

# **ICAP Corporates LLC**

(SEC I.D. No. 8-12726)

(NFA I.D. No. 0423118)

**Unaudited Unaudited Statement of Financial Condition**

**June 30, 2019**

# ICAP Corporates LLC

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**ICAP Corporates LLC**  
**Unaudited Statement of Financial Condition**  
**June 30, 2019**

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*(dollars in thousands)*

<b>Assets</b>	
Cash and cash equivalents	\$ 91,536
Cash segregated under federal regulations	4,800
Deposits with clearing organizations	25,201
Securities owned, at fair value	1,995
Securities borrowed	972,384
Receivable from brokers, dealers and clearing organizations	151,968
Commissions receivable, net of allowance for doubtful accounts of \$746	25,142
Receivable from customers	39,352
Receivable from affiliates	1,301
Exchange and trading memberships	269
Goodwill	2,312
Prepaid expenses and other assets	5,362
<b>Total assets</b>	<u>\$ 1,321,622</u>
<b>Liabilities and Member's Equity</b>	
Liabilities	
Securities loaned	\$ 975,611
Payable to brokers and dealers	115,270
Payable to customers	57,719
Payable to affiliates	25,991
Accrued personnel costs	15,658
Accrued expenses and accounts payable	3,005
Income taxes payable to affiliate	2,535
<b>Total liabilities</b>	<u>1,195,789</u>
Member's equity	125,833
<b>Total liabilities and member's equity</b>	<u>\$ 1,321,622</u>

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

# ICAP Corporates LLC

## Notes to Unaudited Statement of Financial Condition

### June 30, 2019

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*(dollars in thousands)*

#### 1. Organization

ICAP Corporates LLC (the “Company”) is a Delaware limited liability company. The Company’s sole Member is ICAP Securities USA LLC, a subsidiary of ICAP Broking Holdings North America LLC (“IBHNA”). IBHNA has one Member, ICAP US Financial Services LLC (“IUFS”). IUFS has two Members, ICAP Global Broking Investments (“IGBINV”) and ICAP Global Broking Inc. (“IGBI”), with IGBINV being a wholly owned subsidiary of IGBI. IGBI’s direct parent TP ICAP Americas Holdings Inc. (“TPIAHI”) is a wholly owned indirect subsidiary of TP ICAP plc, and therefore the Company is an indirect wholly owned subsidiary of TP ICAP plc.

TP ICAP plc is a public company registered in the United Kingdom that engages principally as an intermediary in global financial, energy and commodity markets. In its intermediary role, TP ICAP plc provides access to dynamic and efficient markets that enhance the flow of capital, energy and commodities around the world.

The Company is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company is also registered as a non-clearing Independent Introducing Broker (“IB”) with the Commodities Futures Trading Commission (“CFTC”), is a member of the National Futures Association (“NFA”), and is also a member of various exchanges (see Note 2(b)).

The Company is headquartered in New Jersey and operates primarily in the interdealer market in bonds listed on the New York and American Stock Exchanges, over the counter corporate bonds, preferred stock, equity securities, credit and equity derivatives, certificates of deposits, collateralized mortgage obligations and other asset-backed corporate debt securities. The Company self clears transactions in certain products, and has also entered into fully disclosed clearing agreements with third parties to clear certain products.

#### Brokerage Capacities

In certain products, the Company acts in the capacity of “matched principal” or “name give-up.”

When acting in the capacity of “matched principal”, the Company acts as a “middleman” or intermediary by serving as the counterparty for identified buyers and sellers in the matching, in whole or in part, reciprocal back-to-back trades.

When acting in the “name give-up” capacity, the Company acts in an agency capacity, whereby it connects buyers and sellers and may assist in the negotiation of the price and other material terms of the transaction. At the point at which the parties agree to terms, the Company leaves the buyer and seller to clear and settle through the appropriate market mechanism.

