliation of operating segment profit to (loss)/income before income tax (benefit)/expense

	For the Fiscal Year Ended December 31,		
	2017	2016	2015
Retail segment	$ 45,156	$ 115,696	$ 94,352
Institutional segment	4,908	5,350	10,056
Futures segment	3,227	4,704	3,954
Corporate and other	(18,149)	(26,132)	(27,881)
SEGMENT PROFIT	35,142	99,618	80,481
Depreciation and amortization	17,907	13,905	11,111
Purchased intangible amortization	16,110	15,016	16,550
Acquisition expenses	—	—	2,819
Restructuring expenses	—	1,041	3,482
Integration expenses	—	2,788	33,092
Impairment of investment	620	—	—
Change in fair value to contingent consideration	—	—	(6,722)
Legal settlement	—	9,205	—
SNB bad debt provision	—	—	2,500
Other corporate expenses	827	—	—
OPERATING (LOSS)/PROFIT	(322)	57,663	17,649
Interest expense on long term borrowings	11,821	10,421	9,222
Loss on extinguishment of debt	4,944	—	—
(LOSS)/INCOME BEFORE INCOME TAX (BENEFIT)/EXPENSE	$ (17,087)	$ 47,242	$ 8,427

Net revenue by geographic area for the years ended December 31, 2017, 2016 and 2015 is as follows (amounts in thousands):

	2017	2016	2015
Net Revenue[1]:			
North America[2]	$ 126,811	$ 126,600	$ 107,534
Europe[3]	154,027	264,879	307,087
Other	27,786	20,346	20,726
Total Net Revenue	$ 308,624	$ 411,825	$ 435,347

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

(2) - Includes U.S. net revenue of $117.4 million, $126.3 million, and $107.5 million for 2017, 2016, and 2015 respectively.

(3) - Includes U.K. net revenue of $154.2 million and $264.7 million, and $307.3 million for 2017, 2016, and 2015 respectively.

Long-lived assets by geographic area as of December 31, 2017 and 2016 are as follows (amounts in thousands):

	2017	2016
Long-lived assets[1]:		
North America[2]	$ 8,848	$ 6,875
Europe[3]	29,961	27,779
Other	1,933	1,808
Total long-lived assets	$ 40,742	$ 36,462

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

(2) - Includes U.S. long-lived assets of $8.8 million and $6.9 million for 2017 and 2016, respectively.

(3) - Includes U.K. long-lived assets of $30.0 million and $27.8 million for 2017 and 2016, respectively.

22. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table sets forth selected quarterly financial data for 2017 and 2016 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the Year Ended December 31, 2017				
Total non-interest revenue	$ 58,889	$ 96,901	$ 79,923	$ 67,965
Net revenue	$ 59,567	$ 98,054	$ 81,313	$ 69,690
Income/(loss) before income tax expense	$ (23,659)	$ 15,120	$ (1,896)	$ (6,652)
Net income/(loss)	$ (18,786)	$ 14,092	$ (2,355)	$ (3,526)
Net income attributable to non-controlling interest	$ 85	$ 153	$ 225	$ 157
Net income/(loss) applicable to GAIN Capital Holdings, Inc.	$ (18,871)	$ 13,939	$ (2,580)	$ (3,683)
Basic net income/(loss) per share	$ (0.39)	$ 0.31	$ (0.04)	$ (0.08)
Diluted net income/(loss) per share	$ (0.39)	$ 0.31	$ (0.04)	$ (0.08)
For the Year Ended December 31, 2016				
Total non-interest revenue	$ 115,340	$ 107,975	$ 71,966	$ 115,427
Net revenue	$ 115,554	$ 108,290	$ 72,223	$ 115,758
Income/(loss) before income tax expense	$ 11,064	$ 16,629	$ (7,156)	$ 26,705
Net income/(loss)	$ 8,701	$ 11,586	$ (3,966)	$ 21,091
Net income attributable to non-controlling interest	$ 349	$ 745	$ 748	$ 298
Net income/(loss) applicable to GAIN Capital Holdings, Inc.	$ 8,352	$ 10,841	$ (4,714)	$ 20,793
Basic net income/(loss) per share	$ 0.17	$ 0.19	$ (0.11)	$ 0.42
Diluted net income/(loss) per share	$ 0.17	$ 0.19	$ (0.11)	$ 0.42

23. SUBSEQUENT EVENTS

In March 2018, the Company announced the payment of a $0.06 dividend per share of Common Stock payable on March 30, 2018 to stockholders of record on March 27, 2018.

Schedule I

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

	December 31, 2017	December 31, 2016
ASSETS:		
Cash and cash equivalents	$ 138	$ 3,350
Equity investments in subsidiaries	523,353	501,553
Income tax receivable	1,864	903
Deferred tax assets, net	4,969	10,120
Other assets	3,153	6,100
Total assets	$ 533,477	$ 522,026
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities		
Accrued compensation and benefits	$ —	$ 60
Accrued expenses and other liabilities	7,170	13,489
Payable to affiliates	108,338	89,526
Convertible senior notes	132,221	124,769
Total liabilities	247,729	227,844
Commitments and contingent liabilities (refer to Note 3)		
Shareholders' Equity		
Common stock ($0.00001 par value; 120 million shares authorized, 53,612,340 shares issued and 45,152,299 shares outstanding as of December 31, 2017; 120 million shares authorized, 52,848,811 shares issued and 48,220,243 shares outstanding as of December 31, 2016)	—	—
Additional paid-in capital	235,659	218,392
Retained earnings	122,686	143,399
Accumulated other comprehensive loss	(15,670)	(36,842)
Treasury stock, at cost (8,460,041 shares at December 31, 2017 and 4,628,568 at December 31, 2016, respectively)	(56,927)	(30,767)
Total shareholders' equity	285,748	294,182
Total liabilities and shareholders' equity	$ 533,477	$ 522,026

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

Schedule I

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

	Year Ended December 31,		
	2017	2016	2015
REVENUE:			
Dividends from subsidiaries	$ 6,900	$ —	$ 38,642
Interest and other	30	64	178
Total revenue	$ 6,930	$ 64	$ 38,820
OPERATING EXPENSES:			
Interest expense	204	39	63
Employee compensation and benefits	728	6,852	10,096
Legal settlement	2	9,205	—
General and administrative	4,905	6,412	6,775
Total operating expense	5,839	22,508	16,934
Interest expense on long term borrowings	11,821	10,421	9,222
Loss on extinguishment of debt	4,944	—	—
(LOSS)/INCOME BEFORE INCOME TAX EXPENSE	(15,674)	(32,865)	12,664
Income tax (benefit)/expense	(7,614)	2,603	(10,875)
NET (LOSS)/INCOME BEFORE UNDISTRIBUTED EARNINGS OF SUBSIDIARIES	(8,060)	(35,468)	23,539
Equity in (loss)/earnings of subsidiaries	(3,135)	70,741	(13,260)
NET (LOSS)/INCOME	(11,195)	35,273	10,279
Other comprehensive income/(loss):			
Foreign currency translation adjustment	21,172	(30,977)	(4,352)
TOTAL COMPREHENSIVE INCOME	$ 9,977	$ 4,296	$ 5,927

