

Registration number: 06292563

NEX SEF Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2023

NEX SEF Limited
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NEX SEF Limited

Company Information

Profile

NEX SEF Limited (the 'Company') is a wholly owned indirect subsidiary of CME Group Inc. (the 'Group') and is consolidated in the Group accounts. The Company is incorporated and domiciled in England and Wales and is a private company limited by shares.

The Company offers a Swap Execution Facility ('SEF') following approval from the US Commodity Futures Trading Commission ('CFTC') and a variation permission from the Financial Conduct Authority ('FCA'). The Company commenced operations as a SEF for Non-Deliverable Forwards ('NDFs') in July 2017. This was followed later in October 2017 with the addition of a basis risk reduction service via an Introducing Broker model.

Directors	S Marston
	D Lucas
	A Seaman
	T Bitsberger
	P Houston
Registered office	London Fruit and Wool Exchange 1 Duval Square London E1 6PW
Registration number	06292563
Auditors	Ernst & Young LLP

NEX SEF Limited

Strategic Report for the Year Ended 31 December 2023

The directors present their report for the year ended 31 December 2023.

Principal activity

The Company offers electronic trading services in Forward Rate Agreements, Single Period Swaps, Inflation and Basis Swaps, FX Options, as well as NDFs in Asian and Latin American currencies. The execution modalities available are a central limit order book for NDFs and a trade registration facility for pre-arranged crosses for basis risk reduction transactions for all products.

Business review

The directors consider that the year end financial position was satisfactory.

The Company went live on 3 July 2017. The Company is regulated by the CFTC, and is also authorised and regulated by the FCA, allowing the Company to service customers and traders from the United States and the United Kingdom.

The Company was granted exemptive relief from the exchange registration requirement by the Ontario Securities Commission ('OSC') and Autorité des marchés financiers ('AMF') and approved for servicing customers in Ontario and Quebec, respectively, subject to certain conditions.

Furthermore, the Company operates the Swap Execution Facility ('SEF') as a Multilateral Trading Facility ('MTF') in accordance with the UK Markets in Financial Instruments Directive ('MiFID'). The Company was granted permission to operate as an equivalent venue by the Monetary Authority of Singapore.

The Company is also approved as a money broker by the Hong Kong Monetary Authority (HKMA) under section 118A of the banking ordinance to service customers in Hong Kong.

The transfer pricing policy was updated in the prior year, and this policy continued throughout 2023. The amount of revenue transfer to EBS Group Limited ('EGL') has increased. In addition, the Company's operating costs for providing services are recovered at cost plus 7.5% while intercompany recharges and VAT expense are recovered in full from EGL.

Future developments

On 11 December 2023, CME Group announced to the market its intention to combine its two EBS market NDF liquidity pools onto a single trading venue in October 2024. This combination will result in the NDF business operated by the Company being sold to BrokerTec Europe Limited, a fellow CME Group entity. This intention is subject to regulatory approval, therefore a final decision on the transfer has not been made.

The Directors are considering future options for the Company dependant on the outcome noted above.

Results

The results of the Company are set out on page 10.

The profit for the year of \$666,846 (31 December 2022: \$382,338) has been transferred to reserves.

The net assets of the Company are \$5,550,287 (31 December 2022: \$5,633,438).

Dividends paid during the year were \$750,000 (31 December 2022: \$3,500,000).

NEX SEF Limited

Strategic Report for the Year Ended 31 December 2023 (continued)

Capital Management

The Company seeks to ensure that it has sufficient regulatory capital to meet regulatory requirements. The regulatory capital level is set in accordance with the capital requirements of the FCA. The approach is to hold an appropriate surplus over the minimum.

The Company complied with its regulatory capital requirements throughout the year.

Principal risks and uncertainties

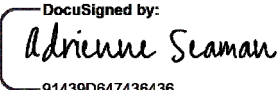
The principal risks and uncertainties of the Company are integrated with the principal risks and uncertainties of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's annual report for the year ended 31 December 2023, which does not form part of this report and copies may be obtained from the Company Secretary, CME Group Inc., 20 South Wacker Drive, Chicago, Illinois, 60606.

Key Performance Indicators

The directors of the Group manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The key performance indicators of the Group, which includes the Company, are discussed in the Group's annual report for the year ended 31 December 2023.