In certain markets, the Company may also facilitate its clients by acting as the executing broker of exchange products. Certain of these transactions are introduced to a clearing firm for settlement and clearance, and in others the Company may self-clear the transaction.

# ICAP Corporates LLC

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*(dollars in thousands)*

#### **Commissions**

The Company is generally compensated for its role in facilitating and consummating transactions by charging a brokerage fee. In “matched principal” market places, the fee typically takes the form of a markup or markdown which is added to or subtracted from, as the case may be, the agreed-to transaction price. In “name give-up” market places and for other agency transactions the fee will typically take the form of a commission. Commission income is recorded on a trade date basis.

In addition, in certain fixed income markets the Company may when acting in a “matched principal” capacity, earn a profit by buying a financial instrument at one price and simultaneously or shortly thereafter selling it at a higher price (or vice versa), such that the Company receives the benefit of the “spread” on the trade in addition to any markup or markdown it charges.

#### **Unmatched Principal Transactions**

The Company may and does from time to time acquire unmatched positions as principal, including but not limited to, in the following scenarios:

- (1) The Company posts or provides live, executable bids and offers at minimum acceptable quantities, based on expressions of client interest. Sometimes the act of posting or providing quotations may result in the Company acquiring a position as principal on an unmatched trade;
- (2) Resulting from errors or out trades. From time to time, as a result of a bona fide error the Company may in “matched principal” market places acquire a position in resolution of such error (this may also occur when the Company is acting as agent in an exchange based marketplace); and
- (3) Executing or facilitating customer orders. This includes, but is not limited to, acquiring a position (i) resulting from partial mismatches in timing between multiple buyers and sellers when facilitating customer orders, and/or (ii) prior to a position being novated, given-up or settled by the relevant customer(s) and/or for the purposes of gaining the customer(s) access to any applicable clearing and settlement system.

In connection with acquiring positions from unmatched principal transactions and erroneous agency transactions, the Company, while managing and liquidating such positions, may generate a profit or a loss.

## **2. Summary of Significant Accounting Policies**

### Basis of presentation

The unaudited statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The U.S. Dollar is the functional currency of the Company. In the opinion of management, the unaudited statement of

# ICAP Corporates LLC

## Notes to Unaudited Statement of Financial Condition

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(dollars in thousands)

financial condition includes all adjustments necessary to present fairly the financial position at June 30, 2019.

#### Use of Estimates

Preparation of the unaudited statement of financial condition in accordance with GAAP 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. Significant estimates include goodwill, realizability of deferred tax assets and related allowance, and allowance for receivables. Actual results could differ from those estimates.

#### Revenue Recognition

The Company adopted ASC 606 Revenue Recognition on Contracts with Customers (“the new revenue recognition standard”) on January 1, 2018.

The Company acts as an intermediary in the wholesale financial markets and therefore acts in a matched principal, or agency role. The Company also earns revenue from data sales.

*Matched principal transactions* - The Company acts as a “middleman” by serving as the counterparty for identified buyers and sellers in matching reciprocal back to back trades. The buyers and sellers in these transactions have agreed to the performance obligation details of price and quantity for the securities being traded. Principal transactions revenue is derived from the spread of the buy and sell transactions. Principal transactions revenue is recognized on a trade date basis once the details of the performance obligation are met and transfer of control of the securities is established between the customers. Principal transaction revenues are generally paid on settlement date (typically one or two days after trade date), therefore the Company records a receivable between trade date and payment on settlement date.

*Agency commissions* - The Company acts in an agency capacity, by connecting buyers and sellers. When the buyers and sellers agree to price and other terms of the transaction, the Company’s performance obligation is met and it leaves both parties, to clear and settle through the appropriate market mechanism. In agency transactions, the Company charges commission for executing transactions between buyers and sellers. Agency commissions revenue and related expenses are recognized on trade date. The Company accounts for agency commissions on an accrual basis and therefore records a receivable between trade date and payment date (the date customer invoice payments are received).