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

Schedule I

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

	Year Ended December 31,		
	2017	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/income	$ (11,195)	$ 35,273	$ 10,279
Adjustments to reconcile net (loss)/income to cash provided by operating activities			
Equity in loss/(earnings) of subsidiaries	3,135	(70,741)	13,260
Loss/(gain) on extinguishment of debt	4,944	(89)	—
(Gain)/loss on foreign currency exchange rates	(16)	21	(66)
Deferred tax benefit	(1,891)	(1,098)	(11,264)
Amortization of deferred financing costs	495	442	354
Dividends received	—	28	—
Share-based compensation	5,093	4,151	3,680
Convertible senior notes discount amortization	4,917	4,310	3,624
Changes in operating assets and liabilities:			
Receivables from affiliates	—	2,442	37,548
Other assets	2,944	(5,861)	7,237
Income tax payable	(945)	13,121	(9,069)
Accrued compensation and benefits	(60)	(151)	160
Accrued expenses and other liabilities	(6,972)	(6,949)	(4,876)
Payable to affiliates	18,828	64,064	(36,549)
Cash provided by operating activities	19,277	38,963	14,318
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in and funding of subsidiaries	(2,106)	(16,513)	7,081
Cash (used in)/provided by investing activities	(2,106)	(16,513)	7,081
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contractual payments for acquisitions	—	—	(11,829)
Convertible note issuance, net of commissions	89,010	—	—
Repurchase of convertible notes	(73,057)	(1,735)	—
Proceeds from exercise of stock options	—	706	2,386
Proceeds from employee stock purchase plan	642	610	789
Purchase of treasury stock	(26,160)	(8,959)	(5,088)
Excess tax benefit from employee stock option exercises	356	49	1,140
Dividend payments	(11,174)	(10,222)	(9,530)
Cash used in financing activities	(20,383)	(19,551)	(22,132)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,212)	2,899	(733)
CASH AND CASH EQUIVALENTS — Beginning of year	3,350	451	1,184
CASH AND CASH EQUIVALENTS — End of year	$ 138	$ 3,350	$ 451
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest paid	$ 5,012	$ 5,830	$ 4,538
Tax refunds/(tax payments)	$ 827	$ (3,552)	$ 733
Non-cash financing activities related to acquisitions:			
Common stock issued as consideration for asset and business acquisitions	$ —	$ —	$ 45,100

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

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

1. Basis of Presentation

Basis of Financial Information — The accompanying condensed 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 related notes.

The condensed 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 Company has several subsidiaries that are subjected to minimum net capital requirements as noted in Note 20 - Regulatory Requirements, in the accompanying consolidated financial statements. In accordance with SEC Rule § 210.12-04 Condensed financial information of registrant, the condensed financial information of the Parent Company is required to be presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of the consolidated net assets as of the end of the most recently completed fiscal year. For purposes of the above test, restricted net assets of consolidated subsidiaries shall mean that amount of the registrant's proportionate share of net assets of consolidated subsidiaries (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the Parent Company by subsidiaries in the form of loans, advances or cash dividends without the consent of a third party such as the primary regulators of the Company's operating subsidiaries.

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 subsidiaries were $6.9 million, $0.0 million, and $38.6 million for the years ended December 31, 2017, 2016, and 2015, respectively.

3. Commitments and Contingencies

For a discussion of commitments and contingencies, please refer to Note 17 to the Company's consolidated financial statements.

ITEM 16. FORM 10-K SUMMARY

None.

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).
2.4	Share Purchase Agreement, dated as of October 31, 2014, by and among GAIN Capital Holdings, Inc., City Index Group Limited, INCAP Gaming B.V. and IPGL Limited (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K/A, filed on January 12, 2015, 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 (incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, as filed on March 17, 2014, No. 001-35008).
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).
4.6	Indenture, dated as of April 1, 2015, between GAIN Capital Holdings, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 4.11 of the Registrant's Registration Statement on Form S-3, as amended, No. 333-208175).
4.7	Indenture, dated as of August 22, 2017, between GAIN Capital Holdings, Inc. and The Bank of New York Mellon (incorporated by reference to exhibit 4.1 of the Registrant's Current Report on Form 8-K, filed on August 23, 2017, No. 001-35008).
4.8	Form of 5.00% Convertible Senior Notes due 2022 (included in Exhibit 4.7).
10.1	2015 Omnibus Incentive Compensation Plan (incorporated by reference to Annex A of the Registrant's Definitive Proxy Statement on Schedule 14A, filed on October 15, 2015, No. 001-35008).**

10.2	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).**
10.3	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).**
10.4	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).**
10.5	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). **
10.6	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). **
10.7	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). **
10.8	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).**
10.9	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).**
10.10	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).**
10.11	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).**
10.12	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).**
10.13	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).**
10.14	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).**
10.15†	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).

10.16†	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).
10.17†	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).
10.18†	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).
10.19	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).
10.20	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).
10.21	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).
10.22	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).
10.23	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).
10.24†	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).
10.25†	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).
10.26	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).
10.27	Executive Employment Agreement, dated May 5, 2015, 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 June 30, 2015, filed on August 10, 2015, No. 001-35008).**
10.28	Executive Employment Agreement, dated May 5, 2015, by and between GAIN Capital Holdings, Inc. and Samantha Roady (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 10, 2015, No. 001-35008).**

10.29	Executive Employment Agreement, dated May 5, 2015, by and between GAIN Capital Holdings, Inc. and Diego Rotsztain (incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 10, 2015, No. 001-35008).**
10.30	Service Agreement, dated as of March 9, 2011, by and between City Index Limited and Nigel Rose (incorporated by reference to Exhibit 10.31 of the Registrant's Annual Report on Form 1-K for the year ended December 31, 2015, filed on March 17, 2016, No. 001-35008).**
10.31	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).
10.33	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).
10.33	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).
10.34	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).
10.35	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).
10.36	Membership Interest Purchase Agreement, dated as of March 7, 2014, by and among GAIN Capital Holdings, Inc., Global Asset Advisors, LLC, Lucky Good Dog, L.L.C., Glenn A. Swanson and Andrew W. Daniels (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 12, 2014, No. 001-35008).
10.37	Membership Interest Purchase Agreement, dated as of March 7, 2014, by and among GAIN Capital Holdings, Inc., Top Third Ag Marketing LLC, Global Asset Advisors, LLC, Lucky Good Dog, L.L.C., Glenn A. Swanson and Mark Gold (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 12, 2014, No. 001-35008).
10.38	Asset Purchase Agreement, dated as of July 10, 2014, between GAIN GTX Bermuda, Ltd., GAIN Capital Holdings, Inc. and Valaquenta Intellectual Properties Limited (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 11, 2014, No. 001-35008).

10.39	Asset Purchase Agreement, dated as of July 10, 2014, between GAIN GTX Bermuda, Ltd., GAIN Capital Holdings, Inc. and Forexster Limited (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 11, 2014, No. 001-35008).
10.40	Stockholders' Agreement, effective as of October 31, 2014, among GAIN Capital Holdings, Inc., City Index Group Limited and the other parties identified as "Stockholders" therein (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K/A, filed on January 12, 2015, No. 001-35008).
10.41	Form of Registration Rights Agreement among GAIN Capital Holdings, Inc., City Index Group Limited, INCAP Gaming B.V. and the other parties identified as "Investors" therein (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K/A, filed on January 12, 2015, No. 001-35008).
10.42	Letter Agreement, dated as of December 10, 2014, by and among GAIN Capital Holdings, Inc., VantagePoint Venture Partners IV (Q), L.P., VantagePoint Venture Partners IV, L.P., VantagePoint Venture Partners IV Principals Fund, L.P. and VP New York Venture Partners, L.P.
10.43	Asset Purchase Agreement, dated as of February 7, 2017, by and between GAIN Capital Group, LLC and Forex Capital Markets L.L.C. (incorporated by reference to Exhibit 10.1 of the Registrant’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed on May 10, 2017, No. 001-35008)
10.44	Credit Facility, dated as of August 2, 2017, by and among GAIN Capital Holdings, Inc., Barclays Bank PLC, Sterling National Bank and the lenders set forth therein (incorporated by reference to Exhibit 10.1 of the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed on August 8, 2017, No. 001-35008).
10.45*	Executive Employment Agreement, dated November 7, 2017, by and between GAIN Capital UK Ltd. and Alastair Hine **
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Deloitte & Touche LLP
23.2*	Consent of BDO LLP
23.3*	Consent of KPMG 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 14th day of March, 2018.

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 14, 2018
/s/ Nigel Rose Nigel Rose	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 14, 2018
/s/ Joseph A. Schenk Joseph A. Schenk	Chairman of the Board of Directors	March 14, 2018
/s/ Peter Quick Peter Quick	Director	March 14, 2018
/s/ Christopher W. Calhoun Christopher W. Calhoun	Director	March 14, 2018
/s/ Thomas Bevilacqua Thomas Bevilacqua	Director	March 14, 2018
/s/ Christopher S. Sugden Christopher S. Sugden	Director	March 14, 2018
/s/ Mark Richards Mark Richards	Director	March 14, 2018
/s/ Alex Goor Alex Goor	Director	March 14, 2018

EXHIBIT 10.45

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "**Agreement**") is made on 3 November 2017 between GAIN Capital UK Limited, a private limited company with a registered office address at Park House, 16 Finsbury Circus, London, EC2M 7EB (the "**Company**") and Alastair Hine of 75b London Road, Tunbridge Wells, Kent, TN1 1DX (the "**Executive**") to record the terms on which the Executive is employed by the Company.

