Clear Street LLC

Consolidated Statement of Financial Condition
As of June 30, 2023
(Unaudited)

Page(s)

Clear Street LLC
Consolidated Statement of Financial Condition
June 30, 2023
(Amounts in Thousands)
(Unaudited)

Assets		
Cash and cash equivalents	$	31,184
Cash segregated under federal and other regulations		79,954
Securities purchased under agreements to resell		23,892,876
Securities borrowed		10,685,984
Financial instruments owned, at fair value		4,849,989
Receivable from customers		763,481
Receivable from broker-dealers and clearing organizations		330,534
Securities received as collateral		102,636
Other assets		7,438
Total Assets	**$**	**40,744,076**
Liabilities and Equity		
Liabilities		
Securities sold under agreements to repurchase	$	22,642,500
Securities loaned		13,353,007
Financial instruments sold, not yet purchased, at fair value		1,653,647
Payable to customers		1,693,372
Payable to broker-dealers and clearing organizations		647,442
Obligation to return securities received as collateral		102,636
Short-term loan payable		35,000
Accounts payable and accrued liabilities		28,278
Total liabilities		40,155,882
Equity		
Member's equity		588,194
Total Liabilities and Equity	**$**	**40,744,076**

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

Clear Street LLC
Notes to Consolidated Statement of Financial Condition
June 30, 2023
(Unaudited)

1. Organization and Description of Business

Clear Street LLC (the "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.

Founded in 2016, the Company, headquartered in New York, is a broker-dealer registered with the U. S. Securities and Exchange Commission ("SEC"), the U.S. Commodity Futures Trading Commission ("CFTC"), the Municipal Securities Rulemaking Board ("MSRB"), the National Futures Association ("NFA") and the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company 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 Company 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 is FINRA.

The Company is 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"). Markets' designated self-regulatory organization is Cboe. The accompanying Consolidated Statement of Financial Condition includes the accounts of Markets at June 30, 2023.

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 pertaining to the possession or control of customer assets and reserve requirements. The Company is approved to engage in clearing, execution, prime brokerage, stock lending, and margin lending to customers of introducing firms as well as to direct customers and correspondents.

2. Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Statement of Financial Condition includes the accounts of the Company and Markets and have 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"). All material intercompany balances and transactions have been eliminated in consolidation. The Consolidated Statement of Financial Condition is presented in U.S. dollars.

Use of Estimates

The preparation of consolidated 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 amounts 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 may receive 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, 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. Resale and repurchase agreements with the same counterparty are not offset in the Consolidated Statement of Financial Condition.

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 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 of 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 Consolidated 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 Consolidated Statement of Financial Condition.

Receivable from/Payable to Broker-dealers and Clearing Organizations

Receivables from and payables to broker-dealers and clearing organizations primarily include cash collateral deposited with clearing organizations, margin paid/received on resale and repurchase agreements, securities failed-to-deliver and receive, unsettled trades and corporate actions, amounts due to introducing broker dealers, and amounts due from prime brokers related to the Company's trading activity consisting primarily of the clearance, settlement, and financing of customers' securities and market making. Amounts receivable from broker-dealers and clearing organizations may be restricted to the extent they serve as deposits for securities sold, not yet purchased.

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 market making and trading activities, and include listed and other equity securities, listed equity options and debt securities.

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 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.

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. For the six months ended June 30, 2023, there were no transfers between levels in the fair value hierarchy.

Derivative Instruments

Derivative instruments are used for trading purposes, including economic hedges of trading instruments, are carried at fair value, and include futures contracts, and 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 in the Consolidated Statement of Financial Condition. At June 30, 2023, management concluded that no impairment had occurred on any such exchange memberships.

Income Taxes

The Company is a limited liability company and therefore no provision is made in this Consolidated 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 or Other Regulations

The Company maintains custody of customer funds and is obligated by rules and regulations mandated by the SEC 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, 2023, included in Cash segregated under federal or other regulations on the Consolidated Statement of Financial Condition was $74.0 million which has been segregated in a special reserve account for the exclusive benefit of the Company's customers, and $6.0 million in a special account for the exclusive benefit of the Company's introducing brokers under Rule 15c3-3 of the Securities Exchange Act of 1934 ("SEC Rule 15c3-3"), *Computation for Determination of Reserve Requirements*.

