

ABN AMRO Clearing Chicago LLC

Statement of Financial Condition

June 30, 2018

ABN AMRO Clearing Chicago LLC

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Assets	
Cash and cash equivalents	\$ 154,641,048
Cash segregated for regulatory purposes	1,614,339,413
Securities owned, marketable, at fair value	20,008,145
Collateralized agreements:	
Securities purchased under agreements to resell	664,830,137
Securities borrowed	3,061,260,274
Receivables from:	
Brokers, dealers, and clearing organizations (net of allowance for Doubtful accounts of \$79,476)	3,196,561,959
Customers	1,666,096,946
Deposits with clearing organizations	240,575,270
Exchange memberships and stock, at adjusted cost (fair value \$18,609,068)	11,315,604
Furniture, equipment, and leasehold improvements (net of accumulated depreciation and amortization of \$32,950,885)	7,208,584
Other assets	<u>9,145,883</u>
Total assets	<u>\$ 10,645,983,263</u>

Liabilities and Members' Equity

Liabilities:	
Bank loans	\$ 2,400,000,000
Collateralized agreements:	
Securities loaned	3,504,260,323
Payables to:	
Customers	2,797,322,356
Brokers, dealers, and clearing organizations	812,650,435
Noncustomers	157,990,290
Accounts payable and accrued expenses	<u>114,869,649</u>
Total liabilities	<u>9,787,093,053</u>
Liabilities subordinated to claims of general creditors	325,000,000
Members' equity:	
Common member	533,590,210
Preferred Class A members	<u>300,000</u>
Total members' equity	<u>533,890,210</u>
Total liabilities and members' equity	<u>\$ 10,645,983,263</u>

See accompanying notes to Statement of Financial Condition.

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Notes to Statement of Financial Condition

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(1) Organization and Nature of Operations

ABN AMRO Clearing Chicago LLC (the Company), a wholly owned subsidiary of ABN AMRO Clearing Bank N.V. (AACB), was organized as an Illinois limited liability company on June 30, 1997. Under the terms of the Limited Liability Company Agreement (the Agreement), the Company does not have a specific termination date and may be dissolved only as provided by the Agreement. No member of the Company is personally liable for any debit balances, liabilities, or other obligations of the Company.

AACB is a wholly owned subsidiary of ABN AMRO Bank N.V. (AAB) and is the sole Common Member. AAB is a wholly owned subsidiary of ABN AMRO Group N.V.

The Company is a registered securities broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. The Company is also a registered futures commission merchant with the Commodity Futures Trading Commission (the CFTC) and is a member of the National Futures Association. The Company is a clearing member of all principal U.S. securities and futures exchanges. The Company provides clearing services for equities and equities options as well as futures and futures options. The Company's primary sources of revenue are interest and commissions derived from clearing orders for equities and equity options contracts and futures and futures options contracts on behalf of its customers, both domestically and internationally.

(2) Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying statement of financial condition is presented in accordance with accounting principles generally accepted in the United States of America (US GAAP).

(b) *Use of Estimates*

The preparation of the statement of financial condition in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

(c) *Cash and Cash Equivalents*

The Company considers marketable securities with original maturities of less than three months to be cash equivalents. Cash equivalents do not include cash funds segregated or in separate accounts as required by the Securities Exchange Act of 1934 and the Commodity Exchange Act (CEAct).

(d) *Fair Value of Financial Instruments*

The Company's financial instruments are reported in the statement of financial condition at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. The estimated fair value of securities owned and securities sold are generally based on quoted market prices or dealer quotes.

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Open trade equity on futures contracts is recorded as receivables and payables to clearing organizations or customers, as appropriate. (See note 18 for more information related to fair value measurements.)

(e) Depreciation and amortization

Furniture and equipment are carried at cost and are depreciated using the straight line and accelerated methods using an estimated useful life of three to ten years. Leasehold improvements are being amortized on the straight line method over the estimated useful life of the improvements or the term of the lease.