Risks and uncertainties have been discussed in the Going Concern section of the Directors' Report for the Company.

This report has been approved by the Board on 20 March 2024 and signed on its behalf by:

DocuSigned by:

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Director

Adrienne Seaman

NEX SEF Limited

Directors' Report for the Year Ended 31 December 2023

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Principal activities, Business review and Future Developments

The principal activities, business review and future developments of the Company are detailed in the Strategic Report.

Going concern

In 2023, geo-political and economic uncertainty increased. The cost-of-living crisis, tightening financial conditions globally, Russia's conflict with Ukraine, and the conflict in the Middle East all weigh heavily on the global economic outlook. The Company has no physical operations in Russia, Ukraine and the Middle East, but as situations continue to evolve, the unpredictable nature of any conflict means uncertainty on the full extent and duration of any business or economic impact will always exist. Nevertheless, the business activities of the Company have continued to be operational with minimal disruption to the principal activities of the Company.

A sensitivity analysis was produced incorporating both current and potential options for the company for a period of 24 months from the balance sheet date to 31 December 2025. The analysis indicated that even if the intended sale of the Company's main product discussed in the future developments section of the strategic report were to be approved, the Company has sufficient liquidity and capital to continue operating as a going concern throughout the forecast period whilst the Directors consider the future options for the Company.

In addition, CME Group Inc, the ultimate parent, has confirmed it has the ability to provide financial and operational support to the Company and assist in meeting the Company's liabilities as and when they fall due which is valid for 13 months from when the financial statements are authorised for issue. For this reason, the Company continues to adopt the going concern basis in preparing these financial statements.

NEX SEF Limited

Directors' Report for the Year Ended 31 December 2023 (continued)

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.
- the directors have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors of the company

The directors of the Company are as follows:

J Ward (resigned 29 September 2023)

S Marston

D Lucas

A Seaman

T Bitsberger

P Houston (appointed 30 January 2024)

Directors' liabilities

During the year, the Company made qualifying third-party indemnity provisions for the benefit of its directors. These remained in force at the date of this report.

Reappointment of auditors

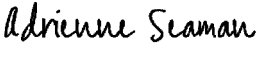
The auditors Ernst & Young LLP have held office as auditor of the Company for the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Important non adjusting events after the financial period

An application has been prepared and submitted to the Dutch Authority for the Financial Markets (AFM) to request a dispensation from the obligation for the Company to be licensed in order to support the extension of services into the Netherlands. The Dutch Ministry of Finance has approved the dispensation application and an official authorised signatory was obtained on 29 February 2024. The financial impact cannot be estimated at this time.

Other than the unpredictable risks and uncertainties as disclosed in the Going Concern disclosure in the Directors' Report, there are no other post balance sheet events to disclose this year.

Approved by the board on 20 March 2024 and signed on its behalf by:

DocuSigned by:

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Director

Adrienne Seaman

NEX SEF Limited

Directors' Report for the Year Ended 31 December 2023 (continued)

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

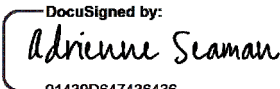
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosure when compliance with specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Approved by the Board on 20 March 2024 and signed on its behalf by:

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Director

Adrienne Seaman

NEX SEF Limited

Independent Auditor's Report to the Members of NEX SEF Limited

Opinion

We have audited the financial statements of NEX SEF Limited for the year ended 31 December 2023 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 16, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 13 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

NEX SEF Limited

Independent Auditor's Report to the Members of NEX SEF Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its domestic and overseas operations, including health and safety, data protection and anti-bribery and corruption.

NEX SEF Limited

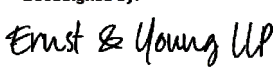
Independent Auditor's Report to the Members of NEX SEF Limited (continued)

- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and assuming revenue to be a fraud risk. To address the risk, we obtained an understanding of the entity level controls and the Company's policies in place to identify and respond to fraud including those areas which involved a higher degree of management judgement and subjectivity.
- As the broker-dealer industry is regulated, we have obtained an understanding of the regulations and the potential impact on the Company and, in assessing the control environment, we have considered the compliance of the Company to these regulations as part of our audit procedures, which included a review of correspondence received from the regulators.
- Based on this understanding, we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing of both manual and system journals identified by specific risk criteria.
- We incorporated data analytics into our testing of journals by considering specific risk criteria identified in our audit in order to select transactions which we traced back to source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Tafadzwa Gate (Senior Statutory Auditor)
 For and on behalf of Ernst & Young LLP, Statutory Auditor
 London

