Clear Street LLC

Statement of Financial Condition

As of June 30, 2024
(Unaudited)

Clear Street LLC
Statement of Financial Condition
June 30, 2024 (Unaudited)
(amounts in thousands)

Assets		
Cash and cash equivalents	$	96,046
Cash segregated under federal and other regulations		117,955
Securities purchased under agreements to resell		29,044,952
Securities borrowed		12,155,760
Financial instruments owned, at fair value		5,825,736
Receivable from broker-dealers and clearing organizations		3,601,803
Securities received as collateral		3,512,219
Receivable from customers		1,621,290
Other assets		26,045
Total Assets	**$**	**56,001,806**
Liabilities and Equity		
Liabilities		
Securities sold under agreements to repurchase	$	28,394,404
Securities loaned		16,493,170
Financial instruments sold, not yet purchased, at fair value		4,451,754
Obligation to return securities received as collateral		3,512,219
Payable to customers		2,073,382
Payable to broker-dealers and clearing organizations		216,284
Payable to affiliates		110,949
Short-term loan payable		58,000
Accounts payable and accrued liabilities		26,033
Total liabilities		55,336,195
Equity		
Member's equity		665,611
Total Liabilities and Equity	**$**	**56,001,806**

1. Organization and Description of Business

Clear Street LLC ("Company") is a limited liability company organized in the state of Delaware. The Company's sole member is Clear Street Holdings LLC ("Holdings"). The Company's operating agreement provides that the Company's Chief Executive Officer ("CEO") has sole authority to carry out management responsibilities and control day-to-day management of the Company's operations, including determination of profit and loss allocations among members, distributions and admittance of new members. As a limited liability company, the member's liabilities are limited to amounts reflected in their capital account.

The Company is a broker and dealer in securities ("BD") registered with the Securities and Exchange Commission ("SEC"), the Municipal Securities Rulemaking Board ("MSRB"), the Financial Industry Regulatory Authority, Inc. ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"). The BD has clearing memberships with principal stock exchanges in the United States, including the New York Stock Exchange ("NYSE") and The Nasdaq Stock Market ("NASDAQ"), among others. The BD is also a member of the Depository Trust and Clearing Company ("DTCC"), the National Securities Clearing Corporation ("NSCC"), the Fixed Income Clearing Company ("FICC"), the Government Securities Clearing Corporation ("GSCC") and the Options Clearing Corporation ("OCC"). The Company's primary designated self-regulatory organization related to its broker-dealer business is FINRA.

The Company is also a registered futures commission merchant ("FCM") with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association ("NFA"). As of June 30, 2024, The Company is a full clearing member of the Chicago Mercantile Exchange ("CME Group"), Chicago Board of Trade, New York Mercantile Exchange, Commodity Exchange, ICE Futures US Inc., ICE Futures Europe, ICE Clear Europe, Coinbase and Nodal Clear. The Company's designated self-regulatory organization related to its FCM business is the CME Group.

Until March 31, 2024, the Company was the sole member of Clear Street Markets LLC ("Markets"). Markets is a proprietary trading firm and broker-dealer registered with the SEC and maintains memberships at most principal United States exchanges including NYSE, NASDAQ and the Cboe Options Exchange ("Cboe"). Effective March 31, 2024, Markets was distributed to Holdings, and an affiliated entity under common control with the Company (the "Buyer") then acquired 100% of the common membership interest in Markets in exchange for the Buyer's membership interest in Holdings in a cashless transaction. At March 31, 2024, Market had net assets of $50.3 million.

The Company has entered into clearing arrangements with introducing brokers and executes and clears securities transactions directly for customers. Accordingly, the Company is subject to SEC Rule 15c3-3 of the Securities Exchange Act of 1934, *Computation for Determination of Reserve Requirements* ("SEC Rule 15c3-3"), pertaining to the possession or control of customer assets and reserve requirements. The Company is approved to engage in clearing, execution, investment banking, prime brokerage, stock lending, and margin lending to customers of introducing firms as well as to direct customers and correspondents. As a registered FCM, the Company is also subject to the customer segregation provisions under the Commodity Exchange Act section 4d(2), which requires it to compute separate customer segregation and secure requirements where assets in cash and securities collateral are segregated into separate accounts exclusively for the benefits of those customers.