*Data sales*- The Company earns data sales revenues from providing trading information to financial institutions. Data sales revenue is recognized upon usage or availability of data. The Company’s performance obligation related to these sales does not go beyond providing data to its customers. Data sales revenues are generally recognized over the period that the related service is provided. The timing of the Company’s revenue recognition may differ from the timing of payment by customers. The Company records a receivable when revenue is recognized prior to payment, and conversely when the customer is billed in advance or payment precedes the Company’s service obligation, deferred revenue is recorded until the Company’s performance obligations are satisfied. The Company did not have any deferred revenue as of June 30, 2019.

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Due to the nature of its business, related performance obligations and the transfer of control in services to its customers the Company has determined that the accounting for revenues earned from its businesses has not been materially impacted by the adoption of this new standard. Additionally, the adoption of the new revenue recognition standard did not have a material impact on the Company's financial condition.

#### Lease Accounting

The Company has evaluated ASC 842 Lease Accounting ("the new lease accounting standard"), and has determined that adoption of this new standard and the accounting for leases will not materially impact its broking business. Additionally, adoption of the new lease accounting standard will not have a material impact on the Company's financial condition.

#### Restricted cash

The Company has adopted ASC 230 ("Statement of Cash Flows - Restricted Cash"). This ASC requires cash segregated for regulatory and other purposes be included in cash and cash equivalents disclosed in the statement of cash flows.

#### **(a) Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2019 includes \$91,536 of cash held in demand deposit accounts by two major financial institutions. The Company considers short-term interest bearing investments with initial maturities of three months or less to be cash equivalents. Additionally, at June 30, 2019, the Company had a cash balance that exceeded the Federal Deposit Insurance Corporation ("FDIC") limit of \$250, held at one major institution.

#### **(b) Cash Segregated Under Federal Regulations**

Cash in the amount of \$4,500 has been segregated in a special reserve bank account for the exclusive benefit of customers under SEC Rule 15c3-3. The Company computes a proprietary accounts of broker-dealers ("PAB") reserve, which requires that the Company maintain minimum segregated cash in the amount of total credits per the Reserve Computation. As of June 30, 2019, cash in the amount of \$300 has been segregated in PAB reserve account. The segregated cash held in both the special reserve bank account for the exclusive benefit of customers and the PAB reserve account exceeded the requirement pursuant to SEC Rule 15c3-3.

#### **(c) Exchange and Trading Memberships**

The Company owns membership shares in the Depository Trust Clearing Corporation ("DTCC"). The membership shares are subject to restriction. The Company carries these restricted shares at cost of \$85.

The Company owns two trading memberships with ICE Inc., formerly named the New York Board of Trade ("NYBOT"). The membership shares are subject to restriction. The Company carries these restricted shares at cost of \$2.

Additionally, the Company owns a CBOT trading membership seat. The Company carries this membership seat at cost of \$182.

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The Company is required to hold these shares and trading membership in order to maintain its trading membership privileges. The Company performed an annual impairment review and determined that there was no impairment of the shares or trading membership seat.

#### **(d) Securities Transactions**

Securities owned are recorded at fair value. Security transactions and the related revenue and expenses are recorded on a trade date basis. Securities owned primarily consist of US Government, corporate obligations and equities. Customers' securities transactions are recorded on a settlement date basis.

#### **(e) Collateralized Financing Agreements**

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash with the lender. With respect to securities loaned, the Company receives collateral in the form of cash. The amount of collateral required to be deposited for securities borrowed or received for securities loaned is an amount generally in excess of the market value of the applicable securities. The Company monitors the market value of securities borrowed and loaned daily, with additional collateral obtained or refunded as appropriate. The amount of collateral received and delivered under these agreements approximates the amounts on the unaudited statement of financial condition. Securities borrowed and securities loaned are presented on a gross basis in the unaudited statement of financial condition.

Interest income is accrued in accordance with contractual rates.