1 Definitions.

In this Agreement (and in the Schedules to this Agreement (unless otherwise stated)), the following definitions apply:

Board means the board of directors of the Parent Company;

Confidential Information includes any confidential information (in whatever form and wherever located) relating to customers or potential customers, employees, officers or shareholders of the Company or any Group Company, its or their respective track records, prices or pricing policies, customer lists, marketing information, market share, maturing business opportunities, tenders, intellectual property, business plans or dealings, technical data, financial information and plans, credit and payment policies, designs, formulae, algorithms, models, product lines, research activities, advisors' reports, details of the experience, attributes, remuneration, skills, experience and personal information of persons employed or engaged by the Company or any Group Company, any document marked "Confidential" or "Secret", or any information which the Executive has been told is confidential or which he might reasonably expect the Company or any Group Company to regard as confidential, or any information which has been given to the Company or any Group Company in confidence by customers, potential customers, suppliers or other persons and including information which the Executive creates, develops, receives or obtains in the course of the Employment;

Employment means the Executive's employment with the Company on the terms of this Agreement;

Group Company means, in relation to the Company, any subsidiary or holding company, or any subsidiary of such a holding company ("holding company" and "subsidiary" having the meanings set out in section 1159 of the Companies Act 2006) or any subsidiary undertaking or parent undertaking or any subsidiary undertaking of such a parent undertaking ("parent undertaking", "subsidiary undertaking" and "undertaking" having the meanings set out in sections 1161 and 1162 of the Companies Act 2006) and any reference to the Group shall be construed accordingly and, in relation to the Parent Company, any subsidiary or holding company, or any subsidiary of such holding company ("holding company" and "subsidiary" having the meanings set out in section 1159 of the Companies Act 2006) or any subsidiary undertaking or parent undertaking or any subsidiary undertaking of such parent undertaking ("parent undertaking", "subsidiary undertaking" and "undertaking" having the meanings set out in sections 1161 and 1162 of the Companies Act 2006) and any reference to the Group shall be construed accordingly;

Parent Company means GAIN Capital Holdings, Inc., a corporation organised under the laws of Delaware and the ultimate holding company of the Company.

Regulations means the Working Time Regulations 1998;

Termination Date means the date on which the Employment ends.

2 Appointment.

(a) The Company will employ and the Executive will serve as Chief Operating Officer on the terms of this Agreement.

(b) The Executive will report to the Chief Executive Officer of the Parent Company and shall have general control and responsibility for the management of the general business operations of the Company and the other Group Companies, in each case as defined by the Chief Executive Officer of the Parent Company from time to time.

(c) The Executive represents that he is entering into this Agreement voluntarily and that his 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 he is a party or by which he may be bound, or any legal duty that he owes or may owe to another.

3 Employment Term.

(a) The Employment will start on 3 November 2018 and will continue on and subject to the terms of this Agreement, in particular clause 17 below, for an initial period expiring on 31 December 2018, after which the Employment will automatically renew annually for a further period of one year unless either party gives the other at least 60 days' written notice of non-renewal, in which case this Agreement will terminate on the date specified in such written notice.

(b) The first six months of the Executive's employment shall be a probationary period (the "**Probationary Period**"). The Company may, at its absolute discretion, extend this period for such further period as it may decide. During the Probationary Period your performance and suitability for continued employment will be monitored.

(c) The Company may, in its absolute discretion, at any time terminate the Employment with immediate effect by notice in writing to inform the Executive that the Employment will terminate with immediate effect and that the Company will pay the Executive an amount in lieu of all or part of the period of notice set forth in clause 17(d) equal to the portion of his Base Salary otherwise payable during such period, provided that:

(i) Any payments due to the Executive under this clause 3 will be subject to such deductions as the Company is required to make;

(ii) The Executive will only be entitled to payment under this clause 3 if the Company notifies him in writing of its decision to make the payment in lieu of notice and the Executive complies with his obligations under this Agreement including and in particular under clause 23 *(Restrictions after Employment)*; and

(iii) The Company may pay any sums due to the Executive under this clause 3 in equal monthly instalments (on or about the normal date of payment of Base Salary) until the date upon which the notice period (or the balance of the notice period) applicable under clause 17 would otherwise have expired.

4 Duties and Extent of Services.

(a) 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 organisational documents, which shall include, but not be limited to, the rights of indemnification set forth in such organisational documents, and coverage under the Company's directors' and officers' liability insurance, as are in effect from time to time.

(b) During the Employment, the Executive agrees to devote all his business time, attention, and skill to the Company's business and that of any Group Companies. 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. He will do his best to promote the interests of the Company and Group Companies.

(c) During the Employment, the Executive will comply with the following:

(i) the provisions of the Criminal Justice Act 1993 or any other legislation relating to insider trading or market abuse; and

(ii) the rules of any other relevant recognised investment exchange; and

(iii) all rules issued by the Company and any Group Company in relation to owning or trading securities.

(d) The Executive acknowledges that he is in the position of a fiduciary having regard to the nature and seniority of his position and owes a duty to disclose to the Company his own misdeeds and those of any other person employed or engaged by the Company or any Group Company.

(e) The Executive will notify the Chief Executive Officer of the Parent Company immediately if he becomes aware of any matter which does or which might adversely affect the interests of the Company or any Group Company giving all necessary particulars.

5 Hours of work

(a) There are no normal hours of work for the Executive's appointment. He will work whatever hours are necessary to carry out his duties properly. He shall not be entitled to additional remuneration for working outside normal office hours of the Company and any Group Company.

(b) The Executive agrees that the limit on working time in Regulation 4(1) of the Regulations will not apply to his Employment (the "**Opt-Out**"). The Executive may (subject to the provisions of the Regulations and without prejudice to the other terms of this Agreement) give three months written notice to the Company that he wishes to withdraw his agreement to the Opt-Out.

6 Place of work. The Executive will be based at the Company's office in London. The Company reserves the right to change the Executive's place of work to another location in the United Kingdom. The Executive may be required to travel both throughout and outside the United Kingdom.

7 Compensation

(a) *Base Salary*. The Company shall pay the Executive an annualized base salary of £250,000 (the "**Base Salary**") in equal monthly instalments in arrears. Currently payment is made on or around the 21st of each calendar month. Salary will accrue from day to day and will be calculated on the basis of 260 working days per annum. The Base Salary shall be reviewed periodically by the Board's Compensation Committee (the "**Compensation Committee**") and, in the sole discretion of the Compensation Committee, the Base Salary may be adjusted effective as of any date determined by the Compensation Committee. The Executive shall not receive any additional compensation from any Group Company. The Base Salary includes any fees to which the Executive may be entitled should be serve as a director of the Company or any Group Company.

(b) *Bonus*. Subject always to any legal or regulatory obligations applicable to the Company for the time being and any steps which the Company considers to be appropriate to comply with such obligations, during the Employment, the Executive shall be eligible to participate in each bonus or incentive compensation plan, program or policy maintained by the Company from time to time, including those maintained by the Parent Company and adopted by the Company, 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 and maximum compensation under, and his performance goals and other terms of participation in, each Incentive Compensation Plan shall be determined by the Compensation Committee in its sole discretion. Save as otherwise set out in this Agreement, any such Incentive Compensation is not guaranteed and is contingent upon the Executive and the Parent Company achieving established deliverables or other goals. Any such Incentive Compensation shall not be considered "earned" by the Executive until the Company has allocated payment to be made to the Executive for any performance period. Payment under any such Incentive Compensation Plan shall be made, if at all, after the close of the relevant performance period in accordance with the Company's normal bonus procedures then in effect. Notwithstanding anything herein to the contrary, to the extent permitted or required by governing law, the Compensation Committee shall have discretion to adjust the 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 the Board determines that such Incentive Compensation was not actually earned by the Executive due to (%3) the amount of such payment being based on the achievement of financial results 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); (%3) the Executive having engaged in fraud, gross negligence or intentional misconduct; or (%3) the Executive having deliberately misled the market or the Company's stockholders regarding the financial performance of the Company or any Group Company. Neither eligibility to participate nor payment of bonus in respect of any previous period gives rise to any right, expectation or entitlement for the Executive to receive any future payment or as to the amount of any such payment. The Company and the Parent Company, as applicable, reserve the right to amend the terms of such Incentive Compensation Plan at any time, including during any performance period. Any Incentive Compensation Plan paid will not be taken into account in calculating pension contributions under clause 9. The Executive acknowledges that it is possible that the Company may exercise its discretion to award to him nil Incentive Compensation. Without limiting the foregoing, the Executive acknowledges that he is not eligible to receive any discretionary cash bonus in respect of 2017.

