Virtu Americas LLC

Statement of Financial Condition
June 30, 2020

Virtu Americas LLC
Index
June 30, 2020

	Page
Financial Statements	
Statement of Financial Condition (unaudited)	3
Notes to Statement of Financial Condition (unaudited)	4

Virtu Americas LLC
Statement of Financial Condition (unaudited)
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(in thousands)

Assets		
Cash and cash equivalents	$	301,547
Cash segregated under federal and other regulations		73,358
Trading assets, at fair value		
Financial instruments owned		1,588,528
Financial instruments owned and pledged		602,971
Securities borrowed		1,410,441
Securities purchased under agreements to resell		244,242
Receivables from brokers, dealers and clearing organizations		1,868,028
Receivable from customers		235,213
Goodwill and intangible assets, less accumulated amortization of $87,000		13,230
Operating lease right-of-use assets		23,716
Other assets		89,286
Total assets		6,450,560
Liabilities and Member's Equity		
Liabilities		
Trading liabilities, at fair value		
Financial instruments sold, not yet purchased		2,497,388
Securities loaned		1,204,457
Securities sold under agreements to repurchase		312,568
Payables to brokers, dealers and clearing organizations		735,493
Payable to affiliates		60,135
Payable to customers		119,451
Operating lease liabilities		27,341
Accounts payable and accrued expenses and other liabilities		209,030
Total liabilities		5,165,863
Subordinated borrowings		250,000
Member's equity		1,034,697
Total liabilities and member's equity	$	6,450,560

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

1. Organization and Description of the Business

Virtu Americas LLC (the “Company”, formerly KCG Americas LLC) is a single member limited liability company organized in the state of Delaware. The Company’s member is Virtu Strategic Holdings LLC. The Company’s ultimate parent is Virtu Financial LLC (“Virtu”). Virtu Financial, Inc. (“VFI”) is the sole managing member of Virtu Financial LLC, and operates and controls all of the businesses and affairs of Virtu Financial LLC and, through Virtu Financial LLC and its subsidiaries, continues to conduct the business conducted by such subsidiaries.

The Company is a broker-dealer registered with the U.S. Securities Exchange Commission (“SEC”). The Company is a clearing member of principal stock exchanges in the United States, including the New York Stock Exchange (“NYSE”) and is a member of the Financial Industry Regulatory Authority (“FINRA”), the Depository Trust & Clearing Corporation, the National Securities Clearing Corporation (“NSCC”), the Options Clearing Corporation ("OCC"), and the Municipal Securities Rulemaking Board ("MSRB"). The Company’s designated examining authority is FINRA.

The Company’s operating activities consist of the following:

Market Making

Market Making principally consists of market making in domestic equities, options, exchange traded funds ("ETF's") and fixed income securities. As a market maker, the Company commits capital on a principal basis by offering to buy securities from, or sell securities to, broker-dealers, banks and institutions. The Company engages in principal trading in Market Making direct-to-clients as well as in a supplemental capacity on exchanges, electronic communications networks ("ECNs") and alternative trading systems ("ATSs"). The Company is an active participant on all major domestic equity exchanges. As a complement to electronic market making, the Company's cash trading business handles specialized orders and also transacts on the OTC Bulletin Board marketplaces operated by OTC Markets Group Inc.

Execution Services

Execution Services comprises agency-based trading and trading venues, offering trading in domestic equities and fixed income securities to institutions, banks and broker-dealers. The Company earns commissions as an agent on behalf of clients as well as between principals to transactions; in addition, the Company will commit capital on behalf of clients as needed. Agency-based, execution-only trading within Execution Services is done primarily through a variety of access points including: (i) algorithmic trading and order routing in equities and options; (ii) institutional sales traders executing program, block and riskless principal trades in equities and ETFs; and (iii) an ATS for equities.

Other Services

The Company is self-clearing, provides clearing services to its affiliates, and clears certain client trades.

2. Significant Accounting Policies

Basis of Presentation

The accompanying Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The Company's Statement of Financial Condition is prepared in conformity with U.S. GAAP, which require management to make estimates and assumptions regarding measurements including the fair value of trading assets and liabilities, goodwill and intangibles, capitalized software, and other matters 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. Accordingly, actual results may differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include money market accounts, which are payable on demand, and short-term investments with an original maturity of less than 90 days. The Company maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company manages this risk by selecting financial institutions deemed highly creditworthy to minimize the risk.

Cash restricted or segregated under regulations and other represents (i) special reserve bank accounts for the exclusive benefit of customers ("Special Reserve Bank Account") maintained by the Company in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, as amended ("Customer Protection Rule") and proprietary accounts of broker-dealers.

