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, 2020

(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, 2020

Assets		
Cash and cash equivalents	$	3,490,170
Securities purchased under agreements to resell, net		18,398,068,393
Securities borrowed		2,166,200,308
Deposits with clearing organizations		145,477,098
Receivables:		
Customers		23,648,853
Broker-dealers and clearing organizations		750,989,517
Secured demand note receivable		500,000,000
Interest and dividends receivable		1,249,763
Right of use asset		2,330,109
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of $22,801,457		3,713,162
Securities owned, at fair value		74,355,247
Securities received as collateral		82,109,807
Other assets		27,022,834
Total assets	$	22,178,655,261
Liabilities and Member's Capital		
Liabilities:		
Short term borrowings	$	75,000,000
Securities sold under agreements to repurchase, net		19,573,328,013
Securities loaned		906,077,968
Payables:		
Customers		172,937,810
Broker-dealers and clearing organizations		741,769,146
Lease liability		2,330,109
Deferred tax liability		2,885,755
Interest and dividends payable		1,998,930
Obligation to return securities		82,109,807
Other liabilities		14,003,128
		21,572,440,666
Borrowings subordinated to claims of general creditors		500,000,000
Member's capital		106,214,595
Total liabilities and member’s capital	$	22,178,655,261

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) Receivable from and Payables to Customers and Broker-dealer and Clearing Organizations

Receivables from customers and broker-dealers and clearing organizations and Payables to customers and broker-dealers and clearing organizations 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.

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, 2020, cash and securities of $145,477,098 and $129,709,217, respectively, were deposited with clearing organizations. Additionally, securities of $267,759,798 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.

(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, the majority of reverse repurchase agreements are recorded at contractual amounts which 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.

The Company uses data from its primary pricing vendor in establishing the daily fair value of securities collateral; while engaging a secondary pricing vendor serves as a verification control.

(ii) Securities Borrowed and Loaned Transactions

Securities borrowed and loaned transactions are accounted for as collateralized financing transactions. The Company pledges cash or securities to collateralize securities borrowed transactions, and will receive cash or securities to collateralize securities loaned transactions. Cash collateral transactions are recorded at their contracted amount (the amount of cash collateral advanced or received). The Company also enters into securities borrow transactions where the collateral delivered or received is other securities (security-for-security transactions). The Company’s Accounting Policy is to record a balance sheet gross-up entry for security-for-security finance transactions, when the Company is legally the “lender”.

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

Most of the Company's assets and liabilities are carried at fair value. Some are carried at contract 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.

The Company records securities owned at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity specific measure.

ASC 820 governs a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value.

The valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is broken down into three levels based on the observability of inputs as follows, with Level 1 being the highest and Level 3 being the lowest level. The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices that are available in active markets on major exchanges (e.g. New York Stock Exchange) for the identical assets or liabilities at the measurement date.

Level 2 – Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Where inputs used to measure fair value may fall into different levels of the fair value hierarchy, the Company categorizes such financial asset or liability based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company has an established and documented process for determining fair value and has controls in place to ensure that its valuations are appropriate. Any changes to the valuation methodology are reviewed by management to confirm the changes are justified.

The securities owned at June 30, 2020 are interest only securities (I/O) guaranteed by Government National Mortgage Association (GNMA).

The Company carries these securities at fair value derived from a third-party industry accepted pricing models adjusted for liquidity and market changes. This valuation model is adjusted when changes to inputs and assumptions are corroborated by evidence such as broker quotes, observable market data for the same or similar security, transactions in similar instruments, other transactions across the capital structure, and changes in financial ratios or expected cash flows. Accordingly, these model priced investments are classified within Level 3 of the valuation hierarchy under ASC 820.

The Company employs a second external pricing source as a check on the foregoing previously noted pricing model.

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2020, segregated by the level of the valuation inputs within the fair value hierarchy used to measure fair value (in thousands):

	Level 1	Level 2	Level 3	Balance as of June 30, 2020
Assets:				
I/O Agency Security	$ -	-	74,355	$ 74,355
Total	$ -	-	74,355	$ 74,355

There were no transfers between any levels within the fair value hierarchy in the period ended June 30, 2020.