(c) At any time, the Company may deduct all or part of any sums owed by the Executive to the Company or any Group Company including, but not limited to, any outstanding loans, advances, the cost of repairing any damage or loss to the Company's property caused by him or salary paid in respect of excess holiday taken at the Termination Date from any sums due from the Company to the Executive (whether during the Employment or after the Termination Date) and without prejudice to the Company's other rights and remedies.

(d) *Equity*. During the Employment, 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 2015 Omnibus Incentive Compensation Plan (or a successor thereto) of the Parent Company, at levels determined by the Compensation Committee in its sole discretion commensurate with the Executive's position. All equity grants made to the Executive will vest in accordance with a vesting schedule that is consistent with other grants under the 2015 Omnibus Incentive Compensation Plan (or successor plan) of the Parent Company and will be subject in all respects to the terms of the 2015 Omnibus Incentive Compensation Plan (or successor plan) of the Parent Company and the agreement evidencing such grant.

8 **Benefits**. On completing the Probationary Period to the Company's satisfaction, the Executive shall be entitled to participate in any and all benefit programs and arrangements generally made available by the Parent Company and Company to executive officers, including, but not limited to, pension plans, private medical cover, death in service benefit and life insurance plans for which the Executive may be eligible during the Term.

9 **Pension and life assurance.**

(a) The Executive may become a member of the Company's Group Personal Pension Plan, subject to satisfying the eligibility criteria and subject always to the rules of the plan from time to time. Full details of the plan can be obtained from Human Resources.

(b) The Company will comply with the employer pension duties in respect of the Employment in accordance with Part 1 of the Pensions Act 2008 and such other statutory duties as may arise from time to time.

(c) A contracting-out certificate pursuant to the provisions of the Pension Schemes Act 1993 is not in force for the Employment.

(d) The Company will provide the Executive with life assurance cover to assure a sum equal to four times his Base Salary, payable if he dies during the Employment subject to HM Customs & Revenue limits and to clause 12 (*Conditions Applicable to Insured Benefits*).

10 **Private Medical Insurance Scheme**. Subject to clause 12 (Conditions Applicable to Insured Benefits), the Executive and eligible family members are eligible to join the Company's private medical insurance scheme.

11 **Permanent Health Insurance**. Subject to clause 12 (Conditions Applicable to Insured Benefits), the Executive is eligible to join the Company's permanent health insurance scheme, subject to the terms and conditions of the scheme, in force from time to time. The provision of permanent health insurance does not restrict the Company's rights to terminate the Executive's Employment in accordance with the terms of this Agreement. All rights of the Executive to receive salary and

benefits under this Agreement shall cease in respect of any period during which the Executive is entitled to receive benefits under the permanent health insurance scheme.

12 Conditions Applicable to Insured Benefits.

(a) The terms of this clause 12 apply to the benefits referred to in clauses 9 (Pension and Life Assurance), 10 (Private Medical Insurance Scheme) and 11 (Permanent Health Insurance) (the Insured Benefits).

(b) The Executive's participation in the Insured Benefits is subject to the terms of the relevant scheme in force from time to time. The Executive acknowledges that the decision on whether, and if so, to what extent, benefits may be provided to him in respect of Insured Benefits will be taken by the scheme insurer. The Executive agrees that he will have no claim against the Company or any Group Company relating to the provision of Insured Benefits.

(c) The Executive's participation in the Insured Benefits (and any other insurance-related benefit scheme in which he may participate from time to time) is subject to the normal underwriting requirements of the relevant scheme in force from time to time.

(d) The Executive will not be eligible for any Insured Benefit in respect of which cover is not available from the Company's chosen insurer or is only available from such insurer subject to additional premiums or conditions.

(e) Eligibility for some benefits is conditional on the Executive being an employee of the Company either at a specified time (or times), or for a period (or periods) in respect of which benefit is paid. For the avoidance of doubt, the Company may dismiss the Executive at any time, and for any reason in accordance with the terms of this Agreement, even if this results in the Executive losing any current or prospective entitlement to any Insured Benefits.

(f) The Insured Benefits are provided subject to the terms, including for the avoidance of doubt, eligibility criteria, of the insurance policies taken out by the Company and in force from time to time. The Company will not provide any Insured Benefit if the relevant insurer does not accept its liability to make the relevant payment under the terms of the relevant policy. Copies of the relevant policies are available on request.

(g) Third party providers (e.g. insurers or pension providers) may from time to time provide additional information to the Executive. The Company does not accept responsibility for the accuracy of any such third party information and such information does not form part of the Executive's contract of employment.

(h) The Company may vary, replace or withdraw the provision of any of the Insured Benefits at its absolute discretion. The Company will be under no obligation to provide any compensation or any other benefit if it, at any time and for any reason, exercises such discretion.

13 Holiday.

(a) The Company's holiday year runs from 1 January to 31 December each year (**Holiday Year**). The Executive is entitled to a minimum 25 days paid annual holiday during each complete Holiday Year.

(b) In addition to his annual holiday entitlement, the Executive is entitled to paid holiday in respect of the usual 8 public holidays in England and Wales. The Company reserves the right to require the Executive to work on a public holiday from time to time. The Executive will be given one day's paid leave in lieu of such public holiday and for which he will be paid at the rate of his Base Salary.

(c) All holidays must be approved in advance by the Chief Executive Officer of the Parent Company. The Executive must comply with the Company's holiday request procedure in respect of any proposed holiday dates, as outlined in the Employee Handbook from time to time.

(d) For the purposes of calculating holiday entitlement during the year in which the Employment with the Company commences or terminates, annual entitlement will be pro-rated and rounded up to the nearest half day, based on the number of completed months' service during that Holiday Year.

(e) If, on the termination of the Employment with the Company for whatever reason, the Executive has taken more holiday than his accrued entitlement at such date, the Company shall be entitled to deduct from any payments due to him, an amount in respect of holidays taken in excess of the Executive's accrued entitlement. If the holiday the Executive has taken is less than his accrued pro-rated entitlement, he will be entitled to be paid in lieu in respect of such accrued but unused holiday entitlement subject to the terms of this Agreement. One day's holiday pay is calculated as 1/260th of Base Salary.

(f) The Company shall not pay in lieu of untaken holiday except on termination of employment. The Executive may only carry forward untaken holiday entitlement from one Holiday Year to the next to the extent permitted by Company policy as in effect from time to time.

(g) The Company may require the Executive to take any unused holiday during any notice period given to terminate this Agreement.

14 **Expenses.** During the 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 UK; and (b) the Executive complies with the Company's policies with respect to travel and expenditure, to include the timely provision of receipts for expenses.

15 **Adherence to Company Policy.** In addition to the terms of this Agreement, the Executive is bound by such other of the Company's employment, compliance and workplace policies and procedures, notified to him from time to time, to the extent that these impose obligations on him, including, but not limited to, those set out in any Employee Handbook or Compliance Manual.

16 **Sickness Absence and Reporting.**

(a) The Executive agrees to submit to a medical examination, at any time, if asked to do so by the Company. The Company will nominate a medical practitioner and meet all relevant charges. The Executive consents to the disclosure by such medical practitioner of the results of such examination to the Company, subject to the provisions of the Access to Medical Reports Act 1988 (if applicable).

(b) If the Executive does not perform his duties for seven consecutive calendar days or more because of ill-health or injury, he will provide the Company with a medical certificate.

