INDUSTRIAL AND COMMERCIAL BANK OF CHINA
FINANCIAL SERVICES LLC
(A WHOLLY OWNED SUBSIDIARY OF INDUSTRIAL AND
COMMERCIAL BANK OF CHINA LIMITED)

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 2017

(UNAUDITED)

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(A Wholly Owned Subsidiary of Industrial and Commercial Bank of China Limited)
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Financial Statements:

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of China Limited)
Statement of Financial Condition
June 30, 2017

Assets		
Cash and cash equivalents	$	305,699,562
Securities purchased under agreements to resell, net		26,266,738,928
Securities borrowed		10,736,727,282
Deposits with clearing organizations		210,049,291
Receivables:		
Customers		313,011,943
Broker-dealers and clearing organizations		1,858,311,068
Secured demand note receivable		100,000,000
Interest and dividends receivable		7,235,772
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of $11,832,862		9,517,756
Other assets		15,144,043
Total assets	$	39,822,435,645
Liabilities and Member's Capital		
Liabilities:		
Short term borrowings	$	1,201,000,000
Securities sold under agreements to repurchase, net		29,437,694,827
Securities loaned		6,604,314,783
Payables:		
Customers		226,227,817
Broker-dealers and clearing organizations		2,063,213,456
Deferred tax liability		5,100,286
Interest and dividends payable		14,421,416
Other liabilities		16,655,568
		39,568,628,153
Borrowings subordinated to claims of general creditors		100,000,000
Member's capital		153,807,492
Total liabilities and member’s capital	$	39,822,435,645

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

(1) Organization and Nature of Business

Industrial and Commercial Bank of China Financial Services LLC (the "Company") is a wholly owned subsidiary of Industrial and Commercial Bank of China Limited (the "Parent"). The Company is a registered broker-dealer with the U.S. Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's business is to offer securities clearing, processing and financing services to clients.

(2) Significant Accounting Policies

(a) Basis of Presentation

The Company's Statement of Financial Condition is prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

The Company defines cash equivalents to be highly liquid investments with original maturities of ninety days or less, which may include federal funds sold on an overnight basis. The Company maintains amounts due from banks which, at times, exceed federally insured limits.

(c) Receivables from Customers/Payables to Customers

Receivables from customers and Payables to customers include amounts due on regular way securities transactions and margin transactions. Securities owned by customers, including those that collateralize margin or similar transactions are not reflected in the Statement of Financial Condition. Customer transactions that are failed to be received or delivered are recorded in Receivables from and Payables to broker-dealers and clearing organizations on the Statement of Financial Condition.

(d) Income Taxes

The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Accounting for Income Taxes*. FASB ASC 740 requires that deferred taxes be established based upon the temporary differences between financial statement and income tax bases of assets and liabilities using the enacted statutory rates.

The Company files federal tax returns on a stand-alone basis and is included in the combined New York State and City Article 9A return with the Parent and its affiliates. Pursuant to a tax sharing arrangement with the Parent and certain affiliates, the Company establishes an intercompany payable/receivable for any current state and local taxes. Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

(e) Collateralized Transactions

(i) Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts. Due to the highly liquid nature of the underlying collateral (primarily U.S. government and agency securities) and the short-term maturity of these agreements, contractual amounts approximate fair value. It is the policy of the Company to take possession of securities in order to collateralize reverse repurchase agreements. The collateral value, including accrued interest, is monitored daily and additional collateral is obtained when appropriate to protect the Company in the event of default by the counterparty. All repurchase and reverse repurchase activities are transacted under master netting agreements that give the Company the right, in the event of default, to liquidate collateral held and offset receivables and payables with the same counterparty. Accrued interest income and interest expense are reported as part of Securities purchased under agreements to resell and Securities sold under agreements to repurchase, respectively, on the Statement of Financial Condition.

(ii) Securities Borrowed and Loaned Transactions

Securities borrowed and loaned transactions are accounted for as collateralized financing transactions. The Company pledges cash or securities (typically U.S. Treasuries) to collateralize securities borrowed transactions, and will receive cash or securities (typically U.S. Treasuries) to collateralize securities loaned transactions. Cash collateral transactions are recorded at their contracted amount (the amount of cash collateral advanced or received). Securities borrowed transactions collateralized by securities are off-balance sheet.

