

June 30, 2015

# Statement of Financial Condition and Supplementary Information Unaudited

State Street Global Markets, LLC  
(A wholly-owned subsidiary  
of State Street Corporation)



**STATE STREET.**

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# STATEMENT OF FINANCIAL CONDITION

June 30, 2015

## Assets

Cash and cash equivalents	\$ 80,786,796
Cash and cash equivalents segregated in compliance with federal regulations	335,558,229
Securities segregated in compliance with federal regulations	19,996,200
Deposits with clearing organizations	121,752,059
Receivable from broker-dealers and clearing organizations	255,165,049
Receivable from customers	5,606,369
Receivable from affiliates	6,609,661
Distribution fees receivable	8,426,836
Securities owned, at fair value	184,034,043
Exchange memberships	4,217,300
Other intangible assets, net of accumulated amortization of \$30,050,370	18,679,630
Other assets	6,411,712
<b>Total assets</b>	<b>1,047,243,884</b>

## Liabilities and member's equity

### Liabilities

Payable to broker-dealers and clearing organizations	\$ 5,856,372
Payable to customers	227,189,822
Payable to affiliates	167,602,793
Accrued tax liability	2,197,464
Deferred tax liability, net	5,719,445
Accrued marketing expense	622,044
Accrued expenses and other liabilities	6,770,048
<b>Total liabilities</b>	<b>415,957,988</b>

Subordinated liabilities	125,000,000
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Member's equity	506,285,896
<b>Total liabilities and member's equity</b>	<b>1,047,243,884</b>

The accompanying notes are an integral part of this statement of financial condition.

# NOTES TO STATEMENT OF FINANCIAL CONDITION

June 30, 2015

## 1. Organization and Description of Business

State Street Global Markets, LLC (the Company), a Delaware single-member limited liability company, is a wholly-owned subsidiary of State Street Corporation (the Parent). The Parent's liability is limited to the amount of its equity and subordinated liabilities contribution, as shown in the Statement of Financial Condition, in the Company. The Company was incorporated on April 21, 1999, and its existence has been deemed perpetual.

The Company is a U.S. Securities and Exchange Commission (SEC) registered clearing broker-dealer, and a Commodity Futures Trading Commission (CFTC) designated Futures Commission Merchant (FCM). The Company is a member of the Financial Industry Regulatory Authority (FINRA), the National Futures Association (NFA), and the New York Stock Exchange (NYSE). The Company is engaged as a securities broker-dealer that comprises several classes of services, including principal transactions, agency transactions, and mutual fund distribution, as well as the execution and clearance of exchange traded futures and options on futures contracts. The Company has developed a trading system that enables high volume trades to be processed efficiently and effectively based on real-time market conditions. The system enables the processing of block trades, away from the exchange, at prices mutually agreed upon.

## 2. Significant Accounting Policies

The Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Significant accounting policies are as follows:

### Use of Estimates

The preparation of the Statement of Financial Condition is in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Statement of Financial Condition and the accompanying notes. Actual results could differ from those estimates.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Subsequent Events**

Events occurring subsequent to the date of the Statement of Financial Condition were evaluated through August 28, 2015.

### **Cash and Cash Equivalents**

Cash and cash equivalents represent cash on deposit with financial institutions and highly liquid investments with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

These investments include demand deposits and money market securities.

### **Cash and Cash Equivalents Segregated in Compliance with Federal Regulations**

Cash and cash equivalents segregated in compliance with federal regulations consists of cash and cash equivalents deposited in special bank accounts for the exclusive benefit of customers under Section 4d(a)(2) of the Commodity Exchange Act as well as Regulation 30.7 of the CFTC. Funds are also invested in money market mutual funds in the IEF2 Program offered by the Chicago Mercantile Exchange (CME). Funds invested in the IEF2 Program can be used to meet performance bond requirements at the CME.

### **Securities Segregated in Compliance with Federal Regulations**

Securities segregated in compliance with federal regulations consist of U.S. Treasury bills deposited in a special reserve bank account for the exclusive benefit of customers under SEC Rule 15c3-3. These securities are carried at fair value.