(c) The Company will pay the Executive statutory sick pay in accordance with the Social Security Contributions and Benefits Act 1992. Any sick pay paid to the Executive in excess of statutory sick pay will be at the absolute discretion of the Company and will be deemed to include statutory sick pay.

(d) If the Executive receives compensation for loss of earnings from a third party or health insurance scheme relating to a period during which he received or is receiving any payments from the Company, the Company may reduce any future amounts payable to him to reflect that compensation.

17 Termination.

(a) *Incapacity*. The Company may terminate the Executive's employment immediately if, as a result of ill-health or injury absence, the Executive is prevented from performing his duties for an aggregate period of more than 75% of the working days in any period of 6 consecutive months.

(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. "**Cause**" means any of the following, as determined by the Board:

(i) the Executive is guilty of dishonesty, or other gross misconduct, or gross incompetence or commits any serious or persistent breach of the terms of this Agreement, including, but not limited to, any breach of clause 26 (*Regulatory Obligations*); or

(ii) the Executive acts in any way (whether in the course of his Employment or not) which, in the reasonable opinion of the Board brings or may bring him or the Company or any Group Company into disrepute; or

(iii) the Executive becomes bankrupt, applies for or has a receiving order under Section 286 Insolvency Act 1986 made against him, or has any order made against him to reach a voluntary arrangement as defined by Section 253 of that Act; or

(iv) the Executive is of unsound mind; or

(v) the Executive engages in conduct which, in the opinion of the Board is unacceptable, or performs his duties in a manner which in the opinion of the Board is unacceptable, or

(vi) the Executive is convicted of a criminal offence (other than a road traffic offence not punishable by imprisonment); or

(vii) the Executive commits an offence under the Bribery Act 2010; or

(viii) the continued employment of the Executive contravenes section 8 of the Asylum and Immigration Act 1996.

For purposes of determining Cause, with respect to subsections (i), (ii) and (v) 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; provided, however, that the foregoing notice requirement shall not apply with respect to a breach of clause 26 (*Regulatory Obligations*).

(d) *Termination Without Cause*. The Company, at the direction of the Board, may terminate the Employment without Cause at any time upon no less than 90 days' prior written notice or payment in lieu of notice pursuant to clause 3(b) above; provided, that, notwithstanding the foregoing, the Executive's employment may be terminated at any time during the Probationary Period on one week's prior written 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 of the Parent Company that an event constituting Good Reason has occurred and the Executive desires to resign from his Employment as a result. Such notice must be provided to the Chief Executive Officer of the Parent Company by the Executive within 60 days following the initial occurrence of the event constituting Good Reason. After receipt of such written notice, the Chief Executive Officer of the Parent Company shall have a period of 30 days to cure such event; *provided*, *however*, the Chief Executive Officer of the Parent Company, may, at his or her sole option, determine not to cure such event and accept the Executive's resignation, effective 30 days following such 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 of the Parent Company does not cure the event constituting Good Reason within the requisite 30-day period, the Executive's employment with the Company shall terminate on account of Good Reason 30 days following the expiration of such Chief Executive Officer's cure period, unless the Chief Executive Officer of the Parent Company determines to terminate the 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;

(ii) a relocation of the Company's principal offices in London to a location that is not within the United Kingdom; or

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

(f) *Resignation without Good Reason*. The Executive may resign from his Employment with the Company without Good Reason (as that term is defined in clause 17(e)) at any time upon no less than 90 days' prior written notice to the Chief Executive Officer of the Parent Company. 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 Termination Date.

18 Compensation Upon Termination.

(a) *Termination after the Probationary Period without Cause or Due to Incapacity or Death; Resignation with Good Reason*. Upon termination of Employment at any time after the end of the Probationary Period pursuant to clauses 17(a), 17(b), 17(d) or 17(e), the Executive (or his estate, as applicable) will receive any Base Salary accrued and unpaid as at the Termination Date, any sums due pursuant to clause 13 (if any) and appropriate expense reimbursements as soon as practicable after the Termination Date. In addition, subject to the Executive's (or his estate's, as applicable) execution of a statutory settlement agreement on terms satisfactory to the Company and execution and non-revocation of the general release of claims on terms satisfactory to the Company, as well as the Executive's compliance with clause 23 (*Restrictions After Employment*), Schedule 1, clause 19 (*Confidentiality)* and any other provisions which are expressed to apply on and following termination of Employment in this Agreement, the Company will also pay to the Executive (or his estate) an amount equal to 12 months of the Executive's monthly Base Salary, which shall be paid in accordance with the Company's normal payroll practices in equal installments over the 12-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 60 days following the date of Executive's last day of employment with the Company. The Company shall have no further obligations under this Agreement to the Executive (or his estate, as applicable).

(b) *Termination During Probationary Period or with Cause; Resignation without Good Reason*. If (i) the Company terminates the Employment during the Probationary Period for any reason or, after the end of the Probationary Period, with Cause pursuant to clause 17(c), (ii) the Executive resigns without Good Reason pursuant to clause 17(f), or (iii) the Executive is entitled to the severance benefits pursuant to clause 18(a) and either he or his estate, if applicable, does not execute a statutory settlement agreement on terms satisfactory to the Company or does not execute or revokes a general release of claims on terms satisfactory to the Company, or is in material breach of clause 23 (*Restrictions After Employment*), Schedule 1, clause 19 (*Confidentiality)* and any other provisions which are expressed to apply on and following termination of Employment in this Agreement, then the Company will pay the Executive his Base Salary accrued and unpaid as of the Termination Date, any sums due under clause 13 (if any) and unpaid as of the Termination Date and appropriate expense reimbursements as soon as practicable and, following such payments, the Company shall have no further obligations under this Agreement to the Executive.

(c) *Nonrenewal of this Agreement*. If the Executive or the Company provides written notice of non-renewal of this Agreement in accordance with clause 3 above, termination of the Employment in connection with the non-renewal of this Agreement shall not be deemed a termination without Cause or a resignation for Good Reason and no payments or severance benefits under clause 18 of this Agreement will be payable to the Executive.

19 Confidentiality.

(a) During his Employment, the Executive will not use or disclose, directly or indirectly, any trade secrets or Confidential Information belonging to the Company or any Group Company, except to allow him to carry out his duties properly or as required by law.

(b) The obligations contained in this clause 19 will continue to apply to the Executive after his Employment ends, for so long as the information referred to in clause 19 remains confidential.

(c) During his Employment, the Executive will not make or store (in any form including on any website or web based database or networking site) any notes or memoranda relating to any aspect of the business of the Company or any Group Company (**Memoranda**) which are not for the benefit of the Company or Group Company. All Memoranda made by the Executive will belong to the Company.

(d) The Company and any Group Company may, from time to time be entrusted with confidential or proprietary information, trade secrets or intellectual property belonging to third parties (**Third Party Confidential Information**). The Executive will comply with any contractual undertakings or obligations which the Company or any Group Company imposes on employees in respect of Third Party Confidential Information. The Executive will enter into any confidentiality undertaking with any third party that the Company or any Group Company may require.

20 Garden Leave

(a) At any time after the Company or the Executive has given notice to terminate the Employment, the Company may exercise all or any of the following rights:

(i) change the Executive's duties in whatever way it decides is appropriate;

(ii) totally withdraw all the Executive's powers and responsibilities;

(iii) withdraw or limit the access of the Executive to any of the IT or other systems of the Company or any Group Company;

(iv) require that the Executive does not contact or communicate with any current, past or prospective clients, employees or suppliers of the Company or any Group Company about any aspect of the business of the Company or any Group Company;

(v) prohibit the Executive from entering any premises of the Company or any Group Company;

(vi) require the Executive to carry out his duties (including those specified in this clause) from home;

(vii) appoint another person or persons to act jointly with the Executive in discharging his duties (whether as an employee or officer of the Company or any Group Company) to replace the Executive in any office from which he has resigned;

(viii) require the Executive to assist in a proper handover of his duties and responsibilities (including clients, prospects and business) to another employee of the Company;

(ix) require the Executive to keep the Company informed of his whereabouts so that he may be called upon to perform any duties as required by the Company;

(x) require that the Executive complies with any or all of his obligations under clause 22 (*Return of Property*),

for a maximum period of six months (the **Garden Leave Period**).