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, 2023 (in thousands):

Assets		
Due from prime brokers	$	165,190
Securities failed to deliver		55,352
Receivables from clearing organizations		49,930
Commissions and fees		45,026
Margin paid under repurchase agreements		8,949
Unsettled corporate actions		6,087
Total receivable from broker-dealers and clearing organizations	**$**	**330,534**
Liabilities		
Unsettled trades and corporate actions	$	298,169
Due to introducing broker dealers		147,076
Margin received under resale agreements		75,732
Securities failed to receive		40,750
Commissions and fees		55,503
Due to clearing organizations		30,212
Total payable to broker-dealers and clearing organizations	**$**	**647,442**

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. Debt securities other than U.S. Treasury bonds and notes are valued based on recently executed transactions or market quotations and are generally categorized as Level 2 investments in the fair value hierarchy. Values for financial instruments other than those discussed above are estimated in good faith by the Company and are generally categorized as Level 3 in the fair value hierarchy. At June 30, 2023, the Company held no financial instruments whose values were estimated by the Company.

Fair value measurements for those items measured on a recurring basis are summarized below at June 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Financial instruments owned				
Equities	$ 4,430,647	$ 15,070	$ -	$ 4,445,717
Debt securities				
U.S. Treasury bonds and notes	2,784	-	-	2,784
Non-U.S. government debt securities	-	252	-	252
State and municipal obligations	-	-	-	-
Corporate debt obligations	-	11,564	-	11,564
Listed equity options	389,672	-	-	389,672
Financial instruments owned	**$ 4,823,103**	**$ 26,886**	**$ -**	**$ 4,849,989**
Liabilities				
Financial instruments sold, not yet purchased				
Equities	$ 1,175,017	$ -	$ -	$ 1,175,017
Debt securities				
U.S. Treasury bonds and notes	3,010	-	-	3,010
State and municipal obligations	-	-	-	-
Corporate debts obligations	-	7,539	-	7,539
Listed equity options	468,081	-	-	468,081
Financial instruments sold, not yet purchased	**$ 1,646,108**	**$ 7,539**	**$ -**	**$ 1,653,647**

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 Consolidated 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.

The table below summarizes financial assets and liabilities not carried at fair value at June 30, 2023 (in thousands).

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	$ 31,184	$ 31,184	$ 31,184	$ -	$ -
Cash segregated under federal and other regulations	79,954	79,954	79,954	-	-
Securities purchased under agreements to resell	23,892,876	23,892,876	-	23,892,876	-
Securities borrowed	10,685,984	10,685,984	-	10,685,984	-
Receivable from broker-dealers and clearing organizations	330,534	330,534	-	330,534	-
Receivable from customers	763,481	763,481	-	763,481	-
Other assets	7,438	7,862	-	7,862	-
Total financial assets	**$ 35,791,451**	**$ 35,791,875**	**$ 111,138**	**$ 35,680,737**	**$ -**
Liabilities					
Securities sold under agreements to repurchase	$ 22,642,500	$ 22,642,500	$ -	$ 22,642,500	$ -
Securities loaned	13,353,007	13,353,007	-	13,353,007	-
Payable to customers	1,693,372	1,693,372	-	1,693,372	-
Payable to broker-dealer and clearing organizations	647,442	647,442	-	647,442	-
Short-term loan payable	35,000	35,000	-	35,000	-
Accounts payable and accrued liabilities	28,278	28,278	-	28,278	-
Total financial liabilities	**$ 38,399,599**	**$ 38,399,599**	**$ -**	**$ 38,399,599**	**$ -**

For the six months ended June 30, 2023, there were no transfers between levels in the fair value hierarchy.

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, 2023 (in thousands):

Derivative assets	**Financial Statement caption**	**Fair Value**	**Notional Value**
Listed equity options	Financial instruments owned	$ 389,672	$ 6,972,598
Total return swaps on equities	Financial instruments owned	4,451	4,451
Derivative Liabilities	**Financial Statement caption**	**Fair Value**	**Notional Value**
Listed equity options	Financial instruments sold, not yet purchased	$ 468,081	$ (7,297,756)
Total return swaps on equities	Receivable from broker-dealers and clearing organizations	(658)	(5,864)
Equity and equity index futures	Receivable from broker-dealers and clearing organizations	-	(24,461)

Receivable from broker-dealers and clearing organizations included $(0.3) million in net variation margin on futures contracts and other deposits related to futures trading at June 30, 2023. In addition, the Company had entered into spot FX transactions to hedge the FX risk related to unsettled trades in FX denominated equities with a nominal of $(17.3) million in sells and $16.6 million in buys.