### **Deposits with Clearing Organizations**

Cash and securities are kept on deposit with various clearing organizations, and represent the minimum balance required to be maintained in order to utilize various clearing brokers. These balances are subject to withdrawal restrictions such that the Company would be prohibited from doing business with the clearing brokers if the minimum cash or security balance on deposit is not maintained.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Fair Value of Financial Instruments**

Securities owned are recorded on a trade date basis and are reported at fair value.

### **Receivable from and Payable to Broker-Dealers and Clearing Organizations**

Receivable from broker-dealers and clearing organizations includes amounts receivable for fails to deliver, cash deposits for securities borrowed, amounts receivable from clearing organizations, and commissions receivable from broker-dealers. The Company typically borrows securities when securities are needed to deliver against a settling transaction, such as non-standard settlements requested by a customer or a fail to deliver. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. The initial collateral advanced has a fair value equal to or greater than the fair value of the securities borrowed. The Company monitors the fair value of the securities borrowed on a regular basis, and adjusts the collateral as appropriate.

Payable to broker-dealers and clearing organizations include amounts payable for fails to receive and amounts payable to clearing organizations on open transactions.

### **Receivable from and Payable to Customers**

Receivable from customers consists of amounts owed by customers which are collateralized by securities owned by the customer and commissions earned as well as futures margin transactions.

Payable to customers consists of amounts owed to customers pending receipt of securities and payables arising from the Company's commission recapture business as well as futures margin collected.

### **Other Intangible Assets**

Other intangible assets represent purchased assets that can be distinguished from goodwill because of contractual rights, or because the asset is capable of being exchanged on its own or in combination with a related contract, asset, or liability.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Finite-lived identifiable intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from five to twenty years from the date of original acquisition. Identifiable intangible assets are also reviewed for impairment at least annually, or more frequently when circumstances indicate impairment could exist. Impairment is deemed to exist if the balance of the identifiable intangible asset is determined not to be recoverable. Identifiable intangible assets are reflected in the Statement of Financial Condition at cost less accumulated amortization.

### **Exchange Memberships**

Exchange memberships represent ownership interests in domestic exchanges, and provide the Company with the right to conduct business on those exchanges. These assets are recorded at cost, and are periodically evaluated for impairment that may be deemed to be other-than-temporary. Based on the Company's evaluation of projected cash flows of the Company's FCM business in compliance with GAAP, the decline in fair value was determined to be temporary. Accordingly, no impairment was recognized during the period ended June 30, 2015.

### **Securities Transactions**

Securities transactions are recorded on a trade date basis.

### **Income Taxes**

The Company is a single-member limited liability company for federal, state, and local corporate income tax purposes and, accordingly, was not subject to federal, state, and local corporate income taxes.

The Parent allocates income tax expense to the Company as if the Company filed a separate tax return, and the Company reimburses the Parent for the expense recognized. The Company has computed its income tax provision on a separate entity basis using the liability method in accordance with relevant guidance and its intercompany tax sharing agreement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Tax Uncertainty

In accordance with relevant accounting guidance, an entity is permitted to recognize the benefit of uncertain tax positions only where the position is “more likely than not” to be sustained in the event of examination by tax authorities based on the technical merits of the position. The maximum tax benefit recognized is limited to the amount that is greater than 50% likely to be realized upon ultimate settlement.

### 3. Income Taxes

As of June 30, 2015 the Company has a net deferred tax liability of \$5,719,445. Of the net deferred tax liability, the Company had a deferred tax liability related to Other Intangible Assets of \$6,070,439 and a deferred tax asset of \$350,994 related to accrued expenses and investments.

Pursuant to an intercompany tax-sharing agreement with the Parent, the Company computes its federal tax expense using the statutory rate of 35%. The Company accrues state tax expense, which is also paid to or received from the Parent as part of an intercompany tax-sharing agreement.