Securities Borrowed and Securities Loaned

The Company conducts securities borrowing and lending activities with external counterparties. In connection with these transactions, the Company receives or posts collateral, which comprises cash and/or securities. In accordance with substantially all of its stock borrow agreements, the Company is permitted to sell or repledge the securities received. Securities borrowed or loaned are recorded based on the amount of cash collateral advanced or received. The initial cash collateral advanced or received generally approximates or is greater than 102% of the fair value of the underlying securities borrowed or loaned. The Company monitors the fair value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Receivables and payables with the same counterparty are not offset in the Statement of Financial Condition.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

In a repurchase agreement, securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at contract value, plus accrued interest, which approximates fair value. It is the Company's policy that its custodian take possession of the underlying collateral securities with a fair value approximately equal to the principal amount of the repurchase transaction, including accrued interest. For reverse repurchase agreements, the Company typically requires delivery of collateral with a fair value approximately equal to the carrying value of the relevant assets in the Statement of Financial Condition. To ensure that the fair value of the underlying collateral remains sufficient, the collateral is valued daily with additional collateral obtained or excess collateral returned, as permitted under contractual provisions.

The Company does not net securities purchased under agreements to resell transactions with securities sold under agreements to repurchase transactions entered into with the same counterparty. The Company has also entered into bilateral and tri-party term and overnight repurchase and other collateralized financing agreements which bear interest at negotiated rates. The Company receives cash and makes delivery of financial instruments to a custodian who monitors the market value of these instruments on a daily basis. The market value of the instruments delivered must be equal to or in excess of the principal amount loaned under the repurchase agreements plus the agreed upon margin requirement. The custodian may request additional collateral, if appropriate.

Receivables from/Payables to Brokers, Dealers and Clearing Organizations

Receivables from and payables to brokers, dealers and clearing organizations primarily represent amounts due for unsettled trades, open equity in futures transactions, securities failed to deliver or failed to receive, deposits with clearing organizations or exchanges and balances due from or due to prime brokers in relation to the Company's trading. Amounts receivable from brokers, dealers and clearing organizations may be restricted to the extent that they serve as deposits for securities sold, not yet purchased. The Company presents its balances, including outstanding principal balances on all credit facilities, on a net-by-counterparty basis within Receivables from and Payables to brokers, dealers and clearing organizations when the criteria for offsetting are met.

In the normal course of business, a significant portion of the Company's securities transactions, money balances, and security positions are transacted with several third-party brokers. The Company is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The Company monitors the financial condition of such brokers to minimize the risk of any losses from these counterparties.

Financial Instruments Owned Including Those Pledged as Collateral and Financial Instruments Sold, Not Yet Purchased

Financial instruments owned including those pledged as collateral and Financial instruments sold, not yet purchased relate to market making and trading activities, and include listed and other equity securities, listed equity options and fixed income securities. The Company records Financial instruments owned, including those pledged as collateral, and Financial instruments sold, not yet purchased at fair value.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The recognition of "block discounts" for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market is prohibited. The Company categorizes its financial instruments into a three-level hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy level assigned to each financial instrument is based on the assessment of the transparency and reliability of the inputs used in the valuation of such financial instruments at the measurement date based on the lowest level of input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

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 in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly; or

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

Transfers in or out of levels are recognized based on the beginning fair value of the period in which they occurred.

Derivative Instruments

Derivative instruments are used for trading purposes, including economic hedges of trading instruments, are carried at fair value, and include futures, forward contracts, and options. Gains or losses on these derivative instruments are recognized currently within Trading income, net in the Condensed Consolidated Statement of Comprehensive Income. Fair values for exchange-traded derivatives, principally futures, are based on quoted market prices. Fair values for over-the-counter derivative instruments, principally forward contracts, are based on the values of the underlying financial instruments within the contract. The underlying instruments are currencies, which are actively traded.

The Company presents its trading derivatives balances on a net-by-counterparty basis when the criteria for offsetting are met.

Receivables from and Payables to Customers

Receivables from and Payables to customers arise primarily from securities transactions and include amounts due on receive versus payment (“RVP”) or deliver versus payment (“DVP”) transactions. Due to their short-term nature, such amounts approximate fair value.

Property, Equipment, and Occupancy

Property and equipment are carried at cost, less accumulated depreciation, within Other assets on the Statement of Financial Condition. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. Furniture, fixtures, and equipment are depreciated over three to seven years. Leasehold improvements are amortized over the lesser of the life of the improvement or the term of the lease.

Capitalized Software

The Company capitalizes costs of materials, consultants, and payroll and payroll related costs for employees incurred in developing internal-use software. Management’s judgment is required in determining the point at which various projects enter the stages at which costs may be capitalized, in assessing the ongoing value of the capitalized costs, and in determining the estimated useful lives over which the costs are amortized.