2. Significant Accounting Policies

Basis of Presentation

The accompanying Statement of Financial Condition has been prepared on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP") as set forth by the Financial Accounting Standards Board ("FASB") and its Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU"). The Statement of Financial Condition is presented in U.S. dollars.

Use of Estimates

The preparation of statements of financial condition in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of certain types of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. Actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents and Cash segregated in compliance with federal and other regulations include demand deposits held in banks and certain highly liquid investments with original maturities of three months or less when purchased. The carrying amount of such cash equivalents approximates their fair value due to the short-term nature of these instruments.

The Company maintains cash in bank 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.

Collateralized Agreements

The Company enters into collateralized financing transactions in its normal course of business, primarily to acquire securities to accommodate counterparty needs, earn residual interest spreads and obtain securities for settlement purposes. The Company's collateralized financing transactions include securities purchased under agreements to resell ("resale agreements"), securities sold under agreements to repurchase ("repurchase agreements"), and securities lending and borrowing transactions. Additionally, the Company receives securities as collateral in securities-for-securities transactions.

The resale and repurchase agreements are accounted for as collateralized financing transactions and recorded at contract value, plus accrued interest, which approximates fair value. It is the Company's policy to take possession of collateral under resale agreements. In the same manner, the Company provides securities to its external counterparties to collateralize repurchase agreements. These agreements are collateralized with U.S. treasury and federal agency securities, corporate bonds, and mortgage-backed securities with a fair value equal to or in excess of the principal amount loaned. The fair value of the underlying collateral is reviewed daily, and additional cash or other collateral is obtained or returned as necessary. Counterparties are principally primary dealers of U.S. government debt securities and financial institutions. At June 30, 2024, the Company held $131.8 million of qualified securities for the benefit of customers in a segregated account pursuant to SEC Rule 15c3-3.

Securities borrowed and securities loaned result from transactions with other brokers and dealers or financial institutions and are recorded at the amount of cash collateral advanced or received, plus accrued interest, which approximates fair value. In connection with these transactions, the Company receives or posts collateral, which comprises cash and/or securities. In accordance with substantially all its stock borrowed agreements, the Company is permitted to sell or repledge securities received. Securities borrowed or loaned are recorded based on the amount of cash or other collateral advanced or received. As part of the Company's risk management practices, the initial cash collateral advanced or received generally is greater than the fair value of the underlying securities borrowed or loaned. The Company monitors the fair value of securities borrowed or loaned and delivers or obtains additional collateral as appropriate. Securities borrowed and securities loaned with the same counterparty are not offset on the Statement of Financial Condition.

The Company acts as a lender in securities lending transactions and may receive securities that can be pledged or sold as collateral instead of receiving cash. To the extent that the Company receives securities collateral in exchange for securities lent, such assets are recorded at fair value in Securities received as collateral with a corresponding Obligation to return securities received in the same amount on the Statement of Financial Condition.

Where the requirements of ASC 210-20, *Balance Sheet Offsetting*, are met, collateralized agreements are presented on a net-by-counterparty basis on the Statement of Financial Condition.

Receivable from/Payable to Broker-dealers and Clearing Organizations

Receivables from broker-dealers and clearing organizations primarily include cash collateral deposited with clearing organizations, securities failed to deliver, amounts due from introducing brokers, and amounts due from clearing organizations for unsettled trades. Amounts receivable from broker-dealers and clearing organizations may be restricted to the extent they serve as deposits for securities sold, not yet purchased. Payables to broker-dealers and clearing organizations primarily represent amounts due to clearing organizations, securities failed to receive, and amounts due to introducing brokers.

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

Financial instruments owned and Financial instruments sold, not yet purchased, relate to trading activities, and include listed and other equity securities, as well as listed equity options.

The Company records Financial instruments owned, including those pledged as collateral, and Financial instruments sold, not yet purchased, at fair value.

Fair Value of Financial Instruments

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 discounts for large holdings (block discounts) 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 observable 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When there is more than one input at different levels within the hierarchy, the fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of a particular input, to the fair value measurement in its entirety, requires substantial judgment and consideration of factors specific to the asset or liability. Level 3 inputs are inherently difficult to estimate. Changes to these inputs can have a significant impact on fair value measurements.