In compliance with relevant accounting guidance, the Company has identified no uncertain tax positions as of June 30, 2015. The Company records interest and penalties related to income taxes as a component of income tax expense. There were no interest or penalties included in income tax expense in 2015. The earliest year open to examination is 2012.

### 4. Other Intangible Assets

The Company completed its annual review of other intangible assets as of August 31, 2014, and determined no impairment charge was required. Subsequent to August 31, 2014, no events have occurred or circumstances have changed that would reduce the fair value of other intangible assets below its carrying value.

The following table summarizes other intangible assets as of June 30, 2015:



## 4. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
SPDR ETF marketing rights	\$18,000,000	\$14,301,370	\$ 3,698,630
Software	11,500,000	8,433,348	3,066,652
Customer lists	19,230,000	7,315,652	11,914,348
<b>Total</b>	<b>\$48,730,000</b>	<b>\$30,050,370</b>	<b>\$18,679,630</b>

## 5. Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Financial assets and liabilities carried at fair value on a recurring basis are categorized based upon a prescribed three-level valuation hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market. Examples of Level 1 financial instruments include active exchange-traded equity securities and certain U.S. government securities.

Level 2 – Financial assets and liabilities whose values are based on quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. An example of Level 2 financial instruments includes money market mutual funds.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall fair value measurement. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset or liability, and are based on the best available information, some of which is internally developed. At June 30, 2015 there were no financial instruments classified in Level 3.

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The inputs or methodology used to value an investment are not necessarily an indication of the risk associated with investing in those securities.

The following table presents information about the Company's financial assets carried at fair value in the Statement of Financial Condition as of June 30, 2015:

Assets	Quoted Market Prices in Active Markets (Level 1)	Pricing Methods with Significant Observable Market Inputs (Level 2)	Pricing Methods with Significant Unobservable Market Inputs (Level 3)	Total Net Carrying Value in Statement of Financial Condition
Cash equivalents	\$ -	\$ 62,572,683	\$ -	\$ 62,572,683
Cash equivalents segregated in compliance with federal regulations	-	131,159,859	-	131,159,859
Securities segregated in compliance with federal regulations	-	19,996,200	-	19,996,200
Other Assets				
US Government	-	7	-	7
Equity securities	-	184,034,036	-	184,034,036
Total other assets	-	184,034,043	-	184,034,043
<b>Total assets carried at fair value</b>	<b>\$ -</b>	<b>\$397,762,785</b>	<b>\$ -</b>	<b>\$ 397,762,785</b>
<b>Liabilities</b>				
Securities sold, not yet purchased, at fair value	-	-	-	-
Equity securities	-	-	-	-
<b>Total assets carried at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

There were no transfers of financial assets between levels during the period ended June 30, 2015.

The fair value of highly liquid, short term assets, including cash, securities, receivables, payables, and accrued expenses approximates their carrying value given that they are short term in nature, bear interest at current market rates, or are subject to re-pricing, generally on a daily basis.

During January 2015, certain illiquid securities were purchased into the Company's proprietary trading portfolio. As with other equity and debt securities bought and held principally for the purpose of selling them in the near term, the positions are classified as trading securities reported at fair value, with unrealized gains and losses included in earnings. The Company's deductions and haircut treatment for these securities is in accordance with SEC Rule 15c3-1. The impact of the transaction increased the Company's inventory position by \$190 million, with a corresponding decrease in cash and cash equivalents, as well as a \$180 million reduction in tentative net capital and \$171 million reduction in excess net capital. The Company maintained excess net capital of \$344 million after the transaction.

## 6. Receivable from and Payable to Broker-Dealers and Clearing Organizations

At June 30, 2015, amounts receivable from and payable to broker-dealers and clearing organizations include:

### Receivables

Clearing organizations	\$ 177,100,462
Securities pending settlement	39,456,418
Cash collateral receivable	18,025,077
Securities borrowed	8,655,587
Securities failed to deliver	5,381,929
Marketing agent fees	4,102,924
Commissions and transaction fees	2,442,652
<b>Total receivables</b>	<b>\$ 255,165,049</b>

### Payables

Broker-dealers	\$ 3,555,487
Securities failed to receive	2,300,885
<b>Total payables</b>	<b>\$ 5,856,372</b>

All material fail to deliver and fail to receive transactions and securities pending settlement settled subsequent to June 30, 2015 without any adverse financial effect.