#### **(f) Goodwill**

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. The Company tests goodwill for impairment on an annual basis and more frequently when certain events or circumstances exist. Impairment is the condition that exists when the carrying amount of goodwill exceeds its fair value. Impairment is tested at the reporting unit level. If the estimated fair value exceeds the carrying value of the reporting unit, goodwill at the reporting unit level is not impaired. If the estimated fair value is below the carrying value, further analysis is required to determine the amount of impairment. In performing its assessment for impairment of goodwill, the Company is required to make estimates and assumptions in order to determine the fair value of reporting units and projected future earnings using various valuation techniques. The Company uses its best judgement and information available to it at the time to perform this review. Upon completing its annual review, the Company concluded that there was no impairment to goodwill as of June 30, 2019.

#### **(g) Prepaid Expenses and Other Assets**

Prepaid expenses and other assets primarily represent unamortized compensation expense associated with sign-on bonuses and forgivable loans which are amortized over the life of the employment contracts.



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**(h) Allowance for Doubtful Accounts**

An allowance for doubtful accounts on commissions receivable is maintained at a level that in management's judgment is adequate to absorb expected credit losses. The allowance is increased by provisions charged to income and is reduced by charge-offs. As of June 30, 2019, there was an allowance of \$746.

**(i) Income Taxes**

The Company is included in the consolidated U.S. federal and combined state and local income tax returns of TPIAHI as a division of ICAP Global Broking Inc. "IGBI". It calculates the provision for income taxes by using a "separate return" method as modified to apply the "benefits-for-loss" approach. Under this approach, the provision for income taxes is computed as if the company filed on a separate tax return basis and is then adjusted to reflect the periodic reimbursement for any tax benefits received or generated by the Company.

The Company recognizes the current and deferred tax consequences of all transactions that have been recognized in the financial statements using the provisions of the enacted tax laws. In this regard, deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years and for tax loss carryforwards, if in the opinion of management, it is more likely than not that the deferred tax assets will be realized. A valuation allowance is required for any component of net deferred tax assets which does not meet the "more likely than not" criterion for realization and the need for a valuation allowance is assessed on the basis of the Company's projected separate return results modified to apply the benefits-for-loss approach. Deferred tax liabilities are recognized for temporary differences that will result in taxable income in future years.

**3. Receivable from and Payable to Brokers, Dealers and Clearing Organizations**

Settlement date for brokered transactions in securities is generally same day or one to two business days after trade date, except for mortgage related securities issued by federal agencies, which is between five and twenty business days after trade date.

	<u>Receivable</u>		<u>Payable</u>
Fail-to-deliver	\$ 142,471	Fail-to-receive	\$ 110,989
Receivable from clearing brokers and clearing organizations	5,831	Payable to clearing brokers and clearing organizations	1,204
Other	3,666	Other	3,077
	<u>\$ 151,968</u>		<u>\$ 115,270</u>

**4. Receivable from and Payable to Customers**

Receivable from and payable to customers consists primarily of amounts due on cash transactions arising from customer fails-to-receive and fails-to-deliver.

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#### **5. Income Taxes**

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The specific law changes that impacted the Company was the reduction of the US federal corporate tax rate to 21 percent and elimination of the deductibility of client entertainment expenses.

The Company is subject to a 21 percent US federal corporate tax rate.

The effective tax rate for the year ended June 30, 2019 is 32.31%. The effective tax rate differs from the federal statutory tax rate primarily due to the increases in the impact of state and local income taxes of 8.68%, non-deductible expenses of 1.09%, foreign income taxes of 1.54%.

The Company believes there are no unrecognized tax benefits, including interest and penalties and therefore did not record a liability for these items.

At June 30, 2019, the Company had \$1,579 of net deferred tax liabilities. This balance is comprised of deferred tax assets of \$229 resulting from temporary differences primarily related to redundancy provisions of \$6 and the provision for bad debts of \$197 and stock option plan provision of \$26. These deferred assets were offset by deferred tax liabilities of \$1,808 resulting from temporary differences primarily related to prepaid compensation of \$1,369 and amortization of goodwill of \$439.