Capitalized software development costs and related accumulated amortization are included in Other assets in the accompanying Statement of Financial Condition and are amortized over a period of 1.4 to 2.5 years, which represents the estimated useful lives of the underlying software.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in Operating lease right-of use assets and Operating lease liabilities on the Statement of Financial Condition. Operating lease right-of-use (“ROU”) assets are assets that represent the lessee’s right to use, or control the use of, a specified asset for the lease term. ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. The ROU assets are reduced by lease incentives and initial direct costs incurred. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Certain of the Company's lease agreements contain fixed lease payments that contain lease and non-lease components; for such leases, the Company accounts for the lease and non-lease components as a single lease component.

Goodwill

Goodwill represents the excess of the purchase price over the underlying net tangible and intangible assets of the Company’s acquisitions. Goodwill is not amortized but is assessed for impairment on an annual basis and between annual assessments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is assessed at the reporting unit level, which is defined as an operating segment or one level below the operating segment.

The Company assesses goodwill for impairment on an annual basis and on an interim basis when certain events or circumstances exist. In the impairment assessment as of July 2019, the Company assessed qualitative factors as described in ASC 350-20 for any indicators that the fair value of the Company was less than its carrying value.

Intangible Assets

The Company amortizes finite-lived intangible assets over their estimated useful lives. Finite-lived intangible assets are tested for impairment when impairment indicators are present, and if impaired, they are written down to fair value.

Exchange Memberships and Stock

Exchange memberships and stock are recorded at cost or, if any other than temporary impairment in value has occurred, at a value that reflects management’s estimate of fair value. The Company’s exchange memberships and stock are included in Goodwill and intangible assets in the Statement of Financial Condition.

Income Taxes

The Company is a single-member limited liability company and is treated as a disregarded entity for U.S. federal, state and local income tax purposes. The Company is included in the income tax returns of Virtu, and the Company is no longer a party to a tax sharing arrangement. See Note 10 "Income Taxes" for additional information.

Recent Accounting Pronouncements

Fair Value Measurement - In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements on fair value measurements in ASC Topic 820, Fair Value

Measurement. Disclosure requirements were eliminated for the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements. Disclosure requirements were modified for liquidation of investments in certain entities that calculate net asset value, and for measurement uncertainty disclosures. Disclosure requirements were added for the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The Company adopted this ASU on January 1, 2020. The updated disclosures are included in Note 8 “Financial Assets and Liabilities”.

Measurement of Credit Losses on Financial Instruments - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) -Measurement of Credit Losses on Financial Instruments*. This ASU amends several aspects of the measurement of credit losses on financial instruments, including replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses model (“CECL”). Under CECL, the allowance for losses for financial assets that are measured at amortized cost reflects management’s estimate of credit losses over the remaining expected life of the financial assets. Expected credit losses for newly recognized financial assets, as well as changes to expected credit losses during the period, would be recognized in earnings, and adoption of the ASU will generally result in earlier recognition of credit losses. Expected credit losses will be measured based on historical experience, current conditions and forecasts that affect the collectability of the reported amount, and credit losses will be generally recognized earlier than under current U.S. GAAP. In June 2019, the FASB issued ASU 2019-05, *Financial Instruments-Credit Losses* (Topic 326): *Targeted Transition Relief*, which provides entities with an option to irrevocably elect the fair value option on an instrument-by-instrument basis for certain instruments upon adoption of the new Credit Losses standard. The ASUs are effective for periods beginning after December 15, 2019.

The Company adopted this ASU on January 1, 2020 using the modified retrospective method of adoption. The ASU impacts only those financial instruments that are carried by the Company at amortized cost such as collateralized financing arrangements (repurchase agreements and securities borrowing/ lending transactions) and receivables from customers, brokers, dealers and clearing organizations. The adoption of this ASU did not have a material impact on the Company's Statement of Financial Condition.

3. Goodwill and Intangible Assets

Goodwill and Intangible assets with indefinite lives are assessed for impairment annually or when events indicate that the amounts may be impaired. The Company assesses goodwill for impairment at the reporting unit level. The Company’s reporting unit is the component of its business unit for which discrete financial information is available and is regularly reviewed by the Company’s management.

Intangible assets are assessed for recoverability when events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. The Company assesses intangible assets for impairment at the “asset group” level which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. As part of the assessment for impairment, the Company considers the cash flows of the respective asset group and assesses the fair value of the respective asset group. Step one of the impairment assessment for intangibles is performed using undiscounted cash flow models, which indicates whether the future cash flows of the asset group are sufficient to recover the book value of such asset group. When an asset is not considered to be recoverable, step two of the impairment assessment is performed using a discounted cash flow methodology with a risk-adjusted weighted average cost of capital to determine the fair value of the intangible asset group. In cases where amortizable intangible assets and goodwill are assessed for impairment at the same time, the amortizable intangibles are assessed for impairment prior to goodwill being assessed.