## 7. Receivable from and Payable to Customers

At June 30, 2015, amounts receivable from and payable to customers include:

### Receivables

Securities pending settlement	\$ 5,514,502
Futures margin pending settlement	91,867
<b>Total receivables</b>	<b>\$ 5,606,369</b>

### Payables

Futures margin collected	\$ 217,405,364
Commission sharing payables	6,520,249
Securities pending settlement	2,489,804
Commissions payable	774,405
<b>Total payables</b>	<b>\$ 227,189,822</b>

All material transactions settled subsequent to June 30, 2015 without any adverse financial effect.

## 8. Concentration Risk

The Company provides investment and related services to a diverse group of domestic customers, including institutional investors and broker-dealers. The Company's exposure to risk associated with these transactions is measured on an individual customer or counterparty basis. To reduce the potential for risk concentration, credit limits are established and continually monitored in light of changing customer and market conditions. In the normal course of providing such services, the Company requires collateral on a basis consistent with industry practice or regulatory requirements. The type and amount of collateral are continually monitored, and counterparties are required to provide additional collateral as necessary.

A significant portion of the Company's revenues were derived from its role as marketing agent of the SPDR<sup>®</sup> Gold Trust. This revenue could be adversely affected by any number of market events, such as price volatility, new entrants into the market space, or economic conditions.

## 9. Risk Management

### Customer Activities and Credit Risk

In the normal course of business, the Company's activities involve the execution and the settlement of customer securities transactions. These activities may expose the Company to risk in the event the customer is unable to fulfill its contractual obligation. Credit risk represents the maximum potential loss the Company faces due to the possible nonperformance by customers.

The Company's customer securities activities are transacted on a delivery versus payment basis. In delivery versus payment transactions, the Company is exposed to risk of loss in the event of the customer's or broker's inability to meet the terms of their contracts. Should the customer or broker fail to perform, the Company may be required to complete the transaction at prevailing market prices. In addition, the Company has entered into indemnification agreements with certain clearing organizations whereby the Company has agreed to compensate the clearing organizations for any damages or losses caused by a customer introduced by the Company. The Company does not extend credit to customers in the form of margin accounts and generally settles securities transactions on its customers' behalf on a delivery versus payment/receive versus payment basis.

The Company's exposure to credit risk can be directly impacted by volatile securities markets that may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to manage its credit risk through a variety of reporting and control procedures, and by applying uniform credit standards maintained for all activities with credit risk. The Company's credit exposure related to futures commission merchant activity is mitigated as all transactions are cleared through an exchange, and are collateralized by both initial and daily margin requirements that are set by the exchange. Also, the Company performs a thorough credit review of each futures customer. The Company may require customers to post additional margin dependent on the credit review and the volatility of the contracts traded.

## 9. RISK MANAGEMENT (CONTINUED)

### Liquidity Risk

The Company monitors its liquidity on a daily basis. All bank accounts and depository accounts are monitored intraday to ensure sufficient funding to comply with the securities and futures clearing regulations. The Company has an unsecured line of \$1.25 billion with the Parent to draw down upon to provide additional liquidity based upon the needs all business lines.

### Market Risk

Market risk is the potential loss the Company may incur as a result of changes in the market or fair value of a particular financial instrument. All financial instruments are subject to market risk.

The Company's exposure to market risk is determined by a number of factors, including size, duration, composition, and diversification of positions held, as well as market volatility and liquidity. The Company manages market risk by setting, monitoring, and adhering to risk limits.

### Exchange Member Guarantees

The Company is a member of exchanges that trade and clear futures contracts. Associated with these memberships, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligation 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 this agreement, and believes that any potential requirement to make payments under this agreement is remote.