A roll forward of financial instruments classified as Level 3, which require valuations based upon significant unobservable inputs, is presented below along with Statement of Financial Condition presentation (in thousands):

	Beginning balance	Additions	Paydowns and MTM gain/loss	Transfers	Sales	Ending balance
I/O Agency Security	74,739	-	(384)	-	-	$74,355
Total	74,739	-	(384)	-	-	74,355

The following table presents information about significant unobservable inputs used in the measurement of the fair value of the Company's Level 3 assets and liabilities (dollars in thousands):

	Quantitative Information about Level 3 Measurements			
	Fair Value	**Valuation Technique**	**Unobservable Input(1)**	**Range(1)**
I/O Agency Security	$74,355	Discounted Cash Flows	Yield	6.334% to 7.445%

(1) Significant increase in this input may lead to significantly lower fair value measurements.

(g) Derivative Instruments

The Company facilitates and enters into contingent and forward starting repurchase agreements with the clients and third parties that settle at a future date, generally within three business days. The Company accounts for these transactions as forward contracts.

In addition, the Company facilitates forward mortgage-backed securities transactions for its clients. For the contracts where the Company acts as a principal prior to settlement date the Company accounts for these transactions as forward contracts.

(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, 2020.

(i) Leases (ASC 842)

The Company adopted ASU No. 2016-02, *Leases* and recognized leases with terms exceeding one year in the Statement of Financial Condition as Right of use (ROU) asset, representing the right to use the underlying asset for the lease term, and a Lease liability, representing the liability to make lease payments. See Note 13 for lease disclosures.

(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 table below also presents the amounts not offset in the Statement of Financial Condition.

	As of June 30, 2020	
	Assets	**Liabilities**
(in millions)	**Securities purchased under agreements to resell**	**Securities sold under agreements to repurchase**
Amounts included in the Statement of Financial Condition		
Gross carrying value	$ 55,831	$ 57,006
Counterparty netting	(37,433)	(37,433)
	$ 18,398	$ 19,573

(in millions)	**Stock Borrow**	**Stock Loan**
Amounts included in the Statement of Financial Condition		
Gross carrying value	$ 2,166	$ 906
Counterparty netting	-	-
Net	$ 2,166	$ 906

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

June 30, 2020 (in millions)	**Net amount included on the Statement of Financial Condition**	**Financial Instruments Collateral (1)**	**Net Exposure**
Financial assets subject to enforceable MNA (1)			
Securities borrowed	$ 2,166	$ 2,166	$ -
Securities purchased under agreements to resell, net	18,398	18,398	-
Total	$ 20,564	$ 20,564	$ -
Financial liabilities subject to enforceable MNA			
Securities loaned	$ 906	$ 891	$ 15
Securities sold under agreements to repurchase	19,573	19,518	$ 55
Total	$ 20,479	$ 20,409	$ 70

(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, 2020				
	Remaining Contractual Maturity (In Millions)				
	Overnight or Continuous	Less than 30 days	30-90 days	Over 90 days	Total
Repurchase Agreements (2)	$ 52,822	$ 522	$ 503	$ 3,159	$ 57,006
Securities Loaned	906	-	-	-	906
Gross amount of secured financing included in the above offsetting disclosure	$ 53,728	$ 522	$ 503	$ 3,159	$ 57,912

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

Secured Financing by the Class of Collateral Pledged (in millions)		**At June 30, 2020**
Securities sold under agreement to repurchase (3)		
U.S. government and agency securities	$	56,431
State and municipal securities		555
Asset - backed securities		11
Corporate and other debt		9
Corporate equities		-
Other		-
Total Securities sold under agreement to repurchase	$	57,006
Securities loaned		
U.S. government and agency securities	$	-
State and municipal securities		-
Asset - backed securities		-
Corporate and other debt		-
Corporate equities		906
Other		-
Total Securities loaned	$	906

(3) 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, 2020, the Company obtained via either secured borrowings or reverse repurchase agreements securities with a fair value of $58,045,415,512, of which approximately $57,841,823,106 have been either sold under agreements to repurchase or lent to others in connection with the Company's activities.