In the second quarter of 2020, the Company assessed the impairment of goodwill and intangible assets with indefinite lives as part of its annual qualitative assessment as described in ASC 350-20-35. Based on its analysis, the Company concluded that the goodwill recorded was not impaired. At June 30, 2020, goodwill of $11.8 million is recorded within Goodwill and intangible assets, net on the Statement of Financial Condition.

Intangible assets with finite useful lives are amortized over their estimated useful lives, the majority of which have been determined to range from three to ten years.

The following table summarizes the Company’s intangible assets, net of accumulated amortization by type as of June 30, 2020 (in thousands):

Trading rights (1)	Gross carrying amount	$	1,471
	Accumulated amortization		—
	Net carrying amount		1,471
Technology	Gross carrying amount		87,000
	Accumulated amortization		(87,000)
	Net carrying amount		—
Total	Gross carrying amount		88,471
	Accumulated amortization		(87,000)
	Net carrying amount	$	1,471

(1) Trading rights provide the Company with the right to trade on certain exchanges and have been determined to have indefinite lives.

4. Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables from and Payables to brokers, dealers and clearing organizations at June 30, 2020 consist of the following (in thousands):

Assets		
Unsettled trades	$	702,379
Securities failed to deliver		258,385
Due from prime brokers		591,528
Deposits with clearing organizations		302,633
Commissions and fees		13,103
Total Receivables from brokers, dealers and clearing organizations	$	1,868,028
Liabilities		
Unsettled trades		438,427
Due to prime brokers		192,397
Securities failed to receive		102,838
Commissions and fees		1,831
Total Payables to brokers, dealers and clearing organizations	$	735,493

5. Collateralized Transactions

The Company is permitted to sell or repledge securities received as collateral and use these securities to secure repurchase agreements, enter into securities lending transactions or deliver these securities to counterparties or clearing organizations to cover short positions. At June 30, 2020, substantially all of the securities received as collateral have been repledged. The total amount of securities borrowed and received as collateral at June 30, 2020 was $1,378.5 million.

In the normal course of business, the Company pledges qualified securities with clearing organizations to satisfy daily margin and clearing fund requirements. Financial instruments owned and pledged, where the counterparty has the right to repledge, at June 30, 2020 consisted of the following:

(thousands)		**June 30, 2020**
Equities	$	575,235
Exchange traded notes		27,736
	$	602,971

6. Financial Instruments with Off-Balance Sheet Risk

Credit Risk

Credit risk represents the maximum potential loss that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company. The Company regularly transacts business with major U.S. and foreign financial institutions. The Company is subject to credit risk to the extent that the brokers may be unable to fulfill their obligations either to return the Company's securities or repay amounts owed. In the normal course of its securities activities, the Company may be required to pledge securities as collateral, whereby the prime brokers have the right, under the terms of the prime brokerage agreements, to sell or repledge the securities of the Company. The Company manages credit risk by limiting the total amount of arrangements outstanding, both by individual counterparty and in the aggregate, by monitoring the size and maturity structure of its portfolio and by applying uniform credit standards for all activities associated with credit risk.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant ("FCM"). The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Company's pro-rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash and other equity deposited.

Currency Risk

Though predominantly invested in U.S. dollar-denominated financial instruments, the Company may invest in securities or maintain cash denominated in currencies other than the U.S. dollar. The Company is exposed to risks that the exchange rate of the U.S. dollar relative to other currencies may change in a manner that has an adverse effect on the reported value of the Company's assets and liabilities denominated in currencies other than the U.S. dollar.

Market Risk

The Company is exposed to market risks that arise from equity price risk, foreign currency exchange rate fluctuations and changes in commodity prices. Management has established procedures to actively monitor and minimize market and credit risks. In addition, the Company has sold securities that it does not currently own and will, therefore, be obligated to purchase such securities at a future date. The Company has recorded these obligations in the Statement of Financial Condition at fair values of the related securities and will incur a loss if the fair value of the securities increases subsequent to the period end.

Off Balance Sheet Financial Instruments

The Company enters into various transactions involving derivative instruments and other off balance sheet financial instruments, including futures. These derivative financial instruments are used to conduct trading activities and manage market risks and are, therefore, subject to varying degrees of market and credit risk. Derivative transactions are entered into for trading purposes or to economically hedge other positions or transactions.

Futures contracts provide for delayed delivery of the underlying instrument. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. Futures contracts are executed on an exchange, and cash settlement is made on a daily basis for market movements. Accordingly, futures contracts generally do not have credit risk. Market risk is substantially dependent upon the value of the underlying derivative instruments and is affected by market forces, such as volatility and changes in interest and foreign exchange rates.