## 9. RISK MANAGEMENT (CONTINUED)

### Other Guarantees

The Company also executes and clears commodity futures transactions for the accounts of its customers. Certain transactions are introduced to other clearing brokers. As such, the Company guaranteed to respective clearing houses or other brokers its customers' performance under these contracts. In accordance with regulatory requirements and market practice, the Company requires its customers to meet, at a minimum, the margin requirements established by each of the exchanges at which contracts are traded. Exchange traded financial instruments, such as futures and options, generally do not give rise to significant unsecured counterparty exposure. Risk arising from customer positions in over-the-counter products is managed based on margin requirements equivalent to exchange margins. Margin is a deposit from the customer that reduces risk to the Company of failure by the customer to fulfill obligations under these contracts. To minimize its exposure to risk of loss due to market variation, the Company adjusts these margin requirements as needed. As a result of market variations, the Company may satisfy margin requirements by liquidating certain customer positions. The Company also establishes credit limits for customers and monitors credit compliance daily. Management believes that the margin deposits held at June 30, 2015 were adequate to minimize the risk of material loss that could be created by positions held at that time.

In the normal course of business, certain activities of the Company involve the execution and clearance of customer securities transactions through clearing brokers. These activities may expose the Company to off-balance-sheet risk in the event a customer is unable to fulfill its contractual obligation since, pursuant to the clearing agreement, the Company has agreed to indemnify the clearing brokers without limit for losses that the clearing brokers may sustain from the clients introduced by the Company. However, the transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date. As a result of the settlement of these transactions, there were no amounts to be indemnified to clearing brokers for these customer accounts at June 30, 2015.

## 10. Regulatory Requirements

As a registered broker-dealer and futures commission merchant, the Company is subject to the higher of the net capital requirements of the SEC's Uniform Net Capital Rule under Rule 15c3-1 of the Securities Exchange Act of 1934 (Rule 15c3-1) and the CFTC's Rule 1.17 (Rule 1.17), respectively. The Company has elected to use the alternative method of computing regulatory net capital requirements provided for in Rule 15c3-1. Under the alternative method permitted by Rule 15c3-1, the Company must maintain net capital equal to the greater of 2% of aggregate customer-related debit items, as defined, or \$250,000, whichever is greater. The Company is also subject to a minimum net capital requirement of \$1,000,000 or 8% of customer and noncustomer maintenance margin requirements, whichever is greater under Rule 1.17.

At June 30, 2015, the Company's net capital was \$395,597,500 which was \$370,580,741 in excess of the minimum required net capital of \$25,016,759 under Rule 1.17.

Under clearing arrangements with its clearing brokers, the Company is required to maintain certain minimum levels of net capital to comply with other financial ratio requirements. At June 30, 2015, the Company was in compliance with all such requirements.

In accordance with the requirements of the SEC's Customer Protection: Reserves and Custody of Securities under Rule 15c3-3, the Company has segregated U.S. Treasury bills with a fair value of \$19,996,200 in a special reserve bank account for the exclusive benefit of customers, which was in excess of its required deposit by \$13,577,997.

In accordance with the requirements of CFTC segregation under 4d(f) of the Commodity Exchange Act as well as the secured under Regulation 30.7 of the CFTC requirements, the Company must compute its customer requirements in each of the separate categories and ensure that amounts set aside to cover these obligations. At June 30, 2015, the Company had excess segregated funds of \$120,351,681 and excess 30.7 secured funds of \$47,567,037.

Advances to affiliates, repayment of borrowings, dividend payments, distributions and other equity withdrawals are subject to certain notification and other provisions of Rule 15c3-1 and other regulatory bodies.



## 11. Related-Party Transactions

The Company enters into transactions in the ordinary course of business with the Parent and certain other affiliated entities, such as the Parent, which may include purchases of securities under agreements to resell, short-term financing, and deposits.

