BrokerTec Americas LLC

(SEC I.D. No. 8-51803)
Unaudited Statement of Financial Condition
September 30, 2019

Filed pursuant to Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a PUBLIC DOCUMENT.

BrokerTec Americas LLC
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(dollars in thousands)

Assets:	
Cash and cash equivalents	$91,847
Cash segregated and securities under federal regulations	3,478
Deposits with clearing organizations	100,111
Receivable from brokers, dealers and clearing organizations	187,914
Receivable from customers	41,100
Commissions receivable	11,908
Exchange and trading memberships	6,138
Receivable from affiliates	2,509
Prepaid expenses and other assets	1,674
Deferred tax asset	1,874
Total Assets	**$448,553**
Liabilities and Members' Equity	
Liabilities	
Payable to brokers, dealers and clearing organizations	$7,024
Payable to customers	222,594
Accrued expenses and other liabilities	6,335
Payable to affiliates	3,363
Current tax payable	25,463
Total Liabilities	**$264,779**
Members' equity	183,774
Total Liabilities and Members' Equity	**$448,553**

(dollars in thousands)

1. Organization

BrokerTec Americas LLC (the "Company") is a Delaware limited liability company. The Company has two members BrokerTec Investments ("BTI") and BrokerTec Holdings Inc. ("BTHI").

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 and Agency securities, repurchase agreements and mortgage-backed securities. 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 generates 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

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 Statement of Financial Condition includes all adjustments necessary to present fairly the financial position at September 30, 2019.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent amounts on the financial statements 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.

Lease Accounting

In February 2016, the FASB issued a standards update that requires lessees to recognize on the balance sheet the assets and liabilities associated with the rights and obligations created by those leases. The guidance for lessors is largely unchanged from current accounting rules. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current accounting standards, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The update is effective for reporting periods beginning after December 15, 2018. The standard was adopted on April 1, 2019.

(dollars in thousands)

The Company did not recognize a lease asset or liability in connection with adoption of this standard and therefore there was no impact on the Company's Statement of Financial Condition.

Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2019 includes approximately $91,847 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 September 30, 2019, the Company had a cash balance that exceeded the Federal Deposit Insurance Corporation ("FDIC") limit of $250, held at two major financial institutions.

Cash Segregated Under Federal Regulations

Cash in the amount of $3,478 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.

Exchange and Trading Memberships

The Company owns membership shares in the Depository Trust Clearing Corporation ("DTCC"). The membership shares are subject to restriction. The Company carries these restricted shares at cost of $6,138.

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.

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.

Receivables and Payables – Customers

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

Receivables and Payables – Affiliates

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, tax payments and transfer price expenses.

(dollars in thousands)

Allowance for Doubtful Accounts

An allowance for doubtful accounts on commissions receivable is maintained at a level that in management's judgement is adequate to absorb probable credit losses. The allowance is increased for provisions charged to expense and is reduced by charge-offs. As of September 30, 2019, there was no allowance recorded on the Company's books and records.

Income Taxes

The Company is included in the consolidated federal and state income tax of its parent, BrokerTec Holdings Inc.

The Company is party to a Tax Sharing Agreement ("the Agreement") with BTHI. As a single member limited liability company, the Company is treated as a branch of a US corporation. BTHI allocates to the Company its share of the consolidated federal and state income tax expense or benefit based upon the principles of a modified separate company basis. State and local income taxes (and any associated tax reserves) are provided on the Company's taxable income at the blended tax rate applicable to the combined tax return. As part of the tax sharing agreement, the Company settles both current and deferred taxes on a periodic basis with the parent. For the period ended September 30, 2019 the Company files as part of BTHI's federal income tax return and certain state and local tax returns of BTHI. BTHI is a member of a unitary group of affiliated NEX-US entities that file a single unitary tax return in certain states and local jurisdictions.

In accordance with ASC 740, Income Taxes, ("ASC 740"), deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax basis of the Company's assets and liabilities. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized.

In addition, ASC 740 sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. Under ASC 740, the Company determines whether it is more likely than not that an income tax position will be sustained upon examination by tax authorities. Sustainable income tax positions are then measured to determine the amount of benefit to be reflected in the financial statements. Each sustainable position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

Accrued Expenses and Other Liabilities

Accrued expenses and accounts payable at September 30, 2019 include approximately $4,289 of accrued compensation and related expenses, and $2,046 of other accrued expenses.

3. Income Taxes

At September 30, 2019, the Company had $1,874 of net deferred tax assets which is comprised of temporary differences related to deferred compensation of $1,864 and other temporary differences of $10. There were no deferred tax liabilities resulting from temporary differences to offset against the deferred tax assets. The Company has not settled any of the deferred tax assets with the parent.