26 March 2024
 Date:.....

NEX SEF Limited**Profit and Loss Account for the Year Ended 31 December 2023**

	Note	2023 \$ 000	2022 \$ 000
Turnover	3	14,900	15,113
Other operating income	7	-	20
Administrative expenses	4	(14,207)	(14,690)
Other operating expenses	6	<u>(4)</u>	<u>-</u>
Operating profit		689	443
Interest receivable and similar income	8	<u>181</u>	<u>30</u>
Profit before tax		870	473
Tax charge on profit	9	<u>(203)</u>	<u>(91)</u>
Profit for the year		<u><u>667</u></u>	<u><u>382</u></u>

There are no items of other comprehensive income and accordingly a statement of other comprehensive income has not been presented.

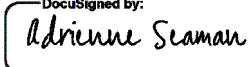
The above results were derived from continuing operations.

The notes on pages 13 to 25 form an integral part of these financial statements.

NEX SEF Limited**Balance Sheet as at 31 December 2023****Registration number: 06292563**

	Note	2023 \$ 000	2022 \$ 000
Non-current assets			
Deferred tax assets	9	2	2
Current assets			
Debtors: amounts falling due within one year	10	2,453	3,449
Cash at bank and in hand	11	4,614	3,950
		<u>7,067</u>	<u>7,399</u>
Current liabilities			
Creditors: Amounts falling due within one year	12	(1,316)	(1,714)
Income tax liability		<u>(203)</u>	<u>(54)</u>
		<u>(1,519)</u>	<u>(1,768)</u>
Net current assets		<u>5,548</u>	<u>5,631</u>
Net assets		<u>5,550</u>	<u>5,633</u>
Equity			
Called up share capital	13	963	963
Capital contribution reserve		3,767	3,767
Retained earnings		<u>820</u>	<u>903</u>
Shareholders' funds		<u>5,550</u>	<u>5,633</u>

Approved by the Board on 20 March 2024 and signed on its behalf by:

DocuSigned by:

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 Director

Adrienne Seaman

The notes on pages 13 to 25 form an integral part of these financial statements.

NEX SEF Limited**Statement of Changes in Equity for the Year Ended 31 December 2023**

	Called up share capital \$ 000	Capital contribution reserve \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2022	963	3,767	4,021	8,751
Profit for the year	-	-	382	382
Total comprehensive income	-	-	382	382
Dividends	-	-	(3,500)	(3,500)
At 31 December 2022	963	3,767	903	5,633
Profit for the year	-	-	667	667
Total comprehensive income	-	-	667	667
Dividends	-	-	(750)	(750)
At 31 December 2023	963	3,767	820	5,550

Share capital

Share capital includes the nominal value of the proceeds on issue of the Company's share capital, comprising of 700,001 ordinary shares at £1 each (31 December 2022: 700,001 ordinary shares of £1 each).

Capital contribution reserve

This reserve relates to a capital contribution of \$3,767,000 (£3,013,000) from NEX Group Holdings Limited made on 31 August 2016.

Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. On 29 September 2023, NEX SEF Limited declared a cash dividend in the sum of \$750,000 to its immediate parent, NEX Markets Limited.

The notes on pages 13 to 25 form an integral part of these financial statements.

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

1 Material accounting policy information

The material accounting policy information applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared for the year ended 31 December 2023 ("2023") and the comparative year ended 31 December 2022 ("2022")

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'), the Companies Act 2006 (the 'Act') as applicable to companies using FRS 101 and under the historic cost convention as modified by the revaluation of certain financial instruments.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted International Financial Reporting Standards.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's financial statements are presented in thousands ('000s') and are in United States dollars (\$), which is the Company's functional and presentational currency.

Foreign currency transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Summary of disclosure exemptions

In these financial statements, the company has taken advantage of the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7 - 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13 - 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- IAS 7 - 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8 - 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 - 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' (to disclose related party transactions entered into between two or more members of a group).