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

Derivative Instruments

Derivative instruments are used for trading purposes, including economic hedges of trading instruments, are carried at fair value, and include listed equity options. Fair values of exchange-traded derivatives, primarily listed equity options, are based on quoted market prices. The Company presents its derivatives balances on a net-by-counterparty basis when the criteria for offsetting are met. Refer to Note 6, *Derivative Instruments,* for further information related to the Company's derivative holdings.

Exchange Memberships

Exchange memberships include ownership interests in the exchanges that entitle the Company to certain trading privileges ("Exchange Memberships"). Exchange Memberships are initially recorded at cost, and subsequently at cost less impairment. The Company reviews the carrying value compared to the fair value of exchange memberships on an annual basis to determine whether an impairment has occurred and on an interim basis when certain events occur, or certain circumstances exist. The Company's exchange memberships are recorded in Other assets on the Statement of Financial Condition.

Income Taxes

The Company is a limited liability company and therefore no provision is made in this Statement of Financial Condition for federal, state or local income taxes as such liabilities are the responsibility of the member.

3. Cash Segregated Under Federal and Other Regulations

The Company maintains custody of customer funds and is obligated by rules and regulations mandated by the SEC and the CFTC to segregate or set aside cash and or qualified securities to satisfy these regulations, which have been promulgated to protect customer assets. At June 30, 2024, included in Cash segregated under federal or other regulations on the Statement of Financial Condition were $109.6 million which has been segregated in a special reserve account for the exclusive benefit of the Company's customers, $1.0 million in a special reserve account for the exclusive benefit of the Company's introducing brokers under SEC Rule 15c3-3, and $7.3 million which has been segregated and secured under rule 1.20 of the Commodity Exchange Act.

4. Receivables from and Payables to Broker-Dealers and Clearing Organizations

Receivables from and Payables to broker-dealers and clearing organizations consisted of the following at June 30, 2024 (in thousands):

Assets		
Due from introducing broker dealers	$	2,936,742
Due from clearing organizations		454,907
Unsettled trades with clearing organizations		111,706
Securities failed to deliver		98,422
Due from prime brokers		25
Total receivable from broker-dealer and clearing organizations	**$**	**3,601,803**
Liabilities		
Securities failed to receive		117,670
Due to introducing broker dealers		80,119
Due to clearing organizations		18,495
Total payable to broker-dealers and clearing organizations	**$**	**216,284**

5. Fair Value

Financial Instruments Measured at Fair Value

The Company's financial instruments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with accounting standards as described in Note 2, *Significant Accounting Policies.* Exchange-traded equity securities and listed equity options are valued based on quoted prices from the primary exchange and are classified as Level 1 securities in the fair value hierarchy. Values for financial instruments other than those discussed above are estimated in good faith by the Company and are categorized as Level 2 or Level 3 in the fair value hierarchy. At June 30, 2024, the Company held no financial instruments whose measurements were categorized in level 3.

Fair value measurements for financial instruments measured on a recurring basis are summarized below at June 30, 2024 (in thousands):

		Level 1		Level 2		Level 3		Total Fair Value
Assets								
Financial Instruments owned								
Equities	$	4,180,882	$	14,667	$	-	$	4,195,549
Listed equity options		1,630,187		-		-		1,630,187
Financial Instruments owned	**$**	**5,811,069**	**$**	**14,667**	**$**	**-**	**$**	**5,825,736**
Liabilities								
Financial instruments sold, not yet purchased								
Equities	$	89,067	$	-	$	-	$	89,067
Listed equity options		4,362,686		-		-		4,362,686
Financial instruments sold, not yet purchased	**$**	**4,451,754**	**$**	**-**	**$**	**-**	**$**	**4,451,754**

Securities Received as Collateral and Obligation to Return Securities Received as Collateral

Fair value of securities received as collateral and obligation to return securities received as collateral represents the market value of the securities received. These receivables and payables are designated as Level 1 in the valuation hierarchy.

Financial Instruments Not Measured 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 excludes non-financial assets and liabilities. The carrying value of financial instruments not measured at fair value approximates fair value due to the relatively short-term nature of the underlying assets.

The table below summarizes financial assets and liabilities not carried at fair value at June 30, 2024 (in thousands).