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

The Company is included in the federal consolidated income tax return TPIAHI and Subsidiaries.

#### **6. Commitments and Contingencies**

##### **Litigation**

In the ordinary course of business, various legal actions are brought and are pending or threatened against the Company. In some of these actions, substantial amounts are claimed. The Company is also involved, from time to time, in other reviews, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company's business, judgments, settlements, fines, penalties, injunctions or other relief.

The Company contests the liability or the amount of damages in each pending matter. In view of the inherent difficulty of projecting the outcome of such matters, the Company cannot predict with certainty the loss or range of loss related to such matters, how such matters will be resolved, when they ultimately will be resolved, or what the eventual settlement, fine, penalty or other relief might be. Management believes, based on currently available information, that the results of such matters, in the aggregate, will not have a material adverse effect on its unaudited statement of financial condition.

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(dollars in thousands)

**7. Offsetting Financial Assets and Financial Liabilities**

U.S. GAAP permits entities to present derivative receivables and payables with the same counterparty and the related cash collateral receivables and payables on a net basis in the unaudited statement of financial condition when a legally enforceable master netting agreement exists. U.S. GAAP also permits securities sold and purchased under repurchase agreements and securities borrowed or loaned under securities loan agreements to be presented net when certain conditions are met, including the existence of a legally enforceable master netting agreement.

The Company discloses both gross and net information about financial instruments and transactions eligible for offset in the unaudited statement of financial condition and financial instruments and transactions subject to an agreement similar to a master netting arrangement.

Financial instruments and transactions would include derivatives, sale and repurchase agreements reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements.

The Company presents securities borrowed and securities loaned on a gross basis in the unaudited statement of financial condition.

The following tables present the gross and net of securities borrowed and loaned as of June 30, 2019.

**Offsetting of Financial Assets:**

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Market Value	Cash Collateral Received	Net Amount
Securities borrowed	\$ 972,384	\$ -	\$ 972,384	\$ (951,397)	\$ -	\$ 20,987
Total	\$ 972,384	\$ -	\$ 972,384	\$ (951,397)	\$ -	\$ 20,987

**Offsetting of Financial Liabilities:**

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				Gross Amounts Not Offset in the Statement of Financial Condition		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Market Value	Cash Collateral Pledged	Net Amount
Securities loaned	\$ 975,611	\$ -	\$ 975,611	\$ (951,018)	\$ -	\$ 24,593
Total	\$ 975,611	\$ -	\$ 975,611	\$ (951,018)	\$ -	\$ 24,593

The table below presents the gross carrying value of Securities loaned by class as of June 30, 2019.

Securities Loaned	Gross carrying value
Equity securities	\$ 550,603
Corporate debt	400,415
	<u>\$ 951,018</u>

The securities loaned can involve varying contractual maturities ranging from overnight to over ninety days.

**8. Net Capital Requirements**

As a registered broker-dealer and member of FINRA, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) ("the Rule") of the SEC. The Company computes its net capital under the alternative method permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,000 or 2% of aggregate debit balances arising from customer transactions, as defined. At June 30, 2019, the Company had net capital of \$85,888, which exceeded the minimum requirement of \$1,022 by \$84,866.

As a registered non-clearing IB, the Company is subject to the Minimum Capital Requirements Rule ("The Rule") pursuant to Regulation 1.17 under the Commodity Exchange Act (the "Act") as amended. The Rule requires the maintenance of minimum net capital equal to the greater of \$1,000 or 2% of aggregate debit balances as shown in the Formula for Reserve Requirements pursuant to Rule 15c3-3. At June 30, 2019, the Company had net capital of \$85,888 which was \$84,866 in excess of the minimum net capital requirements of the Act.

**9. Employee Benefits**

The Company participates in a trustee profit sharing plan (the "Plan") covering substantially all of its employees, under which contributions are made at the discretion of management. The Plan includes a 401(k) provision whereby all employees are allowed to contribute a portion of their earnings. On a discretionary basis, the Company matches a portion of employee contributions.