7. Borrowings

The Company is a party to two secured credit facilities with a financial institution to finance overnight securities positions purchased as part of its ordinary course broker-dealer market making activities. One of the facilities (the “Uncommitted Facility”) is provided on an uncommitted basis with an aggregate borrowing limit of $300 million, which was subsequently increased to $400 million in April 2020, and is collateralized by the trading and deposit account the Company’s maintained at the financial institution.

On November 3, 2017, the Company and two affiliates, as borrowers, and Virtu, as guarantor, entered into the second credit facility (the “Committed Facility”) with the same financial institution which was subsequently amended and restated March 1, 2019 to increase the borrowing limit to $600 million and subsequently amended to adjust sublimits and certain other terms, including most recently on July 29, 2020. The Committed Facility consists of two borrowing bases: Borrowing Base A loan is to be used to finance the purchase and settlement of securities; Borrowing Base B loan is to be used to fund margin deposit with the National Securities Clearing Corporation. Borrowing Base A Loans are available up to $600 million and bears interest at the adjusted LIBOR or base rate plus 1.25% per annum. Following the July 29, 2020 amendment, Borrowing Base B Loans are subject to a sublimit of $200 million and bear interest at the adjusted LIBOR or base rate plus 2.50% per annum.

Borrowings under the Committed Facility bear interest, at the borrower's option, at a rate based on the greater of (1) federal funds rate, and (2) the LIBOR, plus 1.25% per annum. The interest rate at June 30, 2020 was 3.65% per annum, A commitment fee of 0.50% per annum on the average daily unused portion of this facility is payable quarterly in arrears.

At June 30, 2020, the company had $72.0 million outstanding under the Revolving Credit Facility which is included in Short term borrowings on the Statement of Financial Condition.

In connection with the Committed Facility, the Company has incurred issuance costs of $4.2 million which are being amortized over the term of the Committed Facility. As of June 30, 2020, the unamortized balance of these costs is $1.9 million and is netted within Short term borrowings on the Statement of Financial Condition.

On March 20, 2020, The Company entered into a Loan Agreement (the “Founder Member Loan Facility”) with TJMT Holdings LLC (the “Founder Member”), as lender and administrative agent, providing for unsecured term loans from time to time (the “Founder Member Loans”) in an aggregate original principal amount not to exceed $300 million. The Founder Member Loans may be borrowed in one or more borrowings on or after March 20, 2020 and prior to September 20, 2020, as further described below. The Company intends to use the proceeds of the Founder Member Loans solely to finance the purchase and settlement of securities and to fund margin deposits with the National Securities Clearing Corporation and Options Clearing Corporation. The Founder Member is an affiliate of Mr. Vincent Viola, the Company’s founder and Chairman Emeritus. Upon the execution of and in consideration for the Lender’s commitments under the Loan Agreement, the Company delivered to the Founder Member a warrant to purchase shares of VFI's Class A Common Stock. Terms of the warrant are set forth in further detail in Note 17 “Capital Structure”. The interest rate for the Founder Member Loans, to the extent drawn and outstanding, will be 8.0% per annum, and the Founder Member Loans will be due on September 20, 2020. If an event of default occurs and is continuing, the Lender may increase the interest rate 2.0% above what would otherwise be applicable on overdue amounts, and declare all Founder Member Loans immediately due and payable. The Company may prepay the Founder Member Loans in whole or in part at any time without penalty. There was no outstanding balance on this loan as of June 30, 2020.

In connection with the Founder Member Loan Facility, the Company has incurred issuance costs of $13.9 million, which are being amortized over the term of the Founder Member Loan Facility. As of June 30, 2020, the unamortized balance of these costs is $6.2 million and is included in Other assets on the Statement of Financial Condition.

8. Financial Assets and Liabilities

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

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 in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly; or

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

Financial Instruments Measured at Fair Value

The fair value of equities, options, on the run U.S. government obligations and exchange traded notes is estimated using recently executed transactions and market price quotations in active markets and are categorized as Level 1, with the exception of inactively traded equities and certain financial instruments noted in the next paragraph, which are categorized as Level 2. The Company’s corporate bonds, derivative contracts and other U.S. and non-U.S. government obligations have been categorized as Level 2. Fair value of the Company’s derivative contracts is based on the indicative prices obtained from a variety of banks and broker-dealers, as well as management's own analysis. The indicative prices have been independently validated through the Company's risk management systems, which are designed to check prices with information independently obtained from exchanges and venues where such financial instruments are listed or to compare prices of similar instruments with similar maturities for listed financial futures in foreign exchange.

There were no reclassifications or transfers of financial instruments between levels during the six months ended June 30, 2020.