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 does not offset collateralized transactions, substantially all of 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 not offset in the Consolidated Statement of Financial Condition, but could be netted against financial liabilities with specific counterparties under legally enforceable master netting agreements in default, are presented to provide the statement of financial condition readers with the Company's estimate of its net exposure to counterparties for these financial instruments (in thousands).

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Consolidated Statement of Financial Condition	Gross Amounts Not Offset in the Consolidated Statement of Financial Condition: Financial Instruments	Gross Amounts Not Offset in the Consolidated Statement of Financial Condition: Cash Collateral Received	Net Amount
Offsetting of Financial Assets						
Securities purchased under agreements to resell	$ 23,892,876	$ -	$ 23,892,876	$ (23,774,149)	$ (8,402)	$ 110,325
Securities borrowed	10,685,984	-	10,685,984	(10,487,447)	(121,113)	77,424
Securities received as collateral	102,636	-	102,636	(102,636)	-	-
Total	**$ 34,681,496**	**$ -**	**$ 34,681,496**	**$ (34,364,232)**	**$ (129,515)**	**$ 187,749**
Offsetting of Financial Liabilities						
Securities sold under agreements to repurchase	$ 22,642,500	$ -	$ 22,642,500	$ (22,619,225)	$ (8,402)	$ 14,873
Securities loaned	13,352,995	-	13,352,995	(13,145,490)	(121,113)	86,392
Obligation to return securities received as collateral	102,636	-	102,636	(102,636)	-	-
Total	**$ 36,098,131**	**$ -**	**$ 36,098,131**	**$ (35,867,351)**	**$ (129,515)**	**$ 101,265**

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, 2023, 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, 2023 (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	$ 19,817,823	$ 2,388,762	$ 190,028	$ 245,887	$ 22,642,500
Securities loaned	13,353,007	-	-	-	13,353,007
Obligation to return securities received as collateral	-	-	102,636	-	102,636
Total	**$ 33,170,830**	**$ 2,388,762**	**$ 292,664**	**$ 245,887**	**$ 36,098,143**

	Securities sold under repurchase agreements	Securities loaned	Obligation to return securities received as collateral	Total
U.S. Treasury bonds and notes	$ 22,633,714	$ 563,782	$ -	$ 23,197,496
Equities	-	12,574,445	102,636	12,677,081
Corporate debt securities	8,786	214,780	-	223,566
Other	-	-	-	-
Total	**$ 22,642,500**	**$ 13,353,007**	**$ 102,636**	**$ 36,098,143**

8. Borrowings

On December 4, 2020, the Company entered into a revolving credit agreement (the “Committed Facility”) with a consortium of banks for an aggregated borrowing limit of $75.0 million. The Committed Facility was amended to $200 million on December 3, 2021 and again to $300.0 million on December 2, 2022. 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 and under certain circumstances, customer withdrawals.

Borrowing Base A Loans were available up to $75.0 million and bore interest at the adjusted LIBOR or base rate (determined as the greater of (i) the upper limit of the Fed Funds target range, (ii) the 30-day Secured Overnight Financing Rate (“SOFR”) plus 0.11448%, and (iii) 0.25%, the (“Base Rate”)). The December 3, 2021 amendment increased the Borrowing Base A limit to $200.0 million and an interest rate of the overnight base rate in effect from time to time plus 1.50% per annum. The December 2, 2022 amendment increased the Borrowing Base A limit to $300.0 million.

Borrowing Base B Loans were available up to a limit of $75.0 million and bore interest at the adjusted LIBOR or base rate plus 2.50% per annum. The December 3, 2021 amendment increased the Borrowing Base B limit to $125.0 million and an interest rate of the overnight base rate in effect from time to time plus 2.50%. The December 3, 2021 amendment also amended the Borrowing Base B purpose to include funding, under certain circumstances, and customer withdrawals. The December 2, 2022 amendment increased the Borrowing Base B limit to $187.5 million.

In connection with the December 2, 2022 amendment to the Committed Facility the Company incurred issuance costs of $1.0 million which is being amortized over the term of the agreement. Included in Other assets at June 30, 2023 is $0.4 million representing the unamortized balance of these costs.

