BrokerTec Americas LLC

(SEC I.D. No. 8-51803)
Unaudited Statement of Financial Condition
June 30, 2020

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(dollars in thousands)

Assets		
Cash and cash equivalents	$	66,670
Cash segregated under federal regulations		2,500
Deposits with clearing organizations		125,100
Receivable from brokers, dealers and clearing organizations		192
Receivable from customers		953
Exchange and trading memberships		6,159
Commissions receivable		10,562
Receivable from affiliates		440
Prepaid expenses and other assets		1,333
Property, net of depreciation of $12		26
Total Assets	**$**	**213,935**
Liabilities and Members' Equity		
Liabilities		
Payable to brokers, dealers and clearing organizations	$	1,258
Accrued expenses and other liabilities		3,925
Payable to affiliates		3,975
Total Liabilities	**$**	**9,158**
Members' Equity		204,777
Total Liabilities and Members' Equity	**$**	**213,935**

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

(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 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 Statement of Financial Condition includes all adjustments necessary to present fairly the financial position at June 30, 2020.

(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 Unaudited 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

(dollars in thousands)

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 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, 2020 includes approximately $66,670 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, 2020, the Company had a cash balance that exceeded the Federal Deposit Insurance Corporation ("FDIC") limit of $250, held at two major financial institutions.

(e) Cash Segregated Under Federal Regulations

Cash in the amount of $2,500 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 $125,100 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 $6,159.

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 period.

(dollars in thousands)

(j) Transactions with 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 support services, tax payments and transfer price expenses.

(k) 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 June 30, 2020, the Company has recorded an allowance of $293.

Newly Adopted Accounting Pronouncements

Financial Instruments – Credit Losses

In June 2016, the FASB issued guidance that changes how credit losses are measured for most financial assets measured at amortized cost and certain other instruments. The standard requires an entity to estimate its lifetime expected credit loss and record an allowance, that when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. This forward-looking expected loss model generally will result in the earlier recognition of allowances for losses. The standard also amends the impairment model for available for sale debt securities and requires entities to determine whether all or a portion of the unrealized loss on an available for sale debt security is a credit loss. Severity and duration of the unrealized loss are no longer permissible factors in concluding whether a credit loss exists. Entities will recognize improvements to estimated credit losses on available for sale debt securities immediately in earnings rather than as interest income over time. The Company implemented this standard on January 1, 2020 by recognizing an immaterial cumulative-effect adjustment to the beginning balance of members' equity. Adoption of this standard did not have a material impact on the Statement of Financial Condition.

Exposure to losses on receivables for clearing and transaction fees and other amounts owed by clearing and trading firms is dependent on each firm's financial condition. The allowance for credit losses on accounts receivable is calculated by evaluating the aging of the company's billings by revenue stream: clearing and transaction, market data, and other. This aging assessment, as well as contemplation of current and anticipated economic factors, including the interest rate environment and pricing levels are the primary considerations that most significantly impact the collectability of accounts receivable. The allowance for accounts receivable is $293 at June 30, 2020.

Income Taxes - Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued an accounting update that is intended to reduce cost and complexity related to accounting for income taxes. The update removes specific exceptions to the general principles for accounting for income taxes. Specifically, it eliminates the need for an entity to analyze whether the following exceptions apply in a given period: incremental approach

(dollars in thousands)

for intraperiod tax allocation, accounting basis differences when there are ownership changes in foreign investments, and interim period income tax accounting for year-to-date losses that exceed anticipated losses. The update also simplifies the accounting for the following: franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. This update is effective for reporting periods beginning after December 15, 2020. The Company has early adopted this standard on January 1, 2020. The deferred tax asset of $1,544 in the Statement of Financial Condition was adjusted to $0 through a cumulative effect adjustment to the beginning balance of members' equity.

3. Accrued Expenses and Other Liabilities

Accrued expenses and accounts payable at June 30, 2020 include approximately $2,791 of accrued compensation and related expenses, and $1,134 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, 2020 consist of the following:

	Receivable		Payable
Receivable from brokers, dealers and clearing organizations	192	Payable to brokers, dealers and clearing organizations	1,258
	$ 192		**$ 1,258**

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.

	Receivable	Payable
Failed trades	$ 953	$ -

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 Statement of Financial Condition. 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.

(dollars in thousands)

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 June 30, 2020.

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). As shown in the table below, the Company has receivable from affiliates of $440 and payables to affiliates of $3,975. The transactions between these entities represent shared revenues and costs to support the trading system, occupancy, fixed assets, administrative services, payment of invoices and tax payments by BTHI on behalf of the Company.

	Receivable from Affiliates		Payable to Affiliates
BrokerTec Holdings Inc.	$ 406	Chicago Mercantile Exchange Inc.	$ 1,346
Nex Services Limited	25	Nex Services North America LLC	1,124
EBS Dealing Resources Inc.	9	BrokerTec Europe Limited	900
Total	**$ 440**	CME Operations Limited	587
		Nex Services Pte. Ltd.	12
		EBS Dealing Resources Int'l Ltd	6
		Total	**$ 3,975**

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 $350,000 committed unsecured financing facility, maturing in November 2022. At June 30, 2020, the Company had $0 borrowed 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.

(dollars in thousands)

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 5,544 Class A common stock shares have been reserved for awards under the plan. Awards totaling 5,544 shares have been granted and are outstanding under this plan at June 30, 2020. These shares have a fair value of $1,126 based on the share price on the date of grant.

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, 2020.

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, 2020, the Company's cash is comprised of $66,670 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 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)

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash segregated under federal regulations	$ 2,500	$ -	$ -	$ 2,500
Deposits with clearing organizations	125,100	-	-	125,100
Receivable from brokers, dealers and clearing organizations	-	192	-	192
Receivable from customers	-	953	-	953
Commissions receivable	-	10,562	-	10,562
Total	**$ 127,600**	**$ 11,707**	**$ -**	**$ 139,307**
Liabilities				
Payable to brokers, dealers and clearing organizations	$ -	1,258	$ -	$ 1,258
Total	**$ -**	**$ 1,258**	**$ -**	**$ 1,258**

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 or 2% of aggregate debit balance arising from customer transactions, as defined. At June 30, 2020, the Company had net capital of $190,410 which was $190,160 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.

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, 2020 was approximately $62,261,282 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 20, 2020. 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 June 30, 2020.