At June 30, 2020, the Company had non-cash securities lending agreements where the Company was legally the Lender. The Company has transferred fixed income assets, accounted for as financing, and received U.S. equities as collateral. The fair value of the collateral received is recorded in the Statement of Financial Condition as "Securities received as collateral" and "Obligation to return collateral" in the amount of $82,109,807.

(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, 2020, the Company had reverse repurchase and repurchase agreements of $11,055,487,500 and $10,707,059,000, respectively, that had an immaterial fair value.

The Company enters into contingent and forward settlement US agency mortgage-backed securities (transactions with an extended settlement term). At June 30, 2020, the Company had buy and sell transactions of $5,608,800,594 and $5,614,395,594, respectively, that had an immaterial fair value.

(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. If the carrying amount of such assets exceeds the fair value on the undiscounted cash flows expected to be generated, an impairment loss is recognized in an amount equal to that excess. 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, 2020, 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, 2020 consist of the following:

	Receivable	Payable
Securities failed-to-deliver/receive	$ 649,423,485	$ 623,076,215
Receivable from and payable to clearing organizations	101,170,496	39,686,024
Receivable from and payable to broker-dealers	395,536	79,006,907
	$ 750,989,517	$ 741,769,146

(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, 2020:

Furniture, equipment, and software	$	17,065,248
Leasehold improvement		9,449,371
		26,514,619
Less: Accumulated depreciation and amortization		(22,801,457)
	$	3,713,162

(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.

At June 30, 2020, included in Other liabilities in the Statement of Financial Condition, the Company had payables to the Parent of $620,389 (accrued interest) related to subordinated borrowings agreements.

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, 2020, this receivable amounted to $1,217,634 and was included in Other assets in the Statement of Financial Condition.

An affiliate subleases space from the Company and paid the Company rent during 2020.

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 September 18th, 2021. In addition, the Company has entered into an additional committed line of credit arrangement with the Parent in the amount of $200,000,000 and the agreement expires on November 15th, 2023. During the year and as of June 30, 2020, there were no borrowings outstanding under those agreements.

At June 30, 2020 included in Other liabilities in the Statement of Financial Condition, The Company had payables to the Parent of $332,374 (commitment fee) related to the $200,000,000 committed line.

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, 2020, there was $50,000,000 and 25,000,000 or a total $75,000,000 outstanding. The interest rates on those borrowings were 0.257% and 0.30% respectively at June 30, 2020. Amounts borrowed under the facility are unsecured. The average balance outstanding $115,555,556 at a weighted average rate of 1.31%.

The Company also has an uncommitted intra-day money market loan facility with the Parent, providing for intraday loans up to $300,000,000. As of June 30, 2020, there were no borrowings outstanding under the above agreement. The interest rate on this borrowing was 0.10% at June 30, 2020. The average balance drawn was $300,000,000 at a weighted average rate of 0.10%.

During the period, the Company transacted reverse repurchase and repurchase agreements with the Parent and affiliates. As of June 30, 2020, there was $76,526,901 repurchase agreements outstanding with the Parent and affiliates with a weighted average interest rate of 0.0% as of June 30, 2020. As of June 30, 2020, there was no reverse repurchase agreements outstanding with the Parent and affiliates. During the period, the average balance of reverse repurchase agreements was $4,748,611 with a weighted average interest rate of 0.25%. During the period, the average balance of repurchase agreements was $51,439,010 with a weighted average interest rate of 0.11%.

In addition, the Company has subordinated borrowing agreements with the Parent. Please refer to Note 10 for details.

(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.

(10) Borrowings Subordinated to Claims of General Creditors

The Company has three subordinated borrowing agreements and associated secured demand notes receivable with the Parent as follows:

Nominal	Market Value (1)	Maturity	Interest Rate
$ 100,000,000	$ 115,386,452	10/15/2022	0.20%
300,000,000	339,890,599	9/30/2023	0.20%
100,000,000	112,040,340	8/30/2022	0.20%
$ 500,000,000	$ 567,317,390		

(1) Market Value represents Fair Market Value of securities securing the demand notes.

The borrowings has been approved by FINRA and are available in computing net capital under SEC Rule 15c3-1. These borrowings are subordinated to the claims of general creditors and, to the extent they are required for the Company's continued compliance with minimum net capital requirements, may not be repaid. At June 30, 2020 included in Other liabilities in the Statement of Financial Condition, the Company had payables to the Parent of $620,390 related to these borrowings.