(dollars in thousands)

The Company is required to assess the likelihood that deferred tax assets will be realized using a more-likely-than-not criteria. To the extent the criteria is not met, the Company is required to establish a valuation allowance against the deferred tax assets. The Company believes it did meet the more-likely-than-not criteria and therefore did not record a valuation allowance at September 30, 2019.

The Company has recorded income tax payable owed to an affiliate of $25,463 which is reflected in Current tax payable within the Statement of Financial Condition.

The Company is included in the federal income tax return of BTHI. BTHI's federal corporate income tax returns for the year ended March 31, 2010 and after remain subject to examination. The Company files as part of combined unitary state and local returns with affiliates, as well as certain separate state and local filings. The state and local filings are primarily subject to examination for years 2010 and after.

4. Deposits with Clearing Organizations

Cash in the amount of $100,111 was on deposit with FICC. The Company is required to post collateral as well as twice-daily short-term margin based on the size of executed but unsettled transactions.

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

Amounts receivable from and payable to brokers, dealers and clearing organizations at September 30, 2019 consist of the following:

	Receivable		Payable
Fail-to-deliver	$ 187,696	Fail-to-receive	$ 4,980
Receivable from clearing brokers, dealers and clearing organizations	$ 217	Payable to clearing brokers, dealers and clearing organizations	$ 2,044
	$ 187,914		$ 7,024

6. Receivables from and Payable to Customers

Receivable from and payable to customers consists primarily of amounts due on cash transactions arising from customer fails-to-receive and fails-to-deliver and over collection of customer commissions on settlement date, which is remitted one month in arrears. Amounts receivable from and payable to customers at September 30, 2019 consist of the following:

	Receivable		Payable
Fail-to-deliver	$ 41,100	Fail-to-receive	$ 222,594

7. Commitments and Contingencies

<u>Legal proceedings and regulatory matters</u>

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

(dollars in thousands)

resulting actions will not have a material impact on its consolidated financial position or results of operations. However, the company is unable to predict the outcome or the timing of the ultimate 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 Statement of Financial Condition.

No accrual was required for legal and regulatory matters as none were probable and estimable as of September 30, 2019.

8. Transactions with Affiliates

Intercompany Transactions

The Company has various intercompany arrangements with indirect, wholly owned subsidiaries of CME that provide shared occupancy, fixed assets and administrative services (including finance, human resources, operations, legal and electronic data processing functions). As shown in the table below, the Company has receivable from affiliates of $2,509 and payables to affiliates of $3,363. The transactions between these entities represents costs for shared occupancy, fixed assets, administrative services and tax payments made by BTHI on behalf of the Company.

	Receivable from Affiliates	
BrokerTec Holdings Inc.	$	1,738
NEX Services North America LLC		581
NEX Group Holdings Plc		190
	$	2,509

	Payable to Affiliates	
Chicago Mercantile Exchange Inc.	$	2,824
CME Operations Ltd		485
NEX Services Limited		6
EBS Dealing Resources International Limited - Canadian Branch		9
EBS Dealing Resources Inc.		39
	$	3,363

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 its parent company, CME Group Inc. The Company’s borrowing with CME Group Inc. is pursuant to a line of credit of $350,000 committed unsecured financing facility, maturing in November 2022. At September 30, 2019, the Company had borrowed $0 against the unsecured financing facility.

9. 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.

(dollars in thousands)

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 September 30, 2019.

Estimated Fair 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 September 30, 2019, the Company's cash are comprised of $91,847 cash held in demand deposit accounts.

For the period ended September 30, 2019 the Company did not have any transfers between Levels.

Estimated Fair Value of Financial Instruments Not Measured at Fair Value

The Company estimates that the fair value of its remaining financial instruments recognized on the 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.

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash segregated and securities under federal regulations	$ 3,478	$ -	$ -	$ 3,478
Deposits with clearing organizations	-	100,111	-	100,111
Receivable from brokers, dealers and clearing organizations	-	187,914	-	187,914
Receivable from customers	-	41,100	-	41,100
Commissions receivable	-	11,908	-	11,908
Total	**$ 3,478**	**$ 341,033**	**$ -**	**$ 344,511**
Liabilities				
Payable to brokers, dealers and clearing organizations	$ -	$ 7,024	$ -	$ 7,024
Payable to customers	-	222,594	-	222,594
Total	**$ -**	**$ 229,618**	**$ -**	**$ 229,618**

(dollars in thousands)

10. 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 or 2% of aggregate debit balance arising from customer transactions, as defined. At September 30, 2019, the Company had net capital of $165,172 which was $164,923 in excess of its required net capital of $250. 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.

11. 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 September 30, 2019 was approximately $70,061,392 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.

12. Subsequent Events

The Company has performed an evaluation of subsequent events through December 4, 2019. There have been no subsequent events that occurred during this period that would require recognition in the Statement of Financial Condition or disclosure as of September 30, 2019.