Securities borrowed transactions require the Company to deposit collateral with the lender in excess of the market value of the securities borrowed. The fair value of securities borrowed and loaned is monitored daily and additional collateral is obtained or refunded when appropriate to protect the Company in the event of default by the counterparty.

Rebates earned or paid on securities borrowing or lending transactions are shown in the caption Interest and dividends receivable or Interest and dividends payable, respectively, on the Statement of Financial Condition.

All securities borrowed and loaned transactions are subject to an enforceable master netting agreement that give the Company the right, in the event of default, to liquidate collateral held and offset receivables and payables with the same counterparty.

(f) Fair Value of Financial Instruments

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts which approximate fair value. Assets, which are recorded at contracted amounts approximating fair value, consist largely of short-term secured receivables, including securities borrowed and securities purchased under agreements to resell. Similarly, the Company's short-term liabilities, such as securities loaned and securities sold under agreements to repurchase, are recorded at contracted amounts approximating fair value. These instruments generally have variable interest rates and/or short-term maturities, in many cases overnight and, accordingly, their fair values are not materially affected by changes in interest rates or market movements. Subordinated borrowings are recorded at contracted amounts, approximating fair value.

(g) Derivative Instruments

As part of its financing activities for its clients, the Company inters into forward repurchase agreements. The Company accounts for these transactions as forward contracts and monitors the change in the fair value of the contracts for recognition in the Statement of Financial Condition.

(h) Foreign Currencies

The Company has cash on deposit with banks, as well as payables to customers and counterparties, denominated in foreign currencies. These assets and liabilities are translated at closing exchange rates at June 30, 2017.

(i) Other

The Company engages in margin lending to clients that allows the client to borrow against the value of qualifying securities and is included within Receivables from customer and broker-dealer in the Company's Statement of Financial Condition. Client receivables generated from margin lending activities are collateralized by client-owned securities held by the Company.

The Company monitors required margin levels and established credit limits daily and, pursuant to such guidelines, requires clients to deposit additional collateral, or reduce positions, when necessary. Margin loans are extended on a demand basis and are not committed facilities. Factors considered in the review of margin loans are the amount of the loan, the intended purpose, the degree of leverage being employed in the account, and overall evaluation of the portfolio to ensure proper diversification or, in the case of concentrated positions, appropriate liquidity of the underlying collateral or potential hedging strategies to reduce risk. Additionally, positions related to concentrated or restricted positions require a review of any legal impediments to liquidation of the underlying collateral. Underlying collateral for margin loans is reviewed with respect to the liquidity of the proposed collateral positions, valuation of securities, historic trading range, volatility analysis and an evaluation of industry concentrations. For these transactions, adherence to the Company's collateral policies significantly limits the Company's credit exposure in the event of a client default. The Company may request additional margin collateral from clients, if appropriate, and, if necessary, may sell securities that have not been paid for or purchase securities sold but not delivered from customers.

At June 30, 2017, cash and securities of $210,049,289 and $120,674,197, respectively, were deposited with clearing organizations. Additionally, securities of $195,591,624 were segregated under federal and other regulations. Securities deposited with clearing organizations or segregated under federal and other regulations or requirements are primarily sourced from Reverse repurchase agreements in the Company's Statement of Financial Condition.

(k) Accounting Developments

Revenue from Contracts with Customers (ASC 606)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. The ASU is effective for the Company in January 2018 and is not expected to have a material inpact on its Statement of Financial Condition.

Leases (ASC 842)

In February 2017, the FASB issued ASU No. 2017-02, *Leases (Topic 842).* ASU 2017-02 requires that, at lease inception, a lessee recognize in the statements of financial condition a right-of-use asset, representing the right to use the underlying asset for the lease term, and a lease liability, representing the liability to make lease payments. The ASU also requires that for finance leases, a lessee recognize interest expense on the lease liability, separately from the amortization of the right-of-use asset in the statements of earnings, while for operating leases, such amounts should be recognized as a combined expense in the statements of earnings. In addition, ASU No. 2017-02 requires expanded disclosures about the nature and terms of lease agreements and is effective for the Company in January 2019. The Company expects a gross up on its Statement of Financial Condition upon recognition of the right-of-use asset and lease liability and does not expect the amount of the gross up to have a material impact on its Financial Condition.

(3) Securities Financing

The table below presents the gross and net resale and repurchase agreements and stock borrow and stock loan transactions, and the related amount of netting with the same counterparty under enforceable netting agreements ("counterparty netting") included in the Statement of Financial Condition. All of the gross carrying values of these arrangements are subject to enforceable netting agreements. The following table below also presents the amounts not offset in the Statement of Financial Condition.