(11) Income Taxes

The Tax Cuts and Jobs Act (TCJA), enacted on December 22, 2017, significantly revised U.S. corporate income tax law by, among other things, reducing the corporate income tax rate to 21%, and implementing a modified territorial tax system that includes a one time transition tax on deemed repatriated earnings of foreign subsidiaries; imposes a minimum tax on GILTI and an alternative base erosion and anti-abuse tax ("BEAT") on U.S. corporations that make deductible payments to non-U.S. related persons in excess of specified amounts; and broadens the tax base by partially or wholly eliminating tax deductions for certain historically deductible expenses. The Company has reflected the impact of the 2017 TCJA in the financial statements. The Company continues to monitor the impact of the TCJA as additional regulations and formal guidance are provided.

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when such differences are expected to reverse. 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 assets at June 30, 2020, were $8,953,446, comprised of $2,885,755 of gross deferred tax liabilities and $11,839,202 of gross deferred tax assets, 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. Deferred tax assets relate principally to the Federal NOL DTA. Net federal tax assets at June 30, 2020, were $2,038,874, comprised of gross federal tax assets of $2,415,528 and gross federal tax liabilities of $376,654 included in Other assets and Other liabilities on the Statement of Financial Condition, respectively. In addition, intercompany state taxes receivable of $1,217,634 are included in Other assets, 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, 2020, 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 2017.

(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, 2020, the Company had net capital of $549,426,901 which was $547,541,490 in excess of required net capital of $1,885,411.

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, 2020, the Company's Customer reserve computation indicated a reserve requirement of $93,164,460. At June 30, 2020, the Company had qualified securities in the amount of $172,502,277 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, 2020, the Company's PAB reserve computation indicated a reserve requirement of $54,333,648. At June 30, 2020, the Company had qualified securities in the amount of $95,257,521 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.

In April 2020 the Company renewed its current lease for additional 5 years. The Company plans to recognize appropriate Right Of Use asset and related Lease liability at the lease commencement on February, 2021. The Company expects a gross up of approximately $22,101,775 on its Statement of Financial Condition upon recognition of the right-of-use assets and lease liabilities and does not expect the amount of the gross up to have a material impact on its financial condition. In addition, in accordance with the lease agreement, at the time of the lease commencement the Company will deposit a letter of credit with the landlord in the amount of $1,300,000 as security.

Leases

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 seven months at June 30, 2020 are as follows:

Year	Gross Amount	Sublease Income	Net Amount
2020	$ 2,024,625	$ 550,830	$ 1,473,795
2021	337,438	16,630	320,808
	$ 2,362,063	**$ 567,460**	**$ 1,794,603**

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 ASC 842, *Leases* the Company has recorded on its Statement of Financial Condition the Right of use asset and Lease liability. The discount rate (4.1%) used in determining the present value of the lease is the incremental borrowing rate incurred by the Parent. The Lease liability consists of the total undiscounted lease payments of $2,658,463 less imputed interest of $328,354.

Under ASC 842-10-65-1 the Company elected a package of transition expedients that allows the Company to forgo reassessing certain conclusions reached under legacy GAAP. All expedients in this package were applied together for all leases that commence before the effective date of ASC 842. In transitioning to ASC 842, the Company did not assess

1. Whether any expired or existing contracts are leases or contain leases under ASC 842

2. Classification of any expired or existing leases under ASC 842

3. Whether unamortized initial direct costs for existing leases meet the definition of initial direct costs under ASC 842

In April 2020 the Company renewed its current lease for additional 5 years. The Company plans to recognize appropriate Right Of Use asset and related Lease liability at the lease commencement on February, 2021. In addition, in accordance with the lease agreement, at the time of the lease commencement the Company will deposit a letter of credit with the landlord in the amount of $1,300,000 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 (see Notes 14 and 15).

(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, 2020.

(15) Subsequent Events

In accordance with U.S. GAAP disclosure requirements on subsequent events, management has evaluated events for possible recognition or disclosure in the financial statements through August 31, 2020, the date the financial statements were available to be issued. No matters were identified which would require recognition or disclosure in the consolidated financial statements.