		Carrying Value		Fair Value		Level 1		Level 2		Level 3
Assets										
Cash and cash equivalents	$	96,046	$	96,046	$	96,046	$	-	$	-
Cash segregated under federal and other regulations		117,955		117,955		117,955		-		-
Securities purchased under agreements to resell		29,044,952		29,044,952		-		29,044,952		-
Securities borrowed		12,155,760		12,155,760		-		12,155,760		-
Receivable from broker-dealers and clearing organizations		3,601,803		3,601,803		-		3,601,803		-
Receivable from customers		1,621,290		1,621,290		-		1,621,290		-
Other financial assets		22,349		22,349		-		22,349		-
Total financial assets	**$**	**46,660,155**	**$**	**46,660,155**	**$**	**214,001**	**$**	**46,446,154**	**$**	**-**
Liabilities										
Securities sold under agreements to repurchase	$	28,394,404	$	28,394,404	$	-	$	28,394,404	$	-
Securities loaned		16,493,170		16,493,170		-		16,493,170		-
Payable to customers		2,073,382		2,073,382		-		2,073,382		-
Payable to broker-dealers and clearing organizations		216,284		216,284		-		216,284		-
Payable to affiliates		110,949		110,949		-		110,949		-
Short-term loan payable		58,000		58,000		-		58,000		-
Accounts payable and accrued liabilities		26,033		26,033		-		26,033		-
Total financial liabilities	**$**	**47,372,222**	**$**	**47,372,222**	**$**	**-**	**$**	**47,372,222**	**$**	**-**

6. Derivative Instruments

The Company does not have any derivative instruments designated as hedging instruments under ASC 815. The fair value of the Company's derivative instruments on a gross basis consisted of the following at June 30, 2024 (in thousands):

Derivative Assets	Financial Statement Caption	Fair Value	Notional Value
Listed equity options	Financial instruments owned, at fair value	$ 1,630,187	$ 34,932,974

Derivative Liabilities	Financial Statement Caption	Fair Value	Notional Value
Listed equity options	Financial instruments sold, not yet purchased, at fair value	$ 4,362,686	$ 34,908,266

7. Collateralized Transactions

The Company enters into collateralized transactions including resale agreements and repurchase agreements, securities borrowing and securities lending transactions, mainly to finance trading inventory positions, obtain securities for settlement, and meet customers' needs.

Although the Company only offsets collateralized transactions when the requirements of ASC 210-20, *Balance Sheet Offsetting*, are met, substantially all these transactions are documented under industry standard master netting agreements which reduce the Company's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. In addition, the Company minimizes credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned by the Company when deemed necessary.

In the table below, the amounts of collateralized transactions that are offset in the Statement of Financial Condition and netted against financial liabilities with specific counterparties under legally enforceable master netting agreements in default, are presented to provide financial statement readers with the Company's estimate of its net exposure to counterparties for these financial instruments (in thousands).

	June 30, 2024					
				Amounts not offset in the Statement of Financial Condition		
Offsetting of Financial Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Financial Instruments Collateral Received/Pledged	Counterparty Netting/Cash Collateral	Net Amount
Securities purchased under agreements to resell	35,610,249	(6,565,297)	29,044,952	(29,211,011)	215,271	49,212
Securities borrowed	12,155,760	-	12,155,760	(11,691,953)	(305,687)	158,121
Securities received as collateral	3,512,219	-	3,512,219	(3,512,219)	-	-
Total	**$ 51,278,228**	**$ (6,565,297)**	**$ 44,712,931**	**$ (44,415,183)**	**$ (90,415)**	**$ 207,333**
Offseting of Financial Liabilities						
Securities sold under agreements to repurchase	34,959,701	(6,565,297)	28,394,404	(28,441,291)	215,271	168,384
Securities loaned	16,493,170	-	16,493,170	(15,384,650)	(305,687)	802,833
Obligation to return securities received as collateral	3,512,219	-	3,512,219	(3,512,219)	-	-
Total	**$ 54,965,090**	**$ (6,565,297)**	**$ 48,399,793**	**$ (47,338,160)**	**$ (90,415)**	**$ 971,217**

Under most collateralized financing agreements, the Company is permitted to sell or repledge securities received as collateral and use these securities to enter into collateralized financing transactions to deliver these securities to counterparties or clearing organizations to cover short positions. At June 30, 2024, substantially all of the securities received as collateral were delivered or repledged.