Fair value measurements for those items measured on a recurring basis are summarized below as of June 30, 2020 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets				
Financial instruments owned, at fair value:				
Equities	$ 436,103	$ 967,053	$ —	$ 1,403,156
Corporate debt	—	84,233	—	84,233
U.S. government and Non-U.S. government obligations	37,033	12,901	—	49,934
Exchange traded notes	40,338	1,426		41,764
Currency forwards	—	25		25
Options	9,416	—	—	9,416
	522,890	1,065,638	—	1,588,528
Financial instruments owned and pledged as collateral, at fair value:				
Equities	332,703	242,532	—	575,235
Exchange traded notes	3	27,733	—	27,736
	332,706	270,265	—	602,971
Liabilities				
Financial instruments sold, not yet purchased:				
Equities	1,083,339	1,046,369	—	2,129,708
Corporate debt	—	145,194	—	145,194
U.S. government and Non-U.S. government obligations	202,492	1,435	—	203,927
Exchange traded notes	13	2,215	—	2,228
Currency forwards	—	32	—	32
Options	16,299	—	—	16,299
Total Financial instruments sold, not yet purchased, at fair value	$ 1,302,143	$ 1,195,245	$ —	$ 2,497,388

Excluded from the fair value table above and the offsetting table below is net unsettled fair value on short futures contracts in the amount of $215,528, which is included within Receivables from brokers, dealers and clearing organizations as of June 30, 2020 and would be categorized as Level 1. See Note 9: Derivative Financial Instruments for additional disclosures related to futures.

Financial** Instruments Not Measu**red at Fair Value

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value on the Statement of Financial Condition. The table below excludes non-financial assets and liabilities. The carrying value of financial instruments not measured at fair value categorized in the fair value hierarchy as Level 1 and Level 2 approximates fair value due to the relatively short term nature of the underlying assets (in thousands):

	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Cash and cash equivalents	$ 301,547	$ 301,547	$ 301,547	$ —	$ —
Cash segregated under federal and other regulations	73,358	73,358	73,358	—	—
Securities borrowed	1,410,441	1,410,441	—	1,410,441	—
Securities purchased under agreements to resell	244,242	244,242		244,242	—
Receivables from brokers, dealers and clearing organizations	1,868,028	1,868,028	—	1,868,028	—
Receivable from customers	235,213	235,213		235,213	
Total Assets	4,132,829	4,132,829	374,905	3,757,924	—
Liabilities					
Securities Loaned	1,204,457	1,204,457	—	1,204,457	—
Securities sold under agreements to repurchase	312,568	312,568	—	312,568	—
Short term borrowings	—	—	—	—	—
Payables to brokers, dealers and clearing organizations	735,493	735,493	—	735,493	—
Payable to customers	119,451	119,451		119,451	
Total Liabilities	$ 2,371,969	$ 2,371,969	$ —	$ 2,371,969	$ —

Offsetting Financial Assets and Liabilities

The Company does not net Securities borrowed and Securities loaned, or Securities purchased under agreements to resell and Securities sold under agreements to repurchase. These financial instruments are presented on a gross basis in the Statement of Financial Condition. In the table below, the amounts of financial instruments owned that are not offset in the Statement of Financial Condition, but could be netted against financial liabilities with specific counterparties under legally enforceable master netting agreements in the event of default, are presented to provide financial statement readers with the Company's estimate of its net exposure to counterparties for these financial instruments.

The following table sets forth the gross and net presentation of certain financial assets and financial liabilities as of June 30, 2020 (in thousands):

Description	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
				Available Collateral	Counterparty Netting	
Assets						
Securities borrowed	$ 1,410,441	$ —	$ 1,410,441	$ (1,378,515)	$ (5,369)	$ 26,557
Securities purchased under agreements to resell	244,242	—	244,242	(244,242)	—	—
Trading assets, at fair value:						
Currency forwards	24	(24)	—	—	—	—
Options	9,453	—	9,453	—	(9,453)	—
Total Assets	1,664,160	(24)	1,664,136	(1,622,757)	(14,822)	26,557
Liabilities						
Securities loaned	1,204,457	—	1,204,457	(1,177,711)	(5,369)	21,377
Short term borrowings	—	—	—	—	—	—
Securities sold under agreements to repurchase	312,568	—	312,568	(312,554)	—	14
Trading liabilities, at fair value:						
Currency forwards	57	(24)	33	—	—	33
Options	16,301	—	16,301	—	(9,453)	6,848
Total Liabilities	$ 1,533,383	$ (24)	$ 1,533,359	$ (1,490,265)	$ (14,822)	$ 28,272

The following table presents gross obligations for securities lending, securities sold under agreements to repurchase and short term borrowing transactions by remaining contractual maturity and the class of collateral pledged.