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Material accounting policy information (continued)

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 - 'Revenue from Contracts with Customers' (disaggregation of revenue, significant changes in contract assets and liabilities, details on transaction price allocation, timing of the satisfaction of performance obligations and significant judgements made in the application of IFRS 15).
- Paragraph 38 of IAS 1 - 'Presentation of financial statements' (comparative information requirements in respect of):
 - 38A (minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - paragraph 79(a)(iv) of IAS 1 (reconciliation of number of shares at the beginning and end of the period)
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
 - paragraph 76 and 79(d) of IAS 40, 'Investment property' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1 - 'Presentation of financial statements' (removing the requirement to present):
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures)

Consolidation

These financial statements are separate financial statements. The Company is a wholly owned subsidiary of NEX Markets Limited and of its ultimate parent, CME Group Inc. It is included in the consolidated financial statements of the Group, which are publicly available. Therefore, the Company is exempt by virtue of section 401 of the Companies Act 2006, from the requirement to prepare consolidated financial statements. See note 15 for further information.

Turnover

Turnover is comprised of commission for electronic broking for non-deliverable forwards on the EBS platform. In addition, there is an Introducing Broking access fee paid by BrokerTec Europe Limited for the execution of Reset pre-arranged crosses. Turnover is measured at the fair value of the consideration received or receivable and is stated net of rebates and discounts, value added tax and other sales related taxes.

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Material accounting policy information (continued)

Going concern

In 2023, geo-political and economic uncertainty increased. The cost-of-living crisis, tightening financial conditions globally, Russia's conflict with Ukraine, and the conflict in the Middle East all weigh heavily on the global economic outlook. The Company has no physical operations in Russia, Ukraine and the Middle East, but as situations continue to evolve, the unpredictable nature of any conflict means uncertainty on the full extent and duration of any business or economic impact will always exist. Nevertheless, the business activities of the Company have continued to be operational with minimal disruption to the principal activities of the Company.

A sensitivity analysis was produced incorporating both current and potential options for the company for a period of 24 months from the balance sheet date to 31 December 2025. The analysis indicated that even if the intended sale of the Company's main product discussed in the future developments section of the strategic report were to be approved, the Company has sufficient liquidity and capital to continue operating as a going concern throughout the forecast period whilst the Directors consider the future options for the Company.

In addition, CME Group Inc, the ultimate parent, has confirmed it has the ability to provide financial and operational support to the Company and assist in meeting the Company's liabilities as and when they fall due which is valid for 13 months from when the financial statements are authorised for issue. For this reason, the Company continues to adopt the going concern basis in preparing these financial statements.

Accounting developments

There were no new accounting developments during the year which materially impacted the Company.

Interest receivable and similar income

Interest receivable and similar income is recognised using the effective interest rate method.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the tax bases of the assets and liabilities. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled, or the asset is realised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

Calculations of current and deferred tax liability have been based on ongoing discussions with the relevant tax authorities, management's assessment of legal and professional advice, case law and other relevant guidance. Where the expected tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the current and deferred tax amounts in the year in which a reassessment of the liability is made.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Material accounting policy information (continued)

Financial instruments

Initial recognition

The Company recognises financial assets and financial liabilities in the balance sheet when, and only when, the Company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss (“FVTPL”) are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial assets or financial liabilities while purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities at amortised cost

All financial liabilities, other than those classified at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Material accounting policy information (continued)

Derecognition

Financial assets

The company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss. Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities.

The company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

1 Material accounting policy information (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- financial assets that are debt instruments;
- trade receivables and contract assets;
- financial guarantee contracts issued; and
- loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

Provisions for credit-impairment are recognised in the Profit and Loss account and are reflected in accumulated provision balances against each relevant financial instruments balance.

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividend payments

The Company recognises the final dividend payable when it has been approved by the shareholders of the Company in a general meeting. The interim dividend is recognised when it has been approved by the directors of the Company.

Dividends in specie are based on the fair value of the assets distributed as this represents the best estimate to settle the obligation.

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

The Company makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at 31 December 2023 that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur.

- Impairment of trade debtors: where the financial asset is more than 90 days past due this is considered impaired, with some exemptions applied on a case by case basis. The Company considers factors such as historical information as a base from which to measure expected credit losses based on the current observable data to reflect the effects of the current conditions.