The below two tables present gross obligations for repurchase agreements, securities loaned transactions and obligations to return securities received as collateral by remaining contractual maturity and class of collateral pledged as of June 30, 2024 (in thousands):

	Remaining contractual maturity of the agreements				
	Overnight and continuous	Up to 30 days	30 - 90 days	Greater than 90 days	Total
Securities sold under agreements to repurchase	$ 3,854,383	$ 30,324,722	$ 580,205	$ 200,391	$ 34,959,701
Securities loaned	16,493,170	-	-	-	16,493,170
Obligation to return securities received as collateral	-	-	3,512,219	-	3,512,219
Total	**$ 20,347,553**	**$ 30,324,722**	**$ 4,092,423**	**$ 200,391**	**$ 54,965,090**

	Securities sold under repurchase agreements	Securities loaned	Obligation to return securities received as collateral	Total
U.S. Treasury bonds and notes	$ 30,538,675	$ 741,288	$ -	$ 31,279,964
Equities	-	15,598,146	3,512,219	19,110,365
Corporate debt securities	680,982	153,736	-	834,717
Mortgage-backed securities	3,026,907	-	-	3,026,907
Other	713,136	-	-	713,136
Total	**$ 34,959,701**	**$ 16,493,170**	**$ 3,512,219**	**$ 54,965,090**

8. Borrowings

On December 4, 2020, the Company entered into a revolving credit agreement (“Committed Facility”) with a consortium of banks, which has been extended and amended annually. The Committed Facility was amended to $300.0 million in aggregate on December 3, 2022, and again to $315.0 million in aggregate on December 2, 2023. The Committed Facility consists of five borrowing bases: (i) Borrowing Base A Loan is to be used to finance the purchase and settlement of securities, (ii) Borrowing Base B Loan is to be used to fund margin deposit with the National Securities Clearing Corporation, (iii) Borrowing Base C Loan is to fund and under certain circumstances, customer withdrawals, Borrowing Base D Loan includes borrowings to cover FICC MBS blackout periods, and (v) Borrowing Base E to fund margin at domestic Futures/Options clearinghouses. The limits and interest rates for each of the Borrowing Bases is shown below (in thousands):

Borrowing Base	Prior Limit	Current Limit	Interest Rate
A	$ 300,000	$ 315,000	Base + 1.5%
B	$ 187,500	$ 210,000	Base + 2.5%
C	n/a	$ 210,000	Base + 2.5%
D	n/a	$ 210,000	Base + 2.0%
E	n/a	$ 210,000	Base + 2.0%

In connection with the December 2, 2023, amendment to the Committed Facility the Company incurred issuance costs of $1.2 million which are being amortized over the term of the agreement. Included in Other assets at June 30, 2024, is $0.5 million representing the unamortized balance of these costs.

As of June 30, 2024, the Company had an uncommitted credit agreement in place ("Uncommitted Facility"). The agreement was established on March 28, 2022, and consisted of two borrowing bases: (i) Borrowing Base A which is available up to $200.0 million of secured loans ("Broker Loans") at 1.5% plus the bank's base rate and (ii) Borrowing Base B which is available up to $10.0 million of unsecured overnight loans at the bank's prime commercial rate as in effect on such day.

The Committed Facility and the Uncommitted Facility include unused commitment fees of 0.50% and 0.05% per annum, respectively, on the average daily unused portion of these facilities which are payable quarterly in arrears.

At June 30, 2024, the Company did not have any outstanding balances on the Committed Facility, and a $58.0 million balance on the Uncommitted Facility. This balance consisted of $48.0 million under Borrowing Base A and $10.0 million under Borrowing Base B.

9. Financial Instruments, Off-Balance-Sheet Risk, and Certain Other Risks and Uncertainties

Customer Activities

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to a customer, which is collateralized by cash and/or securities in the customer's account. In connection with these activities, the Company executes, clears, and settles customer transactions involving securities purchased and sold. The Company seeks to control risks associated with customer activities by requiring customers to maintain margin collateral in compliance with various regulatory, exchange and internal guidelines. The Company monitors required margin levels daily, and pursuant to such guidelines, the Company requires the customer to deposit additional collateral or reduce positions, when necessary. Such transactions may expose the Company to significant off-balance-sheet risk if the collateral is not sufficient to cover losses which customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to liquidate the collateral at prevailing market prices in order to fulfill the customer's obligations.