Description	Open or Overnight	0 - 30 days	31 - 60 days	61 - 90 days	Greater than 90 days	Total
Securities loaned						
Equity securities	$ 1,204,457	$ —	$ —	$ —	—	$ 1,204,457
Total	1,204,457	—	—	—	—	1,204,457
Securities sold under agreements to repurchase						
Equity securities	—	50,000	50,000	150,000	50,000	250,000
U.S. and Non-U.S. government obligations	12,568					12,568
Total	$ 12,568	$ 50,000	$ 50,000	$ 150,000	$ 50	$ 262,568

9. Derivative Financial Instruments

The following table summarizes the fair value and notional value of derivative financial instruments held at June 30, 2020 (in thousands, except contract amounts):

Asset Derivatives	Financial Statement Location	Fair Value	Notional
Equity futures	Receivables from brokers, dealers and clearing organizations	$ (501)	$ 292,879
Commodity futures	Receivables from brokers, dealers and clearing organizations	(17)	3,623
Currency futures	Receivables from brokers, dealers and clearing organizations	266	73,864
Fixed Income Futures	Receivables from brokers, dealers and clearing organizations	(34)	15,512
Currency forwards	Financial instruments owned	25	103,554
Options	Financial instruments owned	9,453	652,749

Liability Derivatives	Financial Statement Location	Fair Value	Notional
Options	Financial instruments sold, not yet purchased	16,301	666,108

Amounts included in Receivables from and Payables to brokers, dealers and clearing organizations represent variation margin on long and short futures contracts.

10. Income Taxes

The Company is a single-member limited liability company and is treated as a disregarded entity for U.S. federal, state and local income tax purposes. The Company is included in the income tax returns of Virtu, and the Company is not a party to a tax sharing arrangement. Accordingly, no provision for federal or state income taxes is required. The Company did not have any unrecognized tax benefits at June 30, 2020.

As of June 30, 2020, the Company remains subject to U.S. Federal income tax examinations for the tax years 2013 through 2018. In addition, the Company is subject to state and local income tax examinations in various jurisdictions for the tax years 2013 through 2018. While the outcome of these examinations is not yet determinable, the Company does not anticipate that any adjustments would result in a material change to its financial condition.

11. Commitments, Contingent Liabilities and Guarantees

Legal and Regulatory Matters

In the ordinary course of business, the nature of the Company's business subjects it to claims, lawsuits, regulatory examinations or investigations and other proceedings. The Company is subject to several of these matters at the present time. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, particularly in regulatory examinations or investigations or other proceedings in which substantial or indeterminate damages or fines are sought, or where such matters are in the early stages, the Company cannot estimate losses or ranges of losses for such matters where there is only a reasonable possibility that a loss may be incurred. There can be no assurance that these matters will not have a material adverse effect on the Company's financial condition in any future period, and a material judgment, fine or sanction could have a material adverse impact on the Company's financial condition. However, it is the opinion of management, after consultation with legal counsel that, based on information currently available, the ultimate outcome of these matters will not have a material adverse impact on the business, financial condition or operating results of the Company although they might be material to the operating results for any particular reporting period. The Company carries directors' and officers' liability insurance coverage for potential claims, including securities actions, against the Company and its respective directors and officers.

The Company is subject to extensive oversight under federal and state laws as well as self-regulatory organization ("SRO") rules. Changes in market structure and the need to remain competitive require constant changes to the Company's systems, order routing and order handling procedures. The Company makes these changes while continuously endeavoring to comply with many complex laws and rules. Compliance, surveillance and trading issues common in the securities industry are monitored by, reported to, and/or reviewed in the ordinary course of business by the Company's regulators. As a major order flow execution destination, the Company is named from time to time in, or is asked to respond to a number of regulatory matters brought by U.S. regulators, foreign regulators, SROs, as well as actions brought by private plaintiffs, which arise from its business activities. There has been an increased focus by regulators on Anti-Money Laundering and sanctions compliance by broker-dealers and similar entities, as well as an enhanced interest on suspicious activity reporting and transactions involving microcap securities. In addition, there has been an increased focus by Congress, federal and state regulators, SROs and the media on market structure issues, and in particular, high frequency trading, best execution, internalization, ATS manner of operations, market fragmentation and complexity, colocation, cybersecurity, access to market data feeds and remuneration arrangements, such as payment for order flow and exchange fee structures. The Company has received information requests from various authorities, including the SEC, requesting, among other items, information regarding these market structure matters, to which the Company has responded or is in the process of responding. The Company is currently the subject of various regulatory reviews and investigations by federal, state and foreign regulators and SROs, including the SEC and FINRA. In some instances, these matters may rise to a disciplinary action and/or a civil or administrative action.

Guarantees

The Company is a member of exchanges that trade and clear futures contracts. Associated with its memberships, 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 nondefaulting 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 management believes that any potential requirement to make payments under these agreements is remote.

Representations and Warranties

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties 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 significant loss is minimal.