On March 28, 2022, the Company entered into an uncommitted credit agreement (the "Uncommitted Facility") with a bank. At June 30, 2023, the Uncommitted Facility consisted of two borrowing bases: Borrowing Base A was available up to $200.0 million of secured loans ("Broker Loans") at 1.5% plus the bank's overnight rate (determined as the Base Rate); Borrowing Base B was available up to $10.0 million of unsecured overnight loans ("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, 2023, the Company had no outstanding balances under the Committed Facility and the Uncommitted Facility.

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 customers which is collateralized by cash and/or securities in a customer account. In connection with these activities, the Company executes and clears customer transactions involving securities sold, not yet purchased. 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, 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 in the event the collateral is not sufficient to cover losses which customers may occur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell 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 in the Consolidated Statement of Financial Condition at June 30, 2023 at fair value of the related securities and will incur a loss if the fair value of the securities increases subsequent to June 30, 2023. In connection with its proprietary market making and trading activities, the Company enters into transactions in a variety of securities and derivative financial instruments, primarily exchange-traded equity options, futures contracts, and options on futures contracts. 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. Futures contracts provide for the delayed delivery or purchase of financial instruments at a specified future date at a specified price or yield. 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.

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, 2023, 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 a management and an expense sharing agreement with Clear Street Management LLC ("CS Management") which is a member of Holdings. The Company shares office space in New York with CS Management and its subsidiary entities. This intercompany services agreement also provides for the allocation of compensation and administrative expenses based on actual usage. In addition, the Company reimburses or is reimbursed by CS Management for direct expenses paid by or credited to CS Management on behalf of the Company. At June 30, 203, included in Accounts payable and accrued liabilities was $3.6 million payable to CS Management.

The Company maintains a consulting and service agreement with Clear Street Technologies LLC ("CS Tech") for technology infrastructure and support. CS Tech is under common control with the Company through Holdings which is the parent for both. At June 30, 2023, included in Accounts payable and accrued liabilities in the Consolidated Statement of Financial Condition was $0.4 million receivable from CS Tech.

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, 2023, there were no amounts payable or receivable between the Company and CS Tech USVI.

In the ordinary course of business, the Company also interacts with three affiliated entities under common control for various services. At June 30, 2023, included in Accounts payable and accrued liabilities were $0.1 million, $0.1 million, and no payable, respectively, to these related parties.

The Company provides clearing and execution services to Clear Street Derivatives LLC ("CS Derivatives"), a security-based swap dealer under common control through Holdings. At June 30, 2023, the Company had a $137.8 million payable related to CS Derivatives for these services.

The Company also provides clearing and execution services to an affiliate under common control. At June 30, 2023, the Company had a net payable to the affiliate of $5,816 which is included in Payable to customers in the Consolidated Statement of Financial Condition.

The Company received $35.0 million in short-term funding from Clear Street Group ("CS Group"), the Managing Member of Holdings, which is included in Short-term loan payable in the Consolidated Statement of Financial Condition as of June 30, 2023.

Lastly, Holdings contributed $125.0 million in cash to the Company for additional liquidity on February 28, 2023. This contribution effectively increased the Company's member's equity by that amount.

11. Net Capital Requirements

Clear Street LLC and Markets are 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. Markets is required to maintain net capital equal to the greater of $250 thousand or a calculated amount based on the number of securities it makes markets into a maximum of $1 million. These 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 150% 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 10% 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. Clear Street LLC is also subject to the CFTC's minimum net capital rule under regulation 1.17.

The Company has received approval from FINRA to utilize the flow through benefits of the Company's investment in Markets under Appendix C of SEC Rule 15c3-1. Included in the Net Capital of the Company is $37.8 million attributable to Markets. Included in the Consolidated Statement of Financial Condition are assets of $440.4 million, liabilities of $390.0 million, and member's equity of $50.4 million attributable to Markets.

At June 30, 2023, the Company had net capital of $457.0 million, which was $427.9 million in excess of its required net capital of $29.1 million. At June 30, 2023, Markets had net capital of $37.8 million, which was $36.8 million in excess of its required net capital of $1.0 million.

12. Subsequent Events

The Company has evaluated its subsequent events disclosure through the date that the Company's Consolidated Statement of Financial Condition was issued, and has concluded that there are no events that would have a material impact on this Consolidated Statement of Financial Condition as of June 30, 2023.