

BrokerTec Americas LLC

(SEC I.D. No. 8-51803)

Unaudited Statement of Financial Condition

June 30, 2021

BrokerTec Americas LLC

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BrokerTec Americas LLC
Statement of Financial Condition
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(dollars in thousands)

Assets

| | |
|---|--------------------------|
| Cash and cash equivalents | \$ 168,897 |
| Cash segregated under federal regulations | 2,500 |
| Deposits with clearing organizations | 100,100 |
| Receivable from brokers, dealers and clearing organizations | 175 |
| Receivable from customers | 3,957 |
| Exchange and trading memberships | 4,136 |
| Commissions receivable, net of allowance of \$0.3 million | 14,740 |
| Receivable from affiliates | 1,153 |
| Prepaid expenses and other assets | 100 |
| Total Assets | <u>\$ 295,758</u> |

Liabilities and Member's Equity

| | |
|--|--------------------------|
| Liabilities | |
| Payable to brokers, dealers and clearing organizations | \$ 6,588 |
| Accrued expenses and other liabilities | 1,546 |
| Payable to affiliates | 3,032 |
| Total Liabilities | <u>\$ 11,166</u> |
| Member's Equity | <u>284,592</u> |
| Total Liabilities and Member's Equity | <u>\$ 295,758</u> |

The accompanying notes are an integral part of the Unaudited Statement of Financial Condition.

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Notes to Unaudited Statement of Financial Condition

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1. Organization

BrokerTec Americas LLC (the “Company”) is a Delaware limited liability company. The Company has one member (the “parent”), BrokerTec Holdings Inc. (“BTHI”). The member’s risk is limited to the amount they invested in the Company.

The Company, headquartered in New York, is registered as a broker-dealer with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority Inc. (“FINRA”). The Company operates an electronic inter-dealer trading system primarily for U.S. Treasury securities and repurchase agreements. The Company engages principally in providing electronic trade execution platforms for the OTC markets and delivering transaction lifecycle management and information services to optimize portfolios and control risk. The Company also earns revenue by providing market data to market data distributors.

The Company holds a membership in the Fixed Income Clearing Corporation (“FICC”) and self-clears its customer’s U.S. Treasury securities transactions.

The Company is an indirect wholly owned subsidiary of CME Group Inc. (“CME”).

2. Summary of Significant Accounting Policies

(a) Basis of presentation

The Unaudited Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The U.S. Dollar is the functional currency of the Company. In the opinion of management, the Unaudited Statement of Financial Condition includes all adjustments necessary to present fairly the financial position at June 30, 2021.

(b) Use of Estimates

The preparation of the Unaudited Statement of Financial Condition requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent amounts on the Statement of Financial Condition and accompanying notes. Estimates are based on historical experience, where applicable, and assumptions management believes are reasonable under the circumstances. Due to the inherent uncertainty involved with estimates, actual results may differ.

(c) Concentration of Credit Risk

The Company’s matched principal business, where it serves as a fully matched counterparty to offsetting positions entered into by participants on its electronic trading platform to facilitate anonymity and access to clearing and settlement, uses a third-party central clearing house as well as a third-party clearing bank for the settlement of transactions. Without sufficient funds to meet its obligations, the Company could be exposed to risk of breach of contract with the counterparties and the inability to continue as a member of the third-party central clearing house. Transactions with clearing house members are typically confirmed and novated shortly after execution, at which point the clearing house assumes the risk of settlement. For transactions with counterparties that are not members of the clearing house, settlement typically occurs on the day following execution and, prior to settlement, the Company is exposed to the risk of loss in the event a counterparty fails to meet its obligations. If that were to occur, the Company would

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have the right to cover or liquidate the open position but could incur a loss as a result of market movements.

(d) Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2021 includes approximately \$168.9 million of cash held in demand deposit accounts by two major financial institutions. The Company considers short-term interest-bearing investments with initial maturities of three months or less to be cash equivalents. Additionally, at June 30, 2021, the Company had a cash balance that exceeded the Federal Deposit Insurance Corporation ("FDIC") limit of \$250 thousand, held at two major financial institutions.

(e) Cash Segregated Under Federal Regulations

Cash in the amount of \$2.5 million has been segregated in a special reserve bank account for the exclusive benefit of customers under SEC Rule 15c3-3. The segregated cash held in the special reserve bank account for the exclusive benefit of customers exceeded the requirements pursuant to SEC Rule 15c3-3. The Company is exempt from SEC rule 15c3-3 under provision (k)(2)(i) of the Rule. The Company utilizes the special reserve account to remit payments for the over-collection of commissions during the month.