### Cash and Cash Equivalents

Included in cash and cash equivalents in the Statement of Financial Condition is cash of \$17,132,254 which is held on deposit at State Street Bank & Trust ("SSB&T"), and cash equivalents of \$62,572,683, which is invested in a money market mutual fund managed by an affiliate, State Street Global Advisors ("SSGA").

### Funding Arrangements

The Company meets its short-term financing needs through an uncommitted, unsecured line of credit with its Parent, which has a \$1.25 billion limit. The unsecured line of credit was established on December 2, 2013 with a stated maturity of three years. As of June 30, 2015, this facility had no outstanding balance.

### Subordinated Liabilities

Effective September 14, 2011, the Company extended a subordinated liability agreement with its Parent for \$75,000,000, for a term of four years with an evergreen provision. Thus, the maturity date is automatically extended an additional year, unless on or before the day thirteen months preceding the scheduled maturity date then in effect, the Parent notifies the Company in writing, with a written copy to FINRA, that such scheduled maturity date shall not be extended.

Additionally, the Company extended its \$50,000,000 subordinated liability agreement with its Parent for a term of four years, effective April 12, 2012. Each borrowing carries a rate of interest based on the three-month LIBOR rate, plus a spread. Given the floating rate nature of these liabilities, fair value approximates carrying value at June 30, 2015.

## 11. RELATED PARTY TRANSACTIONS (CONTINUED)

These subordinated liabilities are covered by an agreement approved by FINRA, and are therefore available in computing net capital under Rule 15c3-1. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. At June 30, 2015, \$56,838 was payable to the Parent and included in payable to affiliates in the Statement of Financial Condition.

### Distribution Fees

The Company is the distributor of the SPDR® ETFs, which are managed by State Street Global Advisors Funds Management, Inc. (SSgA FM), an affiliate of the Company. An agreement was entered into in April 2009, whereby SSgA FM has agreed to pay the Company for any and all distribution expenses incurred by the Company in connection with its distribution activities relating to SPDR® ETFs. At June 30, 2015, \$8,426,835 of this amount was a receivable from SSgA FM and included in distribution fees receivable in the Statement of Financial Condition.

### Futures Commission Merchant Activities

The Company engages in FCM activity in connection with transactions cleared on behalf of the Parent and affiliates. The Company earns commissions from this activity.

The Company maintains omnibus accounts with its affiliate State Street Bank GmbH London Branch ("GmbH") for FCM activity cleared on behalf of customers and affiliates. As of June 30, 2015, the Company had a receivable of \$5,581,337 from this activity included in receivable from affiliate on the Statement of Financial Condition. In addition, GmbH maintains an omnibus account with the Company for FCM activity cleared on behalf of customers. As of June 30, 2015 the Company had a payable of \$150,957,224 from this activity included in payable from affiliate on the Statement of Financial Condition.

Also, SSB&T maintains a principal account for futures clearance. As of June 30, 2015 the Company had a net receivable of \$83,971 from this activity included in receivable from affiliates in the Statement of Financial Condition. In addition, the Company accepted collateral of \$2,731,293 in the form of U.S. Treasury securities from SSB&T related to initial margin amounts paid to the Exchanges related to open futures contracts as of June 30, 2015.

## 11. RELATED PARTY TRANSACTIONS (CONTINUED)

### **Collateralized Short-term Financing**

The Company may borrow securities from SSB&T to facilitate customer trading activity under security borrowing agreements on terms which permit the Company to repledge or resell the securities to others. SSB&T acts as a principal in these transactions to lend securities to the Company. At June 30, 2015, securities with a fair value of \$8,655,587 were obtained by the Company, and \$8,428,895 of cash was given to SSB&T as collateral in these securities borrowed arrangements and included in receivable from broker-dealers and clearing organizations in the Statement of Financial Condition.

### **Expense Allocation**

The Parent and its affiliates pay all costs related to Company personnel, including coverage under the Parent's benefit plans. The Parent and its affiliates also provide clearance, legal, accounting, audit, data processing, other administrative support, rent for the use of office space, and equipment to the Company pursuant to a service agreement between the Company and certain affiliates. Under the terms of the service agreement, the Company reimburses the Parent for all services provided. At June 30, 2015, \$15,437,564 of such general and administrative costs were payable by the Company to the Parent, and included in payable to affiliate on the Statement of Financial Condition. Management believes that the allocation methods used for expenses under service agreements are reasonable and appropriate in the circumstances.