(b) At any time during the Garden Leave Period, the Board may require the Executive to resign immediately from any directorship or other office that he may hold with the Company and any Group Company.

(c) During any Garden Leave Period, unless the Chief Executive Officer of the Parent Company agrees otherwise, the Executive will not:

(i) do any work, whether paid or unpaid, for any third party;

(ii) hold himself out as a director or other officer of the Company or any Group Company if he no longer holds office with such company;

(iii) make any comment to any person about the change to his duties, except to confirm that he is on Garden Leave.

(d) The Executive acknowledges that he will remain employed by the Company on the terms of this Agreement during any Garden Leave Period and, in particular, he remains bound by the express obligations contained in this Agreement except as varied by this clause 20 and by the implied obligations of honesty, loyalty and good faith and confidentiality owed by an employee to his employer. The Executive will make himself available to the Company and any Group Company, in person, on the telephone or otherwise as the Company may direct, during normal working hours.

(e) If the Executive fails to make himself available to work during any Garden Leave Period other than as agreed with the Chief Executive Officer of the Parent Company, the Company may deduct one day's salary for each day of absence during such notice period and without prejudice to the rights of the Company in respect of breach by the Executive of the terms of this Agreement.

(f) The Company will continue to pay the Executive's Base Salary and provide contractual benefits during any Garden Leave Period as long as he complies with his obligations under this Agreement.

(g) During the Garden Leave Period, the Company reserves the right to terminate the employment of the Executive by giving notice to make a payment to the Executive in lieu in accordance with clause 3(b) above in respect of any unexpired period of notice given or deemed by the Company to be given.

(h) The Company's rights under this clause are distinct from the Company's right to suspend the Executive to investigate any allegations against him in accordance with subsection 20(i) below (*Suspension*).

(i) *Suspension*. The Company may suspend the Executive for a reasonable period to investigate any allegations of the Executive's involvement in any allegation of Cause or any misconduct or alleged breach of the terms of this Agreement and pending any disciplinary decision. During any period of suspension, the Executive will continue to receive his Base Salary and contractual benefits provided that he remains ready, willing and able to work. For the avoidance of doubt, if the Executive is not available for work through sickness, ill-health or otherwise, then he shall have no right to receive his Base Salary or contractual benefits save as set out in this Agreement. During the period of suspension, the Executive will not attend work but will provide whatever co-operation and assistance the Company may require to allow it to complete its investigations. The Executive will not take any holiday while he is suspended unless the Chief Executive Officer of the Parent Company expressly allows him to do so.

21 Inventions, Ideas, Processes and Designs.

(a) The Executive acknowledges that in the course of the Employment and as part of his duties he may conceive or make, individually or with others, certain inventions, ideas, discoveries, developments, writings, designs, drawings, improvements and innovations, whether or not patentable, or capable of registration (collectively **Inventions**); and he may develop or produce, individually or with others, certain works in which copyright and/or unregistered design right will subsist in various media, including but not limited to electronic materials (collectively, **Creative Works**), and agrees that he will promptly disclose in writing to the Company all Inventions and Creative Works.

(b) **Intellectual Property** means patents, trademarks and service marks, rights in designs, trade or business names, copyrights (including rights in computer software), database rights (whether or not any of these are registered and including applications for registration of any such thing) and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of these which may subsist anywhere in the world.

(c) The Executive acknowledges that any Inventions or Creative Works and any and all Intellectual Property subsisting or which may in the future subsist in such Inventions or Creative Works whether or not conceived or made during working hours, including, without limitation, those which:

(i) relate in any manner to the business of the Company or any Group Company or to its actual or demonstrably anticipated activities; or

(ii) result from or are made in the course of the Executive's employment by the Company; or

(iii) involve the use of any equipment, supplies, facilities, Confidential Information, documents, Intellectual Property or time of the Company or any other Group Company,

will on creation vest in and be the exclusive property of the Company in the United Kingdom or any other part of the universe and where the same does not automatically vest as aforesaid and the Executive agrees to assign the same to the Company (or as it may direct) or in the case of any future copyright in the same the Executive hereby assigns such copyright to the Company.

(d) The Executive agrees that, without limitation to the foregoing:

(i) any Invention disclosed by the Executive to a third person or described in a patent or registered design application filed by the Executive or on the Executive's behalf; and

(ii) any Creative Work disclosed to a third person, published or the subject of an application for copyright or other registration filed by the Executive or on the Executive's behalf,

during or within six months following termination of the Employment will be presumed to have been written, developed, produced, conceived or made by the Executive during the Employment, unless proved by the Executive to have been written, developed, produced, conceived or made by the Executive following the termination of the Employment.

(e) The Executive hereby irrevocably waives any rights which he may have in the Inventions or the Creative Works which are or have been conferred on him by chapter IV of Part I of the Copyright, Designs and Patents Act 1988 headed “Moral Rights” and by any other laws of a similar or equivalent nature in any of the countries of the world.

(f) The Executive will also, at the Company’s request and expense, execute specific assignments of any Inventions or Creative Works and execute, acknowledge and deliver such other documents and take such further action as the Company may require, at any time during or subsequent to the period of the Employment, to vest or evidence title in Inventions or Creative Works in the Company (or as it may direct) and to obtain, maintain and defend the Intellectual Property in the Inventions or Creative Works in any and all countries or to otherwise give effect to the provisions of this Agreement.

(g) The Executive hereby irrevocably appoints the Company to be his attorney in his name and on his behalf to execute and do any such instrument or thing and generally to use his name for the purpose of giving to the Company or its nominee the full benefit of the provisions of this clause 21 and acknowledges in favour of any third party that a certificate in writing signed by any Director or the Secretary of the Company that any instrument or act falls within the authority hereby conferred shall be conclusive evidence that such is the case.

22 Return of Property.

(a) At any time during the Employment, including during any Garden Leave Period, the Company may require the Executive to (and will in any event on the termination of the Employment) for whatever reason:

(i) return promptly to the Company all Confidential Information and all original and copy books, documents, records, correspondence, papers, information, software, data, and any other information-storing medium belonging or relating to the business of the Company or any Group Company; and any other property, equipment, keys, hardware belonging to the Company or any Group Company or belonging to any third party which has provided such property to the Company or any Group Company for the use of that company which is in his possession or under his control.

(ii) permanently delete from any mobile telephone, personal or laptop computer, PDA, tablet or other mobile device, any internet or web-based account or facility (including any business or social networking site, including but not limited to LinkedIn, Facebook, Google + or Twitter) (“**Relevant Media”**) or other information storing medium all data, client or prospective client or customer contact details or profiles, documents and information belonging to or obtained from or prepared for the Company or any other Group Company or any of its or their respective customers, clients, investors or advisers.

(b) During or at any time after the Employment ends, the Executive will co-operate with any request from the Company to disclose, provide and facilitate access (including by providing passwords) to any Relevant Media or other website or web based directory, any computer, mobile device, organiser or other equipment in his possession, or under his control, which contains Confidential

Information or other information or material belonging or relating to the Company or any Group Company or any of their clients, employees or suppliers. This obligation applies to equipment owned by the Company, any Group Company, the Executive or anyone else. The Executive will permit the Company to inspect, copy, amend or remove any material relating to the business of the Company or any Group Company.

(c) The Executive will confirm in writing that he has complied fully with his obligations under this clause, if required to do so by the Company.

23 Restrictions After Employment.

(a) The Executive recognises that, whilst performing his duties for the Company and any Group Company, he will have access to trade secrets and confidential information belonging to the Company and Group Companies and will obtain personal knowledge of and influence over its or their clients, partners, suppliers and employees. The Executive therefore agrees that the restrictions in Schedule 1 of this Agreement are reasonable and necessary to protect the legitimate business interests of the Company and Group Companies.

(b) The Executive agrees that if he receives any offer of employment or other work, either during the Employment or during the Restricted Period (as defined in Schedule 1 of this Agreement), he will give the person offering the employment or other work a copy of this Agreement and will draw their attention to clauses 24 (*Other Activities during Employment*), 20 (*Garden Leave*) and 23 (*Restrictions after Employment*) and to Schedule 1 in particular.

24 Other Activities During Employment.

(a) During his Employment the Executive will not, in any capacity, be involved in providing services, directly or indirectly, to any other person in respect of any other business, trade or occupation unless he has first obtained the prior written consent of the Chief Executive Officer of the Parent Company.