(f) Deposits with Clearing Organizations

Cash in the amount of \$100.1 million is held on deposit at the Depository Trust Clearing Corporation ("DTCC") in order to accommodate for clearing and settlements of securities traded on the platform. The Company is required to post collateral and short-term margin, calculated two times each day, based on the size of executed but unsettled transactions. Interest revenue is earned from the cash held on deposit.

(g) Receivables and Payables – Brokers, Dealers and Clearing Organizations

Receivable from and payable to brokers, dealers and clearing organizations consists primarily of commissions, clearing fees, fails to deliver and fails to receive.

(h) Receivables and Payables – Customers

Receivable from and payable to customers consists primarily of commissions, clearing fees, and receivables and payables related to failed trades.

(i) Exchange and Trading Memberships

The Company owns membership shares in the DTCC. The membership shares are subject to restriction. The Company carries these restricted shares at cost of \$4.1 million.

The Company is required to hold these shares and trading membership to maintain its trading membership privileges. The Company performed a quarterly impairment review and determined that there was no impairment of the shares or trading membership seat during the year.

(j) Transactions with Affiliates

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The Company has various transactions with indirect, wholly owned subsidiaries of CME. A shared service model results in costs allocated to the Company based on usage of services that are required to operate the business. There are other arrangements related to revenue share, support service agreements and transfer price expenses.

(k) Allowance for Doubtful Accounts

An allowance for doubtful accounts on commissions receivable is calculated based on management's assessment of future expected losses, historical trends, economic forecasts over the life of the receivable and the current economic environment within which we operate. As of June 30, 2021, the Company has recorded an allowance of \$0.3 million and is included as Commissions Receivable on the Unaudited Statement of Financial Condition.

3. Accrued Expenses and Other Liabilities

Accrued expenses and accounts payable at June 30, 2021 include approximately \$0.8 million of accrued compensation and related expenses, and \$0.8 million of other accrued expenses.

4. Receivables from and Payable to Brokers, Dealers and Clearing Organizations

Amounts receivable from and payable to brokers, dealers and clearing organizations at June 30, 2021 consist of the following:

(dollars in thousands)

| | Receivable | | Payable |
|--|---------------|---|-----------------|
| Fail-to-deliver | \$ - | Fail-to-receive | \$ 4,002 |
| Receivable from brokers, dealers and clearing | 175 | Payable to brokers, dealers and clearing organizations | 2,586 |
| | <u>\$ 175</u> | | <u>\$ 6,588</u> |

5. Receivables from and Payable to Customers

Receivable from and payable to customers consists primarily of amounts due on cash transactions arising from customer failed trades and over collection of customer commissions on settlement date, which is remitted one month in arrears. Balances at June 30, 2021 consist of the following:

| | Receivable | Payable |
|---------------|------------|---------|
| Failed trades | \$ 3,927 | \$ - |

6. Commitments and Contingencies

Legal proceedings and regulatory matters

In the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry and oversight. These matters could result in censures, fines, penalties or other sanctions. Management believes the outcome of any resulting actions will not have a material impact on the Unaudited Statement of Financial Condition. However, the Company is unable to predict the outcome or the timing of the ultimate

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resolution of these matters, or the potential fines, penalties or injunctive or other equitable relief, if any, that may result from these matters.

Such matters are inherently subject to many uncertainties and the Company cannot predict their outcomes. Management believes that there are no issues which are currently expected to have a material adverse impact on the Company's Unaudited Statement of Financial Condition.

No accrual was required for legal and regulatory matters as none were probable and estimable at June 30, 2021.

7. Transactions with Affiliates

Intercompany Transactions

The Company has various intercompany arrangements with indirect, wholly owned subsidiaries of CME that provide shared occupancy, fixed assets, technology, telecommunications and other administrative services (including finance, human resources, operations, legal and electronic data processing functions). The Company has receivable from affiliates of \$1.0 million with CME Operations Ltd. and \$0.2m owed from other affiliates. The Company has payables to affiliates of \$3.0 million consisting of \$2.4 million owed to Chicago Mercantile Exchange Inc and \$0.7 million owed to other affiliates. The balances between these affiliates represent costs for technology services, occupancy, fixed assets, administrative services, payment of invoices and other transactions on behalf of the Company.

Amounts receivable from and payable to affiliates are non-interest bearing and due on demand.

Unsecured Financing

The Company obtains short-term unsecured financing from CME. The Company's borrowing with CME is pursuant to a line of credit of \$350 million committed unsecured financing facility, maturing in November 2022. At June 30, 2021, the Company had borrowed \$0 against the unsecured financing facility.