	As of June 30, 2017	
(in millions)	**Assets** **Securities purchased under agreements to resell**	**Liabilities** **Securities sold under agreements to repurchase**
Amounts included in the Statement of Financial Condition		
Gross carrying value	$ 100,868	$ 104,039
Counterparty netting	(74,601)	(74,601)
Net	$ 26,267	$ 29,438

(in millions)	**Stock Borrow**	**Stock Loan**
Amounts included in the Statement of Financial Condition		
Gross carrying value	$ 10,737	$ 6,604
Counterparty netting	-	-
Net	$ 10,737	$ 6,604

The following table presents the net amount of financial assets and liabilities subject to enforceable master netting agreements, "MNA".

June 30, 2017 (in millions)	**Net amount included on the Statement of Financial Condition**	**Financial Instruments Collateral (1)**	**Net Exposure**
Financial assets subject to enforceable MNA			
Securities borrowed	$ 10,737	$ 10,737	$ -
Securities purchased under agreements to resell	26,267	26,267	-
Total	$ 37,004	$ 37,004	$ -
Financial liabilities subject to enforceable MNA			
Securities loaned	$ 6,604	$ 6,604	$ -
Securities sold under agreements to repurchase	29,438	29,076	362
Total	$ 36,042	$ 35,680	$ 362

(1) The total amount reported in financial instruments collateral is limited to the amount of the related instruments presented in the Statement of Financial

Condition and therefore any over-collateralization of these positions is not included.

The following tables present gross obligations for repurchase agreements and securities loaned transactions received as collateral by remaining contractual maturity and class of collateral pledged.

		At June 30, 2017				
		Remaining Contractual Maturity (In Millions)				
		Overnight or Continuous	Less than 30 days	30-90 days	Over 90 days	Total
Repurchase Agreements	(1)	$ 4,613	$ 94,052	$ 2,416	$ 2,958	$ 104,039
Securities Loaned		5,356	1,248	-	-	6,604
Gross amount of secured financing included in the above offsetting disclosure		$ 9,969	$ 95,300	$ 2,416	$ 2,958	$ 110,643

Secured Financing by the Class of Collateral Pledged	At June 30, 2017
Securities sold under agreement to repurchase (1)	
U.S. government and agency securities	$ 96,067
State and municipal securities	13
Asset - backed securities	7,700
Corporate and other debt	259
Corporate equities	-
Other	-
Total Securities sold under agreement to repurchase	$ 104,039
Securities loaned	
U.S. government and agency securities	$ 1,248
State and municipal securities	-
Asset - backed securities	-
Corporate and other debt	-
Corporate equities	5,356
Other	-
Total Securities loaned	$ 6,604

(1) Amounts presented on a gross basis, prior to netting as shown on the Company's Statement of Financial Condition.

In the normal course of business, the Company obtains securities under agreements to resell and securities borrowed on terms which permit it to resell or lend the securities to others. At June 30, 2017, the Company obtained via either secured borrowings or reverse repurchase agreements securities with a fair value of $35,283,929,261, of which approximately $34,040,527,786 have been either sold under agreements to repurchase or lent to others in connection with the Company's activities.

(4) Derivative Instruments

The Company enters into forward starting reverse repurchase agreements (agreements that have an extended settlement term) that are primarily secured by collateral from U.S. government securities. At June 30, 2017, the Company recorded reverse repurchase and repurchase agreements of $2,804,000,000 and $2,804,000,000, respectively.

(5) Intangible Assets

Under the provisions of ASC 350, *Intangibles – Goodwill and Other*, for intangible assets not subject to amortization, the Company evaluates on an annual basis whether the fair value is greater than the carrying value of such assets. The Company has concluded that the fair value is greater than the carrying amounts of such assets. Intangible assets not subject to amortization consisting of customer relationships amounted to $8,480,450 at June 30, 2017, and are included in Other assets in the Statement of Financial Condition.

(6) Receivable From and Payable to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations at June 30, 2017 consist of the following:

	Receivable	Payable
Securities failed-to-deliver/receive	$ 1,794,095,720	$ 1,948,698,049
Receivable from and payable to clearing organizations	45,014,810	27,625,941
Receivable from and payable to broker-dealers	19,200,538	86,889,465
	$ 1,858,311,068	$ 2,063,213,455

(7) Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of leasehold improvements, furniture, fixtures, computer and communication equipment, and software. Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of premises and equipment are provided by the straight-line method over the estimated useful life of the asset.

Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or, where applicable, the remaining term of the lease, but generally not exceeding five years.

Furniture, equipment and leasehold improvement costs are tested for impairment whenever events or changes in circumstances suggest that an asset's carrying value may not be fully recoverable in accordance with current accounting guidance.

Furniture, equipment and leaseholds consisted of the following at June 30, 2017:

Furniture, equipment, and software	$	12,008,246
Leasehold improvement		9,342,372
		21,350,618
Less: Accumulated depreciation and amortization		(11,832,862)
	$	9,517,756

(8) Related Party Transactions

In order to benefit from infrastructural cost savings, the Company shares some of the same resources with the Parent and certain affiliates as defined by service agreements.

The Parent and certain affiliates provide various clearing and administrative services to the Company, for which the Company is charged in accordance with the service level agreements. At June 30, 2017, included in Other liabilities in the Statement of Financial Condition, the Company had payables to the Parent and affiliates of $1,505,683 related to these services.

Pursuant to a tax sharing arrangement with the Parent and certain affiliates, the Company establishes a payable or receivable with the Parent for any current state and local taxes. At June 30, 2017, this payable amounted to $2,771,724 and was included in Other liabilities in the Statement of Financial Condition.

The Company has a committed line of credit arrangement with the Parent in the amount of $250,000,000. Draw-downs pursuant to the credit line are unsecured and the agreement expires on February 28, 2020. During the year and as of June 30, 2017, there were no borrowings outstanding under this agreement.

The Company also has an uncommitted short term money market lending facility with the Parent, providing overnight funds at market rates. As of June 30, 2017, there was $1,201,000,000 outstanding. The interest rate on this borrowing was 1.88% at June 30, 2017. Amounts borrowed under the facility are unsecured. The average balance outstanding was $782,468,860 at a weighted average rate of 1.54%.

The Company also has an uncommitted intra-day money market loan facility with the Parent, providing for intraday loans up to $1,000,000,000. The interest rate on this borrowing was 0.10% at June 30, 2017. The average balance drawn was $301,666,667 at a weighted average rate of 0.10%.

During the year, the Company transacted reverse repurchase and repurchase agreements with the Parent and affiliates. As of June 30, 2017, there was $44,178,848 of repurchase agreements outstanding with the Parent and affiliates with a weighted average interest rate of 1.75% as of June 30, 2017. As of June 30, 2017, there was $2,161,766,847 of reverse repurchase agreements outstanding with the Parent and affiliates with a weighted average interest rate of 1.21% as of June 30, 2017. During the year, the average balance of reverse repurchase agreements was $32,400,576 with a weighted average interest rate of 0.88%. During the year, the average balance of repurchase agreements was $479,428,564 with a weighted average interest rate of 0.69%.

(9) Employee Benefit Plans

The Company maintains a Traditional and Roth 401(k) Plan (the “Plan”). Each year, participants may contribute up to 20% of pretax annual compensation, as defined in the Plan, subject to certain Internal Revenue Code limitations. Participants may also contribute amounts representing rollover distributions from other qualified plans. The Company will make a matching contribution up to 100% of the first 4% of base compensation that a participant contributes as pre-tax and after-tax contributions to the Plan. In addition, the Company will make a non-elective contribution of the lesser of 100% of the participant’s contribution or 5% of a participant’s base compensation.

(10) Borrowings Subordinated to Claims of General Creditors

The Company has a $100,000,000 subordinated borrowing agreement with the Parent. The borrowing has an interest rate of 0.07% and matures on October 15, 2019.

The borrowing has been approved by FINRA and is available in computing net capital under SEC Rule 15c3-1. This borrowing is subordinated to the claims of general creditors and, to the extent it is required for the Company’s continued compliance with minimum net capital requirements, it may not be repaid.

Associated with the borrowing is a secured demand note receivable of $100,000,000 from the Parent, which is noninterest-bearing and is collateralized by U.S. Treasury securities with an estimated fair value of $110,449,072 as of June 30, 2017.