(b) The restriction in clause 24(a) will not prevent the Executive from holding up to 3% of any securities in any company, whether or not the securities are quoted on any recognised investment exchange.

(c) The Executive will not during the Employment without the prior written consent of the Chief Executive Officer of the Parent Company whether alone or jointly with or on behalf of any person whether directly or indirectly and in any capacity be involved in the preparation, planning, creation or establishment of any business which competes or intends to compete with any business of the Company or any Group Company in which the Executive is or has been involved at any time in the course of the Employment.

25 Use of Business or Social Media.

(a) The Executive may in the course of the Employment use or access internet or web-based accounts or facilities (including any Relevant Media (as defined above)) provided that:

(i) all accounts used or held by him in Relevant Media must be separate and distinct from any personal accounts used or held by him in Relevant Media;

(ii) all data or information held or maintained by him in Relevant Media shall be the property of the Company;

(iii) all data or information held or maintained by him in Relevant Media must be backed up or stored on and properly accessible through the internal database or systems of the Company;

(iv) he must maintain and update a record of all Relevant Media and report and regularly update such records to be sent in writing to the Company each Relevant Media account which the Executive opens; all user details, logins, passwords or similar held by you from time to time in respect of any Relevant Media; and each Relevant Media account which you close.

26 Regulatory Obligations.

(a) It is a condition of the Employment that, if and insofar as is applicable to the Executive, he is and remains, at all material times, a fit and proper person for the purposes of the FCA Handbook of Rules and Guidance and any similar regulatory requirements (FCA Handbook) and that the Executive will observe and comply with all policies and compliance rules of the Company or any Group Company applicable to employees generally as in effect from time to time.

(b) Without prejudice to the other terms of this Agreement:

(i) the Company will be entitled to summarily terminate the Employment without notice or payment in lieu of notice in the event that the Executive should cease to be a fit and proper person for the purposes of the FCA Handbook;

(ii) the Executive will comply with the principles governing the conduct of individual employees in controlled positions as set out from time to time in the FCA Handbook;

(iii) the Executive will comply with and assist the Company and any Group Company in ensuring compliance with the regulatory obligations imposed upon it (or them) and their employees from time to time including under the FCA Handbook;

(iv) if the Executive is found to have submitted any false or misleading information to the Company in connection with his application for employment with the Company or its predecessor, then the Company may terminate the Employment summarily and without notice or payment in lieu of notice;

(v) the Executive will attend such training courses, lectures and workshops as the Company may from time to time reasonably require for the purpose of maintaining his skills, knowledge and expertise, including those set out in the FCA Handbook applicable to him from time to time;

(vi) the Executive will promptly bring to the attention of the Company any breach of FCA or other regulatory guidelines, rules or principles whether such breach has been committed by him or another person.

27 Data Protection.

(a) The Executive confirms he has read and understood the Company's Communications Systems Policy and other IT policies relating to data protection, copies of which are set forth on the MyGAIN Internet portal maintained by the Parent Company. The Company may change these policies at any time and will post updated policies as appropriate.

(b) The Executive consents to the Company and any Group Company holding and processing (both electronically and manually) personal data, including sensitive personal data ("**Data"**), relating to him for the purposes of business, personnel and pensions administration and management and for compliance with any laws and regulations applicable to the Company or any Group Company.

(c) For the purposes of the Data Protection Act 1998 ("**DPA"**), the Company is a Data Controller and may process personal data during the course of the Executive's Employment to enable it to carry out its function properly. The Executive authorises the Company in accordance with the provisions of the DPA and any regulations made under it to process Data relating to him and, where appropriate, to transfer process and store such Data outside the European Economic Area (as defined from time to time).

(d) The Company will from time to time engage third parties ("**Data Processors"**) to store, manage and process Data both within and outside the European Economic Area. The Executive authorises the Company as Data Controller in accordance with the provisions of the DPA and any regulations made under it to utilise Data Processors as and when required.

28 Severability. The provisions of this Agreement and the attached Schedules are severable. If any provision (or any identifiable part of any provision) is held to be invalid or unenforceable by any court of competent jurisdiction, then such invalidity or unenforceability will not affect the validity or enforceability of the remaining provisions.

29 Statutory Particulars. The statutory particulars of employment to which the Executive is entitled under the Employment Rights Act 1996 are contained in this Agreement and the attached schedule 2.

30 Third Parties. Only the parties to this Agreement and any Group Company may enforce and take the benefit of this Agreement in accordance with the Contracts (Rights of Third Parties) Act 1999, subject to the terms of this Agreement. Pursuant to the Contracts (Rights of Third Parties) Act 1999, no other person may enforce the terms of this Agreement against the Company.

31 Unfair Contract Terms Act 1977. The Executive acknowledges that he has had the opportunity to receive independent legal advice on the terms of this Agreement prior to entering into this Agreement and, in the light of that advice the Executive acknowledges that the terms of the Agreement are reasonable in the circumstances.

32 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. The Executive confirms that he has not been persuaded to enter into this Agreement by any representation which is not set out in the Agreement. The Executive waives all his rights arising from any representation given in connection with this Agreement, other than his rights to claim a breach of the terms of this Agreement. This waiver of rights does not apply to any fraudulent representation.

33 **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.

34 **Governing Law**. This Agreement will be governed by and construed in accordance with the laws of England and each of the parties submits to the exclusive jurisdiction of the English courts.

35 **Notices**. Any notice to be given under this Agreement must be given in writing. Notice given to the Company must be delivered by hand or by first class post addressed to the General Counsel of the Parent Company at Bedminster One, Suite 11, 135 US Hwy 202/206, Bedminster New Jersey, United States of America, 07921. Notice given to the Executive must be given to him personally or sent by first class post to his last known residential address. The Executive must inform the Company in writing of his residential address for the time being. Notices served by post will be deemed to be served on the second business day after the date of posting.

36 **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.

IN WITNESS WHEREOF, the parties hereto have duly executed this Employment Agreement as of the date first written above.

GAIN CAPITAL UK LIMITED

By: /s/ Nigel Rose
Name: Nigel Rose
Title: Director

By: /s/ Alastair Hine

Schedule 1

Restrictions

1 The Executive agrees that, during the period of twelve months following the Termination Date (reduced by a period equal to the length of any Garden Leave Period imposed in accordance with clause 20 (*Garden Leave*)), he will not be involved, directly or indirectly, whether on his own or in conjunction with any Restricted Person, in any capacity in any business activity which competes or which intends to compete with any Restricted Business.

2 The Executive agrees that, during the Restricted Period, he will not act in competition with any Restricted Business directly or indirectly, in any capacity by:

2.1 soliciting or enticing away or endeavouring to solicit or entice away from the Company or any Group Company any Client, Prospective Client, Partner or Prospective Partner;

2.2 doing business with, or otherwise dealing with, any Client, Prospective Client, Partner or Prospective Partner;

2.3 soliciting or enticing away from or endeavouring to solicit or entice away from the Company or any Group Company any Key Employee;

2.4 employing or engaging or otherwise facilitating the employment or engagement of any Key Employee;

2.5 interfering with the arrangements between the Company or any Group Company and any Supplier.

3 The Executive agrees that he will not at any time following the Termination Date:

3.1 Represent himself as being connected with the Company or any Group Company in any capacity;

3.2 make or cause to be made to any person in any circumstances any comments which are (or which might reasonably be considered to be) disparaging or derogatory of the Company or any Group Company or any of its or their respective officers, employees, consultants, shareholders or agents.

4 If at any time prior to the expiration of the Restricted Period the Executive receives any offer from or on behalf of any third party to be involved (or if he is engaged in any discussions with any third party with a view to being involved) in any capacity in any business or concern which competes (or which intends to compete) with the Company or any Group Company, the Executive shall forthwith provide to such third party a copy of this Schedule and shall inform the Company in writing of the identity of such third party as soon as reasonably practicable following acceptance of any offer of or agreement to any such involvement.

5 The Company accepts, as trustee for each Group Company, the benefit of all undertakings given by the Executive in this Schedule to any Group Company.