3 Turnover

The analysis of the company's turnover for the year by class of business is as follows:

	2023	2022
	\$ 000	\$ 000
Revenue	12,849	13,336
Other revenue	2,051	1,777
	<u>14,900</u>	<u>15,113</u>

4 Administrative expenses

	2023	2022
	\$ 000	\$ 000
Professional and legal fees	62	51
Expected credit loss/(reversal) on trade and other debtors *	(482)	680
IT costs	88	47
Bank fees	7	2
Intercompany management fee	1,246	1,246
Intercompany license fees	13,124	12,466
Other	162	198
	<u>14,207</u>	<u>14,690</u>

*includes bad debt of \$Nil (2022: \$451)

The fee paid to Ernst & Young LLP (the Company's external auditors) for the statutory audit of the Company for the year ended 31 December 2023 was \$39,000 (31 December 2022: \$39,000).

NEX SEF Limited**Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)****5 Directors' remuneration**

Remuneration payable to the directors in respect of their services to the Company was as follows:

	2023		2022	
	Total	Highest paid director	Total	Highest paid director
	\$ 000	\$ 000	\$ 000	\$ 000
Aggregated emoluments	12	6	12	6
	12	6	12	6

In 2023 and 2022, there were only two directors accruing remuneration. During the current and prior years no remuneration was earned by the other four directors as no qualifying services were provided by the directors to the Company.

The directors' remuneration was borne by a fellow subsidiary company of the Group and was charged to the Company by way of a Group management charge.

6 Other operating expense

The analysis of the company's' other operating expense for the year is as follows:

	2023	2022
	\$ 000	\$ 000
Currency fluctuation	4	-

7 Other operating income

The analysis of the company's' other operating income for the year is as follows:

	2023	2022
	\$ 000	\$ 000
Currency fluctuation	-	20

8 Interest receivable and similar income

	2023	2022
	\$ 000	\$ 000
Interest income on bank deposits	181	30

NEX SEF Limited**Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)****9 Tax charge on profit**

	2023	2022
	\$ 000	\$ 000
a) Analysis of the charge for the year		
UK corporate tax:		
- Current year	203	91
UK deferred tax:		
- Current year	2	-
- Adjustments in respect of prior periods	(2)	-
	<u>203</u>	<u>91</u>
b) Factors affecting the tax charge for the year		
Profit before tax	<u>870</u>	<u>473</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 23.5% (31 December 2022: 19%)	204	90
Effects of:		
Expenses not deductible for tax purposes	-	1
Adjustments in respect of prior years - deferred tax	(1)	-
	<u>(1)</u>	<u>1</u>
Tax charge for the year	<u>203</u>	<u>91</u>
Effective tax rate	23%	19%

The headline rate of UK corporation tax remained at 19% until 1 April 2023, when the rate changed to 25% as enacted by the Finance Act 2021.

The current tax rate is therefore calculated by using a blended rate of 23.5%, and for the avoidance of doubt, the deferred tax balances have been calculated by reference to the 25% rate in force.

NEX SEF Limited

Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)

9 Tax charge on profit (continued)

OECD Pillar Two model rules

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting published the Pillar Two model rules designed to address the tax challenges arising from the digitalisation of the global economy.

The Group is within the scope of the OECD Pillar Two model rules. Two key aspects of the Pillar Two legislation were enacted in the United Kingdom in July 2023, the jurisdiction in which the Company is incorporated, and came into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

It is not expected that the Company will be affected by Pillar Two legislation. With reference to the charging provisions enacted, (a) the Company operates in a jurisdiction where the headline tax rate is above 15%, the effective tax rate of the Company is above 15% and management is not currently aware of any circumstances under which this might change, such that no Domestic Top Up Tax will be charged and (b), the Company does not have any subsidiaries, and therefore does not expect a potential exposure to Pillar Two parent-level top-up taxes under the income inclusion Rule

Deferred tax

	2023	2022
	\$ 000	\$ 000
Capital allowances	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

NEX SEF Limited**Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)****10 Debtors**

	2023	2022
	\$ 000	\$ 000
Debtors: amounts falling due within one year		
Trade debtors	2,586	4,107
ECL on trade debtors	(234)	(710)
Net trade debtors	2,352	3,397
Prepayments	16	14
Contract assets	41	8
Other debtors	16	7
Amounts due from Group companies	28	30
ECL on amounts due from Group companies	-	(7)
	<u>2,453</u>	<u>3,449</u>

Amounts due from Group companies are unsecured, non-interest bearing and receivable on demand.