(f) Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated to U.S. dollars at June 30, 2018 exchange rates.

(g) Exchange Memberships and Stock

Exchange memberships and stock required to be held in connection with such memberships are recorded at cost, or if other than temporary impairment in value has occurred, at a value that reflects an adjustment for management's estimate of the impairment. There were no impairments in 2018.

(h) Receivables, Payables, and Marketable Securities

Receivables from and payables to brokers, dealers, clearing organizations, customers and non-customers represent balances arising primarily in connection with security and commodity transactions, including unrealized gains and losses on open commodity futures contracts. Marketable securities, consisting primarily of U.S. government securities, are held as collateral for receivables from customers and as margin. The Company may deposit these securities as margin with exchange clearing organizations. Customer-owned securities and options are not reflected in the statement of financial condition.

The Company monitors the receivables from and payables to brokers, dealer and customers on a daily basis and interest is accrued and is included in the statement of financial condition. Interest rates paid on the cash balances fluctuate with short-term interest rates.

The Company establishes a reserve for estimated credit losses based upon historical experience and specific customer collection issues. At June 30, 2018, management determined no such reserve was required.

(i) Income Taxes

The Company is organized as a limited liability company and is being taxed as a partnership under provisions of the Internal Revenue Code. The Company's taxable income is included in the respective income tax returns of the members. The liability for payment of federal and state income tax on the Company's earnings is the responsibility of its members rather than that of the Company. Accordingly, no liability for U.S. federal and state income taxes has been recorded in

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the statement of financial condition. The Company accounts for uncertain tax positions by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the statement of financial condition. As of June 30, 2018 the Company has recorded no unrecognized tax benefits in the statement of financial condition and expects no significant increase or decrease within the next 12 months.

At June 30, 2018, the Company had federal and state income tax returns for the 2013 through 2016 tax years open and subject to examination.

(j) Collateralized Financing

Securities purchased under agreements to resell which are short term in nature, are accounted for as collateralized financing transactions and are carried at the amounts at which the underlying securities will be subsequently resold as specified in the respective agreements. It is the Company's policy to take possession of securities, subject to resale agreements. The fair value of the securities is determined daily and collateral added whenever necessary to bring the market value of the underlying collateral equal to or greater than the resale price specified in the contract.

Securities borrowed and securities loaned transactions are generally reported as collateralized financings and recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash and/or other collateral with the lender. When loaning securities, the Company receives cash collateral generally in excess of the market value of the securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis with additional collateral obtained or refunded as necessary. Interest on such transactions is accrued and is included in the statement of financial condition in other assets. Interest rates paid on the cash collateral fluctuate with short-term interest rates.

(k) Recently Issued Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-18, Restricted Cash. This ASU will amend the guidance in Accounting Standards Codification ("ASC") Topic 230, Statement of Cash Flows, and is intended to reduce the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments within this ASU will require that the reconciliation of the beginning-of-period and end-of-period cash and cash equivalents amounts shown on the statement of cash flows include restricted cash and restricted cash equivalents. If restricted cash and restricted cash equivalents are presented separately from cash and cash equivalents on the statement of financial condition, an entity will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the statement of financial condition. An entity will also be required to disclose information regarding the nature of the restrictions. ASU 2016-18 requires is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. ASU 2016-18 will be effective for the Company's fiscal year beginning January 1, 2018. The adoption of ASU 2016-18 will change the manner in which restricted cash and restricted cash equivalents are presented in the Company's statement of financial condition.