12. Leases

The Company adopted ASU 2016-02 on January 1, 2019, and elected the modified retrospective method of implementation. The standard requires the recognition of ROU assets and lease liabilities for leases, which are defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company has elected the practical expedient which allows for leases with an initial term of 12 months or less to be excluded from recognition on the Statement of Financial Condition.

For the Company, Topic 842 primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee. These leases are primarily for corporate office space, data centers, and technology equipment. The leases have remaining terms of 1 year to 5 years, some of which include options to extend the initial term at the Company's discretion. The lease terms used in calculating ROU assets and lease liabilities include the options to extend the initial term when the Company is reasonably certain of exercising the options. The Company's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

As the implied discount rate for most of the Company's leases is not readily determinable, the Company uses Virtu's incremental borrowing rate on its secured borrowings in determining the present value of lease payments.

Lease assets and liabilities are summarized as follows:

(in thousands)	June 30, 2020
Operating lease right-of-use assets	$ 23,716
Operating lease liabilities	27,341
Weighted average remaining lease term	3.5 years
Weighted average discount rate	5.70 %

Future minimum lease payments under operating leases with non-cancelable lease terms, as of June 30, 2020, are as follows:

(in thousands)		Operating Leases
2020	$	4,672
2021		9,134
2022		6,655
2023		6,397
2024		2,587
Thereafter		—
Total lease payments		29,445
Less imputed interest		2,104
Total lease liability		27,341

13. Net Capital Requirement

The Company is subject to the SEC Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by SEC Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of $1.0 million or 2% of aggregate debit items as defined. These regulations also prohibit a broker-dealer from repaying subordinated borrowings, paying cash dividends, making loans to its parent, affiliates or employees, or otherwise entering into transactions which would result in a reduction of its total net capital to less than 150% of its required minimum capital. Moreover, broker-dealers are required to notify the SEC and other regulators prior to repaying subordinated borrowings, paying dividends and making loans to its parent, affiliates or employees, or otherwise entering into transactions, which, if executed, would result in a reduction of 10% or more of its excess net capital (net capital less minimum requirement). The SEC and FINRA have the ability to prohibit or restrict such transactions if the result is detrimental to the financial integrity of the broker-dealer.

At June 30, 2020, the Company had net capital of $567.6 million, which was $562.3 million in excess of its required net capital of $5.3 million.

Pursuant to NYSE rules, the Company was also required to maintain $1.0 million of capital in connection with the operation of the Company's DMM business as of June 30, 2020. The required amount is determined under the exchange rules as the greater of (i) $1,000,000 or (ii) $75,000 for every 0.1% of NYSE transaction dollar volume in each of the securities for which the Company is registered as the DMM.

The Company is required to maintain special reserve bank custody accounts for the exclusive benefit of customers and introducing brokers under SEC Rule 15c3-3. As of June 30, 2020, the Company had a balance of $73.4 million in these accounts.

14. Related Party Transactions

The Company incurs fees to related entities (the Parent, the Ultimate Parent, VFH Parent LLC, Virtu Financial Services LLC and other affiliates, (referred to collectively as the “Providers”) based on Virtu's global transfer pricing policy which provides for the allocation of compensation, technology and administrative expenses under an intercompany service agreement. The agreement may be terminated without cause or further obligation by the Company with 30 days written notice. Included in Payable to affiliates on the Statement of Financial Condition is a net payable of $33.4 million for expenses under this service agreement.

Related to the clearance of proprietary securities transactions introduced by affiliates, the Company carries balances related to the proprietary accounts of affiliates. Included in Payable to affiliates on the Statement of Financial Condition is a net payable of $16.0 million to these affiliates.

The Company executed a subordinated borrowing agreement with an affiliate on December 23, 2013 which bears interest at the rate of 6.25% per annum. The agreement contains an automatic renewal provision that extends the stated maturity for an additional year unless the Company or the affiliate elects not to extend such maturity provided written notice is provided by either party within seven months of such maturity. The subordinated borrowings are available in computing capital under the SEC’s uniform net capital rule. To the extent that such borrowings are required for the Company’s continued compliance with the minimum net capital requirements, they may not be repaid.

As discussed in Note 7 "Borrowings", in connection with the Founder Member Loan Facility, the Company has incurred issuance costs, which are being amortized over the term of the Founder Member Loan Facility. Included in Payable to affiliates on the Statement of Financial Condition is a payable of $11.5 million for these costs.

The Company made $355.0 million of cash distributions to Virtu during the period from January 1, 2020 through June 30, 2020.

Certain trading activities of an affiliated broker-dealer were merged into the Company in June 2020 in exchange for cash consideration of $62.9 million.

15. Subsequent Events

The Company has evaluated subsequent events for adjustment to or disclosure in the Statement of Financial Condition through September 3, 2020, the date the Statement of Financial Condition was issued and has not identified any reportable or disclosable events not otherwise reported in this Statement of Financial Condition or the notes thereto.