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*(dollars in thousands)*

#### **10. Fair Value Measurements**

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. Various valuation inputs are used to determine the fair value of assets or liabilities. Such inputs are defined broadly as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets in active markets or quoted prices for identical assets in markets that are not considered to be active, or financial instruments for which all significant valuation inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

The Company did not have any assets or liabilities classified as Level 3 at June 30, 2019.

#### **Financial Instruments Measured at Fair Value**

The Company's cash and cash equivalents typically include short-term highly liquid money market mutual funds, which are quoted on through over the counter markets and therefore considered Level 1. At June 30, 2019 the Company's cash and cash equivalents are comprised of \$67,078 cash held in demand deposit accounts.

The Company's securities owned, typically shares of common stock and high grade corporate bonds, which are measured based on quoted market prices and therefore are considered Level 1 assets.

The Company's securities sold, but not yet purchased at fair value, are typically shares of common stock and high grade corporate bonds, which are quoted on a national securities exchange are classified as Level 1 assets.

ASU 2010-6 "Improving Disclosures about Fair Value Measurements" ("ASU") requires the following disclosures: (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity; including information on a gross basis for purchases, sales issuances and settlements. For the year ended June 30, 2019 the Company did not have any transfers between levels.

#### **Financial Instruments Not Measured at Fair Values**

The Company estimates that the fair value of its remaining financial instruments recognized on the unaudited statement of financial condition approximate their carrying value, because they have limited counterparty credit risk and are short-term, replaceable on demand, or bear interest at market rates.

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The table below presents the carrying value and fair value of the Company's financial instruments which are not carried at fair value. In addition, the table excludes the values of non-financial assets and liabilities.

	June 30, 2019			
Assets:	Level 1	Level 2	Level 3	Total
Deposits with clearing organizations	\$ -	\$ 25,201	\$ -	\$ 25,201
Securities borrowed	-	972,384	-	972,384
Receivable from broker dealers and clearing organizations	-	151,968	-	151,968
Commissions receivable	-	25,142	-	25,142
Receivable from customers	-	39,352	-	39,352
Exchange and trading memberships	-	269	-	269
Total	<u>\$ -</u>	<u>\$ 1,214,316</u>	<u>\$ -</u>	<u>\$ 1,214,316</u>
Liabilities:				
Securities loaned	\$ -	\$ 975,611	\$ -	\$ 975,611
Payable to broker dealers and clearing organizations	-	115,270	-	115,270
Payable to customers	-	57,719	-	57,719
Total	<u>\$ -</u>	<u>\$ 1,148,600</u>	<u>\$ -</u>	<u>\$ 1,148,600</u>

**11. Financial Instruments with Off-Balance-Sheet Risk and Concentration of Credit Risk**

If transactions do not settle because of failure by either counterparty to perform, the Company may, under certain circumstances, be required to discharge the obligation of the non-performing party.

As a result of acquiring a position as discussed under Note 1 herein, the Company may incur a gain or a loss if the market value of the security at the time of discharge is different from the value of the original transaction.

The Company has loaned to brokers and dealers, securities owned by other brokers and dealers having a market value of \$951,018, and received cash or other collateral with a value of \$975,611. If a borrowing broker or dealer does not return a security, the Company may be obligated to purchase the security in order to return it to the owner. In such circumstance, the Company may incur a loss equal to the amount by which the market value of the security on the date of non-performance exceeds the value of the loan or the collateral from the broker or dealer. In addition, the Company has borrowed from other brokers and dealers, securities having a market value of \$951,397 and has given cash or other collateral with a value of \$972,384. In the event a lender

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does not return the collateral, the Company may be subject to a loss equal to the amount by which the collateral exceeded the market value of the security borrowed.