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In February 2016, FASB issued ASU 2016-02, *Leases*. This ASU will supersede the guidance in ASC Topic 840, *Leases*. Under ASU 2016-02, for lease arrangements exceeding a 12 month term, a lessee will be required to recognize in the statement of financial condition a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 will retain a distinction between finance and operating leases; however, the principal difference from the previous guidance is that lease assets and liabilities arising from operating leases will be recognized in the statement of financial condition. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will not significantly change from current GAAP. The accounting applied by a lessor will be largely unchanged from that applied under current GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and will require an entity to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Therefore, ASU 2016-02 will be effective for the Company's fiscal year beginning January 1, 2019. Early adoption is permitted. The Company is currently assessing the impact this ASU will have on the Company's statement of financial condition.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles of recognizing revenue from contracts with customers and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. This ASU supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance. Entities are required to apply the following steps when recognizing revenue under ASU 2014-09: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and, (5) recognize revenue when (or as) the entity satisfies a performance obligation. This ASU also requires additional disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. An entity may apply the amendments by using one of the following two methods: (1) retrospective application to each prior reporting period presented or (2) a modified retrospective approach, requiring the standard be applied only to the most current period presented, with the cumulative effect of initially applying the standard recognized at the date of initial application. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption was permitted for annual reporting periods beginning after December 15, 2016. Subsequent to issuing ASU 2014-09, the FASB issued additional standards for the purpose of clarifying certain aspects of ASU 2014-09. The subsequently issued ASUs had the same effective date and transition requirements as ASU 2014-09.

The Company adopted the new standard effective January 1, 2018 utilizing the modified retrospective method. There was no material financial impact from adopting the new revenue standards, including the incremental costs of obtaining contracts, gross versus net reporting, and additional disclosure requirements.

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(3) Funds Segregated for Regulatory Purposes

Cash of \$229,020,031, money market funds of \$200,445,551, securities purchased under agreements to resell of \$778,032,290, and U.S. government securities with a fair value of \$304,210,404 are segregated under the CEAct and represent funds deposited by customers and funds accruing to customers as a result of trades or contracts.

Cash of \$102,631,137 has been segregated in special reserve accounts for the exclusive benefit of customers pursuant to federal regulations under Rule 15c3-3 of the Securities Exchange Act of 1934 or agreements for proprietary accounts of broker-dealers.

(4) Receivables from and Payables to Brokers, Dealers, and Clearing Organizations

The Company does business with other broker-dealers who, for the most part, are members of the major U.S. securities exchanges. The Company monitors the credit standing of brokers and dealers and customers with whom it conducts business. In addition, the Company monitors the market value of collateral held and the market value of securities receivable from others. The Company seeks to obtain additional collateral if insufficient protection against loss exists.

Brokers' and dealers' trading and investment accounts cash and securities transactions are recorded on settlement date. The receivables are collateralized substantially by brokers' and dealers' securities held, which are not reflected on the statement of financial condition.

At June 30, 2018, the market value of securities used to secure brokers' and dealers' margin balances was \$5,581,505,718, of which \$3,742,031,660 was used to collateralize financing for the brokers' and dealers' margin balances.

At June 30, 2018, receivables from and payables to brokers, dealers, and clearing organizations are composed of the following:

	<i>Receivables</i>	<i>Payables</i>
Brokers' and dealers' trading and investment accounts	\$ 2,887,996,506	\$ 573,049,621
Clearing brokers	188,130,145	-
Clearing organizations	105,634,941	210,782,995
Securities failed to deliver/receive	14,332,110	27,649,430
Other	468,257	1,168,389
	<u>\$ 3,196,561,959</u>	<u>\$ 812,650,435</u>

(5) Receivables from and Payables to Customers

Receivables from and payables to customers include amounts due on cash and margin transactions. Customer cash, securities and commodities transactions are recorded on the settlement date. The receivables are collateralized substantially by customers' securities held, which are not reflected on the statement of financial condition.

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At June 30, 2018, the market value of customer securities held for futures customers was \$110,427,744, of which \$99,549,640 has been pledged as margin at clearing organizations.

At June 30, 2018, the market value of securities used to secure equity customer margin balances was \$4,567,360,113, of which \$2,077,800,254 was used to collateralize financing for the customer margin balances.