8. Employee Benefits

The Company participates in a trustee profit sharing plan (the "Plan") covering substantially all of its employees, under which contributions are made at the discretion of management. The Plan includes a 401(k) provision whereby all employees are allowed to contribute a portion of their earnings. On a discretionary basis, the Company matches a portion of employee contributions.

The Company's employees are participants of a non-contributory defined benefit cash balance pension plan offered by CME. Employees who have completed a continuous 12-month period of employment and have reached the age of 21 are eligible to participate.

9. Share based compensation

The Company accounts for stock options under Financial Accounting Standards Board ASC 718, *Compensation - Stock Compensation*, ("ASC 718").

Employee Share Reward Program

The Company participated in the CME Group's Omnibus Stock Plan under which stock-based awards may be made to employees. A total of 5,577 Class A common stock shares have been reserved for awards under the plan. Awards totaling 5,577 shares have been granted and are

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outstanding under this plan at June 30, 2021. These shares have a fair value of \$1.0 million based on the share price on the date of grant. Forfeitures are recognized in the period in which they occur.

10. Fair Value Measurements

The Company uses a three-level classification hierarchy of fair value measurements for disclosure purposes. Such inputs are defined broadly as follows:

Level 1 inputs, which are considered the most reliable evidence of fair value, consist of quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs consist of observable market data, other than level 1 inputs, such as quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices that are directly observable.

Level 3 inputs consist of unobservable inputs which are derived and cannot be corroborated by market data or other entity-specific inputs. The Company did not have any assets or liabilities classified as Level 3 at June 30, 2021.

Estimated Value of Financial Instruments Measured at Fair Value

The Company's cash typically includes cash held in demand deposit accounts and therefore considered Level 1 assets. At June 30, 2021, the Company's cash is comprised of \$168.9 million of cash held in demand deposit accounts.

Estimated Value of Financial Instruments Not Measured at Fair Value

The Company estimates that the fair value of its remaining financial instruments recognized on the Unaudited Statement of Financial Condition approximate their carrying value, because they have limited counterparty credit risk and are short-term, replaceable on demand, or bear interest at market rates.

The table below presents the carrying value of the Company's financial instruments which approximate fair value. In addition, the table excludes the values of non-financial assets and liabilities.

(dollars in thousands)

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|------------------|-------------|-------------------|
| Assets | | | | |
| Cash segregated under federal regulations | \$ 2,500 | \$ - | \$ - | \$ 2,500 |
| Deposits with clearing organizations | 100,100 | - | - | 100,100 |
| Receivable from brokers, dealers and clearing organizations | - | 175 | - | 175 |
| Receivable from customers | - | 3,957 | - | 3,957 |
| Commissions receivable | - | 14,740 | - | 14,740 |
| Total | \$ 102,600 | \$ 18,872 | \$ - | \$ 121,472 |
| Liabilities | | | | |
| Payable to brokers, dealers and clearing organizations | \$ - | \$ 6,588 | \$ - | \$ 6,588 |
| Payable to customers | - | - | - | - |
| Total | \$ - | \$ 6,588 | \$ - | \$ 6,588 |

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11. Net Capital Requirements

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. The Company computes its net capital under the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital equal to the greater of \$250 thousand or 2% of aggregate debit balance arising from customer transactions, as defined. At June 30, 2021, the Company had net capital of \$266.7 million which was \$266.5 million in excess of its required net capital of \$250 thousand. The Company settles its broker and customer transactions on a delivery versus payment (DVP) / receipt versus payment (RVP) basis. The company does not collect margin or maintain margin accounts for its participants. The Company is exempt from SEC rule 15c3-3 under provision (k)(2)(i) of the Rule.

12. Financial Instruments with Off-Balance-Sheet Risk

The Company acts as an intermediary to execution of transactions between undisclosed principals. A majority of the Company's customers are netting members of the Government Securities Division of the FICC. The Company does not anticipate non-performance by counterparties in the above situation and seeks to control such credit risk by allowing system access to counterparties that meet minimum credit requirements and monitoring the credit standing of all counterparties with which it conducts business.

The net contractual amount of purchase and sale transactions with counterparties other than FICC for the Company at June 30, 2021 was approximately \$62.9 billion for both purchases and sales which have not yet reached settlement date. Substantially all of these transactions have settled within a short period of time subsequent to the Company's period end.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company believes the risk of loss is remote.

13. Subsequent Events

The Company has performed an evaluation of subsequent events through August 6, 2021. There have been no subsequent events that occurred during this period that would require recognition in the Unaudited Statement of Financial Condition or disclosure as of June 30, 2020.