In addition, pursuant to the terms of the clearing agreements between the Company and its clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. At June 30, 2019, the Company has recorded no liability. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company believes the risk of loss is remote.

The contractual amount of purchase and sale transactions at June 30, 2019 was \$569,298 for both purchases and sales which have not yet reached settlement date. Substantially all of these transactions have settled within a short period of time subsequent to the Company's fiscal year end. The net amount of these purchase and sale transactions is included in payable to brokers and dealers in the Unaudited Statement of Financial Condition.

The Company's policy is to monitor its market exposure and counterparty risk through the use of a variety of financial position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business. The Company does not anticipate non-performance by the counterparties.

#### **12. Transactions with Affiliates**

The Company entered into agreements with indirect wholly owned subsidiaries of TP ICAP plc, whereby the subsidiaries provide them with shared occupancy, fixed assets and administrative services (including finance, human resources, operations, legal and electronic data processing functions), and the Company provides similar services to other TP ICAP plc subsidiaries. The agreements also include the payment of certain expenses such as payroll, paid on behalf of the Company. At June 30, 2019, the Company has a payable to affiliates of \$1,926 and an advance payment of \$122 to another affiliate under these agreements and therefore are reflected in payable to affiliates and receivable from affiliates respectively in the unaudited statement of financial condition.

The Company has receivables from affiliates of \$1,179 relating to commissions collected by the affiliates on behalf of the Company.

The Company has payables to affiliates of \$806 relating to commissions collected by the Company on behalf of the affiliates. The Company also has a payable of \$1,259 due to an affiliate for shared administrative expenses incurred by the affiliate on behalf of the Company.

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Additionally, the Company has a loan payable to an affiliate of \$22,000 to cover funding needs related to securities settlements.

The Company clears its U.S. Government securities transactions through its parent ICAP Securities USA LLC. In addition, the Company provides clearing services for foreign affiliates.

The Company's parent, ICAP Securities USA LLC, has guaranteed the Company's payment and performance to certain stock loan counterparties.

The Company has income taxes payable of \$2,535 due to an affiliate.

At June 30, 2019, there are no payables outstanding related to introducing broking fees.

Amounts receivable from affiliates are non-interest bearing and due on demand.

### **13. Integration plan costs**

The Company incurred integration plan costs which generally consist of employee severance, and termination costs. These charges were incurred due to the of integration of the Tullet Prebon Group and the ICAP global broking businesses ("IGBB").

Integration costs have been recorded in accordance with ASC 712-10, "Nonretirement Postemployment Benefits," and/or ASC 420-10, "Exit or Disposal Cost Obligations" as appropriate.

The Company records severance and one- time termination costs provided under an ongoing benefit arrangement once they are both probable and estimable in accordance with the provisions of ASC 712-10. Pursuant to ASC 420-10, the Company establishes a liability for costs associated with severance and termination obligations, and other related costs, when the liability is incurred, rather than at the date of termination.

The determination of when the Company accrues for severance costs and which standard applies depends on whether the termination benefits are provided under an ongoing arrangement as described in ASC 712-10 or under a one-time benefit arrangement as defined by ASC 420-10. Inherent in the estimation of the costs related to the cost improvement and integration activities are assessments related to the most likely expected outcome of the significant actions. In determining the charges related to the integration plan, the Company makes estimates. These estimates may vary significantly from actual costs depending, in part, upon factors that may be beyond the control of the Company. The Company will continue to review the status of the integration costs and, if appropriate, record changes to these obligations in current operations based on the Company's most current estimates.

At June 30, 2019, the Company has recorded a liability of \$21, for its obligations related to the integration cost plan.



**ICAP Corporates LLC**  
**Notes to Unaudited Statement of Financial Condition**  
**June 30, 2019**

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*(dollars in thousands)*

**14. Subsequent Events**

The Company has performed an evaluation of subsequent events through August 23, 2019. There have been no subsequent events that occurred during this period that would require recognition in the unaudited statement of financial condition or disclosure as of June 30, 2019.