(6) Collateralized Transactions

The Company enters into reverse repurchase agreements, securities borrowed and securities loaned transactions to finance receivables from brokers' and dealers' and customer trading and investment accounts. The Company manages credit exposure from such transactions by entering into master netting agreements and collateral agreements with counterparties that provide the Company, in the event of a counterparty default (such as bankruptcy or a counterparty's failure to pay or perform), the right to net a counterparty's rights and obligations under such agreement and liquidate and setoff collateral against the net amount owed by the counterparty. However, for financial statement purposes, the Company does not net balances related to these financial instruments. The Company's policy is generally to take possession of securities purchased under agreements to resell and securities borrowed, and to receive securities and cash posted as collateral (with rights of rehypothecation). The Company also monitors the fair value of the underlying securities as compared with the related receivable or payable, including accrued interest, and, as necessary, requests additional collateral as provided under the applicable agreement to ensure such transactions are adequately collateralized. Securities borrowed and securities loaned transactions are recorded at the amount of the cash collateral advanced or received, adjusted for additional collateral obtained or received. At June 30, 2018, the fair value of securities received as collateral for securities borrowing and pledged for securities lending transactions was \$2,957,290,277 and \$3,425,670,327 respectively.

At June 30, 2018, the fair value of the collateral received for securities under resale agreements totaled \$664,830,137. The Company seeks to mitigate mark-to-market risk by taking collateral in the form of U.S. government securities, the tenor of which is overnight. The Company only enters into reverse repurchase agreements and there is no counterparty netting impact.

The following table presents information about the potential effect of rights of setoff associated with the Company's recognized assets and liabilities as of June 30, 2018:

	Gross amounts of assets and liabilities presented in the statement of financial condition	Gross amounts not offset	Net amounts of recognized assets and liabilities
Securities borrowed	\$ 3,061,260,274	\$ 860,159,967	\$ 2,201,100,307
Securities loaned	3,504,260,323	860,159,967	2,644,100,356

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(7) Securities Owned

Securities owned consisted of unrestricted shares of corporate equity securities. The securities owned are deposited at exchange clearing organizations or held in segregated bank accounts.

(8) Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements consisted of the following at June 30, 2018:

Computer, equipment, and software	\$ 30,264,608
Leasehold improvements	9,091,517
Furniture and fixtures	<u>803,344</u>
	40,159,469
Accumulated depreciation and amortization	<u>(32,950,885)</u>
Furniture, equipment and leasehold improvements	<u>\$ 7,208,584</u>

(9) Borrowings

At June 30, 2018, the Company had two unsecured lines of credit with affiliated banks for \$4,500,000,000 and \$675,000,000. At June 30, 2018, the amount outstanding on these credit lines totaled \$1,800,000,000 and \$600,000,000 respectively and are reflected in bank loans in the statement of financial condition. Interest payable totaled \$3,513,172 at June 30, 2018. Interest payable is reflected in the statement of financial condition under accounts payable and accrued expenses.

The Company has lines of credit totaling \$325,000,000 with nonaffiliated banks. These loans are secured and are collateralized by brokers' and dealers' and customer margin securities. At June 30, 2018, there were no amounts outstanding on these credit lines.

(10) Liabilities Subordinated to Claims of General Creditors

At June 30, 2018, liabilities subordinated to claims of general creditors consisted of one borrowing from an affiliated bank pursuant to an equity capital loan agreement. The agreement expires on November 20, 2019. The total outstanding borrowing totaled \$325,000,000 at June 30, 2018.

The Company also has a Subordinated Revolving Credit Facility with an affiliated bank up to a maximum of \$50,000,000 that matures one year from the date of the advance. This Subordinated Revolving Credit Facility will terminate on May 9, 2021. At June 30, 2018 there were no amounts outstanding.

The liabilities subordinated to claims of general creditors are covered by an agreement approved by the Designated Self Regulatory Organizations and Designated Examining Authority and are thus available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowing is required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. No interest payable is outstanding at June 30, 2018.

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(11) Employee Benefit Plan

The Company has established a salary reduction (401(k)) plan for qualified employees. The Company may elect to match employees' contributions and make further discretionary contributions to the plan, subject to certain limitations as set forth in the plan agreement.