The majority of net trade debtors which are neither impaired nor past their normal settlement dates are held with high quality credit institutions. There is no recent history of debtor default. The following trade debtors were unsettled:

	2023	2022
	\$ 000	\$ 000
Less than 30 days, and not yet due	1,968	1,631
Less than 90 days, and past due date	385	834
Over 90 days, and past due date	233	1,642
	<u>2,586</u>	<u>4,107</u>

11 Cash at bank and in hand

	2023	2022
	\$ 000	\$ 000
Cash at bank	<u>4,614</u>	<u>3,950</u>

12 Creditors

	2023	2022
	\$ 000	\$ 000
Creditors: amounts falling due within one year		
Trade creditors	6	2
Accrued expenses	3	-
Amounts due to Group companies	1,276	1,712
Social security and other taxes	31	-
	<u>1,316</u>	<u>1,714</u>

NEX SEF Limited**Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)****12 Creditors (continued)**

Amounts owed to Group companies are non-interest bearing and payable on demand.

13 Called up share capital**Allotted, called up and fully paid shares**

	2023		2022	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary shares of £1 each	<u>700</u>	<u>963</u>	<u>700</u>	<u>963</u>

14 Non adjusting events after the financial period

An application has been prepared and submitted to the Dutch Authority for the Financial Markets (AFM) to request a dispensation from the obligation for the Company to be licensed in order to support the extension of services into the Netherlands. The Dutch Ministry of Finance has approved the dispensation application and an official authorised signatory was obtained on 29 February 2024. The financial impact cannot be estimated at this time.

Other than the unpredictable risks and uncertainties as disclosed in the Going Concern disclosure in the Directors' Report, there are no other post balance sheet events to disclose this year.

15 Parent and ultimate parent undertaking

The Company's immediate parent is NEX Markets Limited, which is incorporated in England and Wales and does not prepare consolidated financial statements.

The Company's ultimate parent is CME Group Inc., which is incorporated in Delaware, United States, and heads the largest group of companies of which the Company is a member. CME Group Inc. prepares consolidated financial statements in accordance with US GAAP, which are publicly available, and copies may be obtained from the Company Secretary, CME Group Inc., 20 South Wacker Drive, Chicago, Illinois, 60606.

NEX SEF Limited**Notes to the Financial Statements for the Year Ended 31 December 2023 (continued)****16 Country by country reporting**

The below table is disclosed in accordance with the Capital Requirements, Country-by-Country Reporting Regulations 2013 for the year ended 31 December 2023, which implemented Article 89 of the Capital Requirements Directive IV.

Country	Nature of activities	Turnover \$'000	Profit before tax \$'000	Tax paid \$'000	Average FTE \$'000
UK	Swap Execution Facility	14,900	870	-	-

Basis of preparation

This report is prepared in accordance with Financial Reporting Standard 101 ("FRS101").

Notes:

Country	In accordance with the guidance issued by HM Treasury we have considered the country of incorporation of legal entities and the jurisdiction of residence for branches. The Company does not have any subsidiaries or branches.
Nature of activities	The Company offers electronic trading services in Forward Rate Agreements, Single Period Swaps, Inflation and Basis Swaps, FX Options, as well as Non-Deliverable Forwards in Asian and Latin American currencies. The execution modalities available are a central limit order book for NDFs and a trade registration facility for pre-arranged crosses for basis risk reduction transactions for all products.
Turnover	Turnover is comprised of commission for electronic broking for non-deliverable forwards on the EBS platform. In addition, there is an Introducing Broking access fee paid by BrokerTec Europe Limited for the execution of Reset pre-arranged crosses. Turnover is measured at the fair value of the consideration received or receivable and is stated net of rebates and discounts, value added tax and other sales related taxes.
Profit before tax	This is Operating profit before tax.
Tax paid	The Company is a member of a UK tax group and tax payments are made on behalf of the Company by another member of the group.
Average FTE including temporary staff FTE's	The Company has no employees. All services to the Company are provided by other group Companies of CME Group Inc. and expenses for providing those services are recharged accordingly.