### **Portfolio Solutions**

The Company attributes a portion of its commission revenue/expense and fixed income trading profits/loss relating to its Portfolio Solutions business segment to certain affiliated entities. At June 30, 2015, the Company had a payable balance of \$483,279 with State Street Global Markets Canada Inc. included in payable to affiliates on the Statement of Financial Condition. Also, a payable balance of \$524,791 with State Street Global Markets International Limited is included in affiliate receivable on the Statement of Financial Condition.

## 11. RELATED PARTY TRANSACTIONS (CONTINUED)

### Guarantees

The Company is currently a member of the CME for purposes of clearing exchange traded futures. On January 5, 2012 the Parent provided a guarantee to the CME on behalf of the Company to meet CME clearing member requirements. This was done to expand the products that the Company is able to clear with the CME. Under the terms of the guarantee, the Parent guarantees to CME, in an amount up to one billion dollars, the due and punctual performance of all obligations to CME arising out of accounts cleared by the Company that are non-customer accounts, including proprietary accounts as defined by CFTC Regulation 1.3(y).

The background features a minimalist geometric pattern of light blue lines and circles. A central circle is connected to four lines that extend towards the corners. Another smaller circle is positioned at the intersection of two lines in the upper left quadrant, and a third, even smaller circle is at the intersection of two lines in the lower right quadrant. The text 'Supplementary Information' is centered in a teal color.

# Supplementary Information

## SCHEDULE I

### Computation of Net Capital Pursuant to SEC Rule 15c3-1

June 30, 2015

Member's equity	\$ 506,285,896
Liabilities subordinated to claims of general creditors allowable in computation of net capital	125,000,000
<b>Total capital and allowable subordinated liabilities</b>	<b>631,285,896</b>

#### Deductions and/or charges

##### Non-allowable assets

Security Charge	\$183,604,289
Intangible Assets	18,679,630
Aged Receivables	18,326,748
Other assets	7,514,796
Deductions and/or charges	1,835,002

Net capital before haircuts on securities positions (tentative net capital)	401,325,431
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Less: haircuts on securities	5,727,931
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<b>Net capital</b>	<b>\$395,597,500</b>
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#### Alternative net capital requirement

##### Greater of

8% of customer and noncustomer maintenance margin requirement (\$25,016,759) or minimum dollar (\$1,000,000)	25,016,759
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2% of aggregate debit items (\$126,332) or minimum dollar (\$250,000)	-
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Net capital requirement	25,016,759
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<b>Excess net capital</b>	<b>\$370,580,741</b>
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There were no material differences between the Computation of Net Capital included in this report and the corresponding schedule included in the Company's Part IIA FOCUS Filing and reconciliation as of June 30, 2015.

## SCHEDULE II

### Computation for Determination of Reserve Requirements Pursuant to SEC Rule 15c3-3

June 30, 2015

#### Credit balances

Free credit balances and other credit balances in customers' security accounts	\$ 9,784,458
Customers' securities failed to receive	2,760,870
Credit balances in firm accounts attributable to principal sales to customers	0
<b>Total credit items</b>	<b>\$12,545,328</b>

#### Debit balances

Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection	4,626,837
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver	269,635
Failed to deliver of customers' securities not older than 30 calendar days	1,420,152
Aggregate debit items	6,316,624
Less 3% (for alternative method only)	(189,499)
<b>Total 15c3-3 debits</b>	<b>6,127,125</b>

#### Reserve computation

Required deposit	\$ 6,418,203
Amount held on deposit in reserve account at June 30, 2015	\$19,996,200

There were no material differences between the Computation for Determination of Reserve Requirements included in this report and the corresponding schedule included in the Company's Part IIA FOCUS Filing and reconciliation as of June 30, 2015.