(12) Financial Derivative Instruments with Off-Balance-Sheet Risk and Concentration of Credit Risk

In the normal course of business, the Company accepts and clears futures contracts and options on futures contracts for the accounts of its customers, primarily exchange members and institutional firms. As such, the Company guarantees to the respective clearing houses or other brokers, its customers' performance under these contracts. To reduce its risk, the Company requires its customers to meet, at minimum, the margin requirement established by each of the exchanges at which contracts are traded. Margin requirements for exchange members may be significantly less than those required from other customers. Margin is a good faith deposit from the customer that reduces risk to the Company of failure on behalf of the customer to fulfill any obligation under these contracts. To minimize its exposure to risk of loss due to market variation, the Company adjusts these margin requirements as needed.

Customers may also be required to deposit additional funds, securities, or other collateral. As a result of market variation, the Company may satisfy margin requirements by liquidating certain customer positions. Management believes that the margin deposits and collateral held at June 30, 2018 were adequate to minimize the risk of material loss that could be created by positions held at that time.

The Company is engaged in various trading activities, whose counterparties include clearing organizations, brokers and dealers, futures commission merchants, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on credit worthiness of the counterparty or issuer of the financial instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

(13) Leases

The Company has noncancelable and cancelable operating leases for its offices that require the Company to pay all executing costs such as maintenance and insurance. Certain leases contain renewal options and escalation clauses. Future minimum lease payments under the noncancelable and cancelable operating leases (with initial or remaining lease terms in excess of one year), along with the minimum annual sublease rentals to be received in the future are approximately as follows as of June 30, 2018:

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		Operating leases
Ending June 30:		
2018	\$	142,829
2019		1,589,614
2020		1,612,203
2021		1,634,793
2022		1,657,383
Thereafter		11,969,378
Total minimum lease payments	\$	18,606,200

(14) Guarantees and Indemnifications

Under certain exchange or clearinghouse membership agreements, members are generally required to guarantee the performance of other members by meeting any shortfalls in the event a member becomes unable to satisfy their obligation to the exchange or clearinghouse. To mitigate this risk, the exchanges and clearinghouses typically require their members to deposit collateral with them. The Company's maximum potential liability under these arrangements cannot be quantified. However, the potential for the Company to be required to make payments under the arrangements is remote. Accordingly, no contingent liability is recorded in the accompanying statement of financial condition.

The Company clears and executes futures contracts, options on futures contracts, and equity products, including options for the accounts of its customers. As such, the Company deposits performance bond collateral with the applicable clearing organizations to fulfill the obligations of its customers' performance under these contracts. To reduce its operational risk, the Company requires its customers to meet, at a minimum, the margin requirements established by each exchange on which the contract is traded. This margin is a good faith deposit from the customer. To minimize its market and credit risks, the Company adjusts the amount of margin required commensurate with the level of risk associated with the customers' underlying positions. If necessary, the Company may liquidate certain positions in order to satisfy minimum margin requirements. Management believes that the margin deposits held at December 31, 2017 are adequate to mitigate the risk of material loss.

(15) Members' Equity

The limited liability company operating agreement for the Company provides for two classes of membership with varying rights, preferences, privileges, and obligations. The Common Member has all of the voting rights and authority to manage the Company's operations and the Preferred Members have no voting rights and do not participate in management by reason of such memberships or interests. The Company is authorized to issue 1,000 Class A preferred interests in exchange for a \$10,000 capital contribution for each such interest. Class A members have a Joint Back Office (JBO) clearing agreement with the Company. This agreement allows JBO participants to receive favorable margin treatment as compared to the full customer margin requirements of Regulation T. As part of this agreement, Class A members are not allocated any income or losses from the Company's operations.