(11) Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Net deferred tax liability at June 30, 2017, is $3,589,328, comprised of $5,100,286 of gross deferred tax liability and $1,510,958 of gross deferred asset, included in Deferred tax liability and Other assets on the Statement of Financial Condition, respectively. Deferred tax liabilities relate principally to the excess of book over tax basis of the intangible assets and fixed assets. Federal taxes receivable of $723,587 and intercompany state taxes payable of $2,771,724 are included in Other assets and Other liabilities, respectively, in the Statement of Financial Condition.

The Company believes it is more-likely-than-not that the Company will realize the benefits of the gross deferred tax assets taken into account the scheduled reversal of deferred tax liabilities and projected future taxable income over the period on which the deferred tax assets become deductible.

As of June 30, 2017, the Company had no unrecognized tax benefits or related accrued interest and penalties.

The earliest taxable year that the Company is subject to Federal and New York State tax examination is 2013. The Company is currently under audit for New York City income tax returns for 2012-2014 tax years.

(12) Regulatory 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 has elected to use the alternative method, as permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of $1,500,000 or 2% of aggregate debit balances arising from customer transactions, as defined. At June 30, 2017, the Company had net capital of $180,719,545 which was $173,003,938 in excess of required net capital of $7,715,607.

The Company is also subject to the SEC's Customer Protection Rule ("SEC Rule 15c3-3"), which requires, under certain circumstances, that cash or securities be deposited into a special reserve bank account for the exclusive benefit of customers and for the proprietary accounts of introducing brokers. At June 30, 2017, the Company's Customer reserve computation indicated a reserve requirement of $32,681,723. At June 30, 2017, the Company had qualified securities in the amount of $99,380,938 segregated in its account reserved for the exclusive benefit of customers.

The Company is also required to perform a computation of reserve requirements for Proprietary Accounts of Brokers ("PAB"). At June 30, 2017, the Company's PAB reserve computation indicated a reserve requirement of $68,822,836. At June 30, 2017, the Company had qualified securities in the amount of $96,210,687 segregated in its PAB reserve account.

(13) Commitments, Contingencies and Guarantees

The Company is a member of various exchanges that trade and clear securities or futures contracts or both. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. Although the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the Statement of Financial Condition for these agreements and believes that any potential requirement to make payments under these agreements is remote.

The Company leases office space under an operating lease which expires in January 2021. The Company has sub-leases related to the foregoing operating lease. Future minimum lease payments during the next five years at June 30, 2017 are as follows:

Year	Gross Amount	Sublease Income	Net Amount
2017	$ 1,945,875	$ 1,822,375	$ 123,500
2018	3,891,750	1,280,186	2,611,564
2019	3,891,750	1,280,186	2,611,564
2020	3,891,750	610,245	3,281,505
2021	324,313	-	324,313
	$ 13,945,438	**$ 4,992,992**	**$ 8,952,446**

There are no minimum lease obligation after 2021. Occupancy lease agreements, in addition to base rentals, generally provide for operating expense escalations resulting from increased assessments for real estate taxes and other charges. Also, in accordance with the lease agreement, the Company has deposited a letter of credit with the landlord in the amount of $1,945,875 as security.

In accordance with FASB ASC 450, *Contingencies,* the Company's policy regarding legal and other contingencies is to accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. At June 30, 2017, the Company is not aware of any outstanding contingencies that requires accrual.

(14) Credit Risk

The Company enters into short-term collateralized financing transactions and, consequently, has credit risk for the timely repayment of principal and interest. Credit risk is measured by the loss the Company would record if its counterparties failed to perform pursuant to the terms of their contractual obligations and the value of collateral held, if any, was not adequate to cover such losses. Specifically, the Company's potential credit loss exposure for contractual commitments is equal to the market or fair value of contractual commitments that are in a net asset position less the effect of master netting agreements. The Company has established controls to monitor the creditworthiness of counterparties, as well as the quality of pledged collateral, and uses master netting agreements whenever possible to mitigate the Company's exposure to counterparty credit risk. The Company may require counterparties to submit additional collateral when deemed necessary. The Company controls the collateral pledged by the counterparties, which consists largely of securities issued by the U.S. government or its agencies and the fair value of which approximates the carrying amount of the financing transactions.

The Company monitors exposure to individual counterparties and securities for concentrations above approved limits. There were no concentrations as of June 30, 2017.

(15) Subsequent Events

The Company has evaluated subsequent events for potential recognition or disclosure through the date of issuance of financial statements on August 31, 2017, noting none.