6 The provisions of this Schedule shall apply only in respect of any business of the Company or any Group Company in respect of which the Executive was either materially involved or in respect of which the Executive had access to Confidential Information or for which the Executive was responsible at any time during the Relevant Period.

7 None of the restrictions in this Schedule shall prevent the Executive from holding an investment by way of shares or other securities of not more than 3% of the total issued share capital of any company, whether or not listed or dealt in on a recognised stock exchange.

8 The provisions of this Schedule are severable and if any provision or identifiable part is held to be unenforceable by any court of competent jurisdiction, then such unenforceability shall not affect the enforceability of the remaining provisions or identifiable parts of this Schedule. Whilst the restrictions and defined expressions in this Schedule are regarded by the parties as fair and reasonable, if any such provision is held to be unreasonably wide but would be valid if part of the wording were deleted, that restriction or definition will apply with so much of the wording deleted as may be necessary to render it valid.

9 For the purposes of this Schedule, the following words have the meanings set out below:

Confidential Information means Confidential Information as described in clause 1 (*Definitions*) of the Agreement;

Client means any person with whom the Company or any Group Company

(a) has, at the Termination Date, arrangements in place pursuant to which the Company or any Group Company supplies goods or services; or

(b) with whom the Company or any Group Company has been in the habit of dealing at any time during the Relevant Period; and

(c) in relation to whom the Executive had access to Confidential Information at any time during the Relevant Period; or

(d) with whom the Executive has had personal contact or dealings in the course of his Employment at any time during the Relevant Period;

Key Employee means any person who is employed or engaged to provide services personally at the Termination Date by the Company or any Group Company, and who, during the Relevant Period, had material contact with the Executive; and

(a) who reported to the Executive; or

(b) who had material contact with clients or suppliers of the Company or any Group Company in the course of his or her employment; or

(c) who was a member of the Board or reported directly to a member of the Board; or who was a member of the senior management team of the Company or any Group Company; or

(d) whose job duties involved research and development to a material extent; and

(e) who, by reason of his or her seniority and expertise, knowledge of trade secrets and Confidential Information, or knowledge of and influence over Clients or Prospective

Clients of the Company and any Group Company is likely to be able to materially influence, assist or benefit any business which is or intends to be a competitor of the Company and any Group Company.

Partner means those having business dealings with the Company and any Group Company, including dealers, traders, distributors, sales representatives and wholesalers.

Prospective Client means any person to whom, during the Relevant Period, the Company or any Group Company has offered to supply goods or services, or to whom the Company or any Group Company has provided details of the terms on which it would or might be willing to supply goods or services, or with whom the Company or any Group Company has had any negotiations or discussions regarding the possible supply of goods or services; and in each case:

(a) with whom the Executive has had personal contact or dealings in the course of his Employment at any time during the Relevant Period; or

(b) in relation to whom the Executive had access to Confidential Information at any time during the Relevant Period.

Prospective Partner means any person to whom, during the Relevant Period, the Company or any Group Company has offered to conduct business, or to whom the Company or any Group Company has provided details of the terms on which it would or might be willing to conduct business, or with whom the Company or any Group Company has had any negotiations or discussions regarding the possible conducting of business; and in each case:

(a) with whom the Executive has had personal contact or dealings in the course of his Employment at any time during the Relevant Period; or

(b) in relation to whom the Executive had access to Confidential Information at any time during the Relevant Period.

Restricted Business means any business or prospective business of the Company or any Group Company at the Termination Date in which the Executive was materially involved or in respect of which the Executive had access to Confidential Information or for which the Executive was responsible at any time during the Relevant Period;

Relevant Period means, where the Executive's duties, powers and responsibilities are totally withdrawn in accordance with clause 20 (*Garden Leave*), the period of two years immediately before the start of the Garden Leave Period (as defined in the Agreement); and otherwise, the period of two years ending on the Termination Date, and in either case, the period of the Executive's Employment if he has been employed by the Company for less than two years.

Restricted Period means the period of 12 months immediately following the Termination Date, reduced by a period equal to the length of any Garden Leave Period imposed in accordance with clause 20 (*Garden Leave*).

Restricted Person means any person employed or engaged as a director or as a manager or member of the senior management team of the Company or any Group Company at any time during the Employment or during the Relevant Period and any other person whom the Company may inform the Executive in writing is a "Restricted Person" for the purposes of this Agreement;

Supplier means any person with whom the Company or any Group Company has, at the Termination Date, arrangements in place for the supply of goods or services to the Company or any Group Company.

Termination Date means the date on which the Employment ends for whatever reason.

Schedule 2

Statutory Particulars

1. Continuity of Employment

(a) The Executive's statutory period of continuous employment with the Company began on 3 November 2017.

(b) No other period of employment with any previous employer will be treated as continuous with the Executive's Employment by the Company.

2. Grievance and Dismissal

(a) If the Executive has a grievance relating to his Employment, he should raise it in the first instance with the Chief Executive Officer of the Parent Company. If the matter is not satisfactorily resolved, he may raise it with the Chairman of the Board, whose decision will be final.

(b) There is no formal disciplinary procedure applicable to the Executive's Employment. If he is dissatisfied with any disciplinary decision taken against him he should appeal to the Chairman of the Board. The Chairman's decision will be final.

(c) For the avoidance of doubt, the grievance, dismissal and disciplinary procedures of the Company from time to time in force do not form part of the contract of employment of the Executive or otherwise have contractual force and effect unless otherwise stated.

3. Collective Agreements

There are no collective agreements which directly affect the terms and conditions of the Employment.

Exhibit 21.1

List of Subsidiaries

Entity Name	Jurisdiction of Incorporation
GAIN Capital Holdings Ltd.	England and Wales
GAIN Capital UK Limited	England and Wales
GAIN Capital Australia Pty. Ltd.	Australia
GAIN Capital Singapore Pte. Ltd.	Singapore
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
GAIN Capital Japan Co., Ltd.	Japan
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 Holdings International, B.V.	The Netherlands
GAIN Capital 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
Global Asset Advisors, LLC	Illinois
Top Third AG Marketing, LLC	Delaware
GAIN Global Markets Bermuda, Ltd.	Bermuda
Trade Facts Ltd.	England
GTX Bermuda, Ltd.	Bermuda
Gain Capital Technology Consulting Hong Kong Limited	Hong Kong
Gain Capital Payments Ltd.	England and Wales
City Index Academy Ltd.	England and Wales
City Index Inc.	Delaware
FX Solutions LLC	New Jersey
Jia Rao Network Technology Co. Ltd.	China
GTX (Switzerland) GmbH	Switzerland

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-208175 and 333-211097 on Form S-3 and Form S-8, respectively, of our report dated March 17, 2016, relating to the 2015 consolidated financial statements and financial statement schedule of GAIN Capital Holdings, Inc. and subsidiaries (the “Company”), appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

New York, NY
March 14, 2018

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors
Gain Capital Holdings, Inc.
Bedminster, NJ 07921
United States of America

We hereby consent to the incorporation by reference in the Registration Statements on Form S3 (No. 333-208175) and Form S-8 (No. 333-211097) of Gain Capital Holdings, Inc. of our report dated March 15, 2016, relating to the consolidated financial statements of Gain Capital UK Limited, which appears in this Annual Report on Form 10-K of Gain Capital Holdings, Inc.

/s/ BDO LLP

BDO LLP
London, United Kingdom
March 14, 2018

EXHIBIT 23.3

Consent of Independent Registered Public Accounting Firm

The Board of Directors
GAIN Capital Holdings, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-208175) on Form S-3 and (No. 333-211097) on Form S-8, respectively, of GAIN Capital Holdings, Inc. of our reports dated March 14, 2018, with respect to the consolidated balance sheets of GAIN Capital Holdings, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes and financial statement schedule I (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2017, which report appears in the December 31, 2017 annual report on Form 10-K of GAIN Capital Holdings, Inc.

/s/ KPMG LLP

New York, New York
March 14, 2018

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 14, 2018

/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, Nigel Rose, 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 14, 2018

/s/ Nigel Rose

Nigel Rose
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, 2017 (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 14, 2018

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

1. The accompanying annual report on Form 10-K for the fiscal year ended December 31, 2017 (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 14, 2018

/s/ Nigel Rose

Nigel Rose
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.