Market Risk

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 on the Statement of Financial Condition at June 30, 2024 at fair value of the related securities and will incur a loss if the fair value of the securities increases subsequent to June 30, 2024. In connection with its proprietary trading activities, the Company enters into transactions in a variety of securities and derivative financial instruments, primarily exchange-traded equity options. Options held provide the Company with the opportunity to deliver or take delivery of specified financial instruments at a contractual price. Options written obligate the Company to deliver or take delivery of specified financial instruments at a contractual price in the event the option is exercised by the holder. The majority of the Company's transactions with off-balance-sheet risk are short-term in duration.

Credit Risk

The Company accounts for current estimated credit losses (CECL) on financial assets and certain off-balance sheet items, including securities borrowed transactions, receivables from broker dealers and clearing organizations and receivables from customers, in accordance with ASC 326-20, *Financial Instruments – Measurement of Credit Losses on Financial instruments* ("ASC 326-20"). ASC 326-20 requires the Company to estimate expected credit losses over the life of its financial assets and certain off-balance sheet items as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts of future events.

ASC 326-20 provides the practical expedient for certain financial assets that are secured by collateral maintenance. This election may be made when the counterparty is contractually obligated to continue to fully replenish the collateral to meet the requirements of the contract and the Company reasonably expects the counterparty to continue to replenish the collateral.

Determination of eligibility of financial assets for the collateral maintenance expedient requires consideration of credit quality of the assets, and the related need for an allowance for credit losses based on several factors including: 1) the daily revaluation of the underlying collateral used to secure the customer's borrowings and collateral, 2) the customer's continuing ability to meet additional collateral requests based on decreases in the fair value of the collateral, and 3) its right to sell the securities collateralizing the borrowings, if additional collateral requests are not met by the customer or the amounts borrowed are not returned on demand.

The Company evaluated the guidelines of ASC 326-20 and determined its Receivables from customers and collateralized financing transactions to meet the eligibility requirements for the elective practical expedient. The Company also deemed the credit risk of organizations with which it entered into clearing agreements, relating to Receivables from broker-dealers and clearing organizations, to be materially low, and the establishment of a reserve account for CECL to be unnecessary.

The Company elected to apply the practical expedient to margin loans and the accrued interest on these loans based on the terms of margin agreements with customers. Margin levels are monitored daily and contract terms require the customer to deposit additional collateral or reduce positions when necessary, pursuant to ASC 326-20. In connection with the customer's continuing ability to meet additional collateral requests, contract terms limited the Company's exposure to the current cost to replace all contracts in which the Company has a gain.

Collateralized financing transactions met the practical expedient requirement based on collateral terms within contracts with counterparties. The Company maintains collateral from counterparties and continuously monitors the value of the securities posted as collateral and obtains additional collateral pursuant to contractual provisions to ensure the cash held by the counterparty is fully collateralized.

Operational Risk

Less direct than the exposure to market risk and credit risk, but of critical importance, are risks pertaining to operational and back-office processes. This is particularly the case in a rapidly changing environment with increasing transaction volumes and an expansion in the number and complexity of products in the marketplace. Such risks include but are not limited to:

Operational/settlement risk: the risk of financial and opportunity loss and legal liability attributable to operational problems such as inaccurate pricing of transactions; failure to process corporate actions; delays in trade execution, clearance and/or settlement; errors in processing options exercise or contra exercise instructions; or the inability to process large volumes of transactions.

Technological risk: the risk of loss attributable to technological limitations; connectivity or market data issues; or hardware or software failure that constrain the Company's ability to gather, process, and communicate information efficiently and securely, with customers and in the markets where the Company participates, all without interruption. In addition, the Company must continue to implement technological changes that will result from regulatory and/or marketplace changes.

Legal/documentation risk: the risk of loss attributable to deficiencies in the documentation of transactions (such as master netting agreements), or errors that result in non-compliance with applicable legal and regulatory requirements.

Financial control risk: the risk of loss attributable to limitations in financial systems and controls. Strong financial systems and controls ensure that assets are safeguarded, transactions are executed in accordance with management's authorization, and financial information utilized by management and communicated to external parties, creditors, and regulators is free of material errors.