## SCHEDULE III

### Information Relating to Possession or Control Requirements Pursuant to SEC Rule 15c3-3

June 30, 2015

1. Customers' fully paid and excess margin securities not in the Company's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by the respondent within the time frames specified under Rule 15c3-3):

Number of items	Market Value
0	0

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

Number of items	Market Value
0	0



## SCHEDULE IV

### Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges

June 30, 2015

#### Segregation Requirements (Section 4d(2) of the CE Act)

##### Net ledger balance

Cash	\$374,419,951
Securities (at market)	50,036
<b>Net unrealized profit (loss) in open futures contracts traded on a contract market</b>	<b>(11,758,992)</b>

##### Exchange traded options

Add market value of open option contracts purchased on a contract market	9,692,491
Deduct market value of open option contracts granted (sold) on a contract market	(7,163,720)
<b>Net equity (deficit)</b>	<b>365,239,766</b>

Accounts liquidating to a deficit and accounts with debit balances	0
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Less: amount offset by customer owned securities	(0)
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<b>Amount required to be segregated</b>	<b>\$365,239,766</b>
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#### Funds in Segregated Accounts

##### Net ledger balance

Cash	\$156,711,042
Securities representing investments of customers' funds (at market)	-
Securities held for particular customers or option customers in lieu of cash (at market)	-

##### Margins on deposit with derivatives clearing organizations of contract markets

Cash	173,341,214
Securities representing investments of customers' funds (at market)	131,159,859
Securities held for particular customers or option customers in lieu of cash (at market)	50,036
<b>Net settlement from (to) derivatives clearing organizations of contract markets</b>	<b>3,775,448</b>

## SCHEDULE IV (CONTINUED)

### Exchange traded options

Value of open long option contracts	9,692,491
Value of open short option contracts	(7,163,720)

### Net equities with other FCMs

Net liquidating equity	18,025,077
Securities representing investments of customers' funds (at market)	-
Securities held for particular customers or option customers in lieu of cash (at market)	0
Total amount in segregation	485,591,447
<b>Excess (deficiency) funds in segregation</b>	<b>\$120,351,681</b>

There were no material differences between the Statement of Segregation Requirements included in this report and the corresponding schedule included in the Company's Part IIA FOCUS Filing and reconciliation as of June 30, 2015.

## SCHEDULE V

### Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7

June 30, 2015

#### Foreign Futures and Foreign Options Secured Amounts

##### Net ledger balance

Cash	\$ 5,043,120
Securities	–
Net unrealized profit (loss) in open futures contracts traded on foreign board of trade	566,641
Net Equity (deficit)	\$ 5,609,761
Accounts liquidating to a deficit and accounts with debit balances	91,867
Less: amount offset by customer owned securities	–
<b>Amount required to be segregated</b>	<b>\$ 5,701,628</b>

#### Funds Deposited in Separate Regulation 30.7 Accounts

##### Cash in banks

Banks located in the United States	\$47,687,328
Securities	–
Equities with registered futures commission merchants	–
Amounts held by clearing organizations of foreign boards of trade	–


##### Amounts held by members of foreign boards of trade

Cash	\$ 5,014,696
Securities	–
Unrealized gain/(loss) on open futures contracts	566,641
Value of long option contracts	–
Value of short option contracts	–
<b>Total amounts held by members of foreign boards of trade</b>	<b>5,581,337</b>

Total funds in separate section 30.7 accounts	53,268,665
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<b>Excess (deficiency) of funds in separate section 30.7 accounts</b>	<b>\$47,567,037</b>
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There were no material differences between the Statement of Secured Requirements included in this report and the corresponding schedule included in the Company's Part IIA FOCUS Filing and reconciliation as of June 30, 2015.



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Member of FINRA, SIPC and New York Stock Exchange  
The Statement of Financial Condition filed pursuant to Rule 17a-5  
of the Securities and Exchange Commission is available for  
inspection at the principal office of the Company and at the Boston  
Regional Office of the Commission.