Cybersecurity Risk

The Company relies on technology and automation to perform many business functions. Cyber threats are a risk that the Company is exposed to as a result of its heavy reliance on technology. These threats could result in data loss or destruction, business interruption, financial loss and other risks. The Company has taken steps to mitigate the various cyber threats and keeps improving its security posture and reducing the risk level. The Company has dedicated resources for building and running risk mitigation plans on various parts of its business - infrastructure, software development, business operations etc. These include hardening of infrastructure, regular patching and upgrading of systems and code, scanning and closing down vulnerabilities, 24/7 security monitoring and more. The Company constantly reviews and assesses its security posture and makes sure it matches the ever-changing threat landscape. Cybersecurity risk is managed under the direction of the Company's Chief Information Security Officer. The Company periodically reviews policies and procedures to ensure they are effective and accurate. The Company also has built playbooks for addressing cyber incidents in order to be able to perform incident response and crisis management workflows in the most effective way.

Litigation

The nature of the Company's business subjects it to claims, lawsuits and regulatory examinations and other proceedings in the ordinary course of business. At June 30, 2024, there were no unasserted claims or assessment that management is aware of or legal counsel has advised are probable of assertion and which must be disclosed. In the opinion of management, the ultimate outcome of all matters will not have a material impact on the Company's financial condition.

10. Related Party Transactions

The Company may engage in transactions in the ordinary course of business with related parties.

The Company has an intercompany service agreement with Holdings under which Holdings, on behalf of itself and its affiliates, provides payroll, technology and administrative services. In addition, the Company reimburses or is reimbursed by Clear Street Management LLC ("CS Management"), a member of Holdings, for direct costs paid by or credited to CS Management on behalf of the Company. At June 30, 2024, included in Other assets was a $12.1 million receivable from CS Management related to these agreements.

The Company maintains a software license agreement with Clear Street Technologies USVI LLC ("CS Tech USVI") for technology infrastructure and support. CS Tech USVI is under common control with the Company through Holdings. At June 30, 2024, there were no amounts payable or receivable between the Company and CS Tech USVI.

From time to time, the Company receives short-term financing from Holdings' parent company, Clear Street Group Inc. ("CSG"). At June 30, 2024, included in Accounts payable and accrued liabilities on the Statement of Financial Condition was $0.3 million payable to CSG.

The Company has an intercompany promissory note with Holdings. The Company pays interest to Holding on the outstanding loan balance at a rate equal to the overnight bank funding rate. At June 30,2024, Payable to affiliates on the Statement of Financial Condition consisted of $110.9 million payable to Holdings under this note.

The Company provides clearing and execution services to several affiliates under common control. At June 30, 2024, included in Receivable from broker-dealers and clearing organizations was a $2.9 billion receivables from an affiliate under common control. Included in Payables to broker-dealers and clearing organizations was $59.6 million payable to affiliates under common control and included in Payable to customers was $4.5 million payable to an affiliate.

The Company also provides clearing and execution services to a broker-dealer controlled by an officer of the Company. At June 30, 2024, included in Payable to broker-dealers and clearing organization was $7.2 million payable to this broker-dealer.

11. Net Capital Requirements

Clear Street LLC 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 the Company to maintain net capital equal to the greater of $1.5 million or 2% of aggregate debit items as defined. The Company is also subject to the CFTC’s minimum net capital rule under regulation 1.17, which requires it to maintain net capital equal to the greater of $1.0 million or 8% of Customer and Non-Customer risk maintenance margin requirements, as defined, as a registered FCM with the CFTC. The regulations also prohibit a broker-dealer from paying cash dividends, making loans to its parent, affiliates or employees, or otherwise entering into transactions, which, if executed, would result in a reduction of its total net capital to less than 120% of its minimum required capital. Moreover, broker-dealers are required to notify the SEC and other regulators prior to paying cash dividends, making loans to its parent, affiliates or employees, or otherwise entering into transactions, which, if executed, would result in a reduction of 30% or more its excess net capital (net capital less the minimum requirement). The SEC and FINRA have the ability to prohibit or restrict such transactions if the result is detrimental to the integrity of the broker-dealer.

At June 30, 2024, the Company had net capital of $513.2 million, which was $462.9 million in excess of its required net capital of $50.3 million.

12. Subsequent Events

The Company has evaluated its subsequent events disclosure through August 14, 2024, the date that the Company’s Statement of Financial Condition was made available, and has determined that there have been no events that would have a material impact on this Statement of Financial Condition as of June 30, 2024.