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(16) Related-Party Transactions

In the normal course of business, the Company enters into transactions with affiliated companies. The Company executes and clears trades for related customers and noncustomers and earns certain commissions and fees in connection with these services. The Company also utilizes related clearing brokers to execute and clear futures transactions on exchanges where the Company is not a member, for which it incurs brokerage and clearing charges. The Company also had securities borrowed and securities loaned transactions with affiliated companies.

The Company enters into short-term reverse repurchase agreements with affiliates in connection with collateralized transactions. These agreements are primarily to acquire securities needed for clearing organization margin deposits or to invest excess cash from operating activities. Reverse repurchase agreements are reflected in the statement of financial condition under securities purchased under agreements to resell and are as set forth in the table below.

Securities borrowed and securities loaned transactions with affiliates are recorded at the amount of cash collateral advanced or received and are as set forth in the table below. The Company primarily borrows from third party counterparties and lends to affiliates. Interest on such transactions is accrued and is included in the statement of financial condition in other assets and accounts payable and accrued expenses.

At June 30, 2018, the Company had borrowing transactions with affiliated banks in order to facilitate client transactions, and to meet short-term financing needs (notes 9 and 10).

The Company is party to a Service Level Agreement (SLA) with affiliates under which the company receives services for operational and administrative support.

The Company has \$500,045 invested in an affiliated company. This amount is reflected in other assets in the statement of financial condition.

The following table sets forth the Company's related party assets and liabilities as of June 30, 2018:

	<i>Assets</i>	<i>Liabilities</i>
Securities purchased under agreements to resell	\$ 664,830,137	\$ -
Securities borrowed/loaned	3,168,000	28,891,856
Bank loans		2,400,000,000
Customer receivable/payables	-	743,902,953
Noncustomer payables	-	157,980,478
Clearing broker receivables	156,912,364	-
Other assets	914,417	-
Accounts payable and accrued expenses	-	4,251,698
	<u>\$ 825,824,918</u>	<u>\$ 3,335,026,985</u>

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(17) Net Capital Requirements

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule (Rule 15c3-1) and is a futures commission merchant subject to the CFTC Minimum Capital Requirement (Regulation 1.17). In addition, the Company is subject to minimum capital requirements of the CME Group, Inc. Under the more restrictive of these rules, the Company is required to maintain “net capital” equivalent to the greater of \$5,000,000, 2% of “aggregate debit items” or the sum of 8% of the customer risk maintenance margin requirement plus 8% of the noncustomer risk maintenance margin requirement, as these terms are defined.

Adjusted net capital, aggregate debit items, and risk maintenance margin requirements change from day to day. At June 30, 2018, under the more restrictive of these rules, the Company had net capital and net capital requirements of \$719,851,981 and \$154,612,041, respectively. The net capital rule may effectively restrict member withdrawals and the repayment of subordinated loans.

(18) Fair Value Disclosure

The Company’s financial instruments are reported in the statement of financial condition at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements and disclosures include a hierarchy that prioritizes inputs to valuation techniques used to measure fair value.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by ASC 820, are used to measure fair value.

ASC 820 establishes a hierarchy for inputs used in measuring fair value into three broad levels that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available:

Level 1 Inputs: Quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Inputs: Other than quoted prices included with Level 1 that are observable for substantially the full term of the asset or liability, either directly or indirectly. Level 2 assets include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

Level 3 Inputs: Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

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The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

Assets:	Level 1	Level 2	Level 3	Total
Funds segregated for regulatory purposes				
US government securities	\$ 304,210,404	-	-	\$ 304,210,404
Money market funds	200,445,551	-	-	200,445,551
Securities owned				
US government securities	19,980,764	-	-	19,980,764
Corporate equity securities	27,381	-	-	27,381
	<u>\$ 524,664,100</u>	<u>-</u>	<u>-</u>	<u>\$ 524,664,100</u>

There were no transfers of assets or liabilities within the fair value hierarchy during the year.

(19) Litigation

In August 2007, Sentinel Management Group, Inc. (Sentinel), a futures commission merchant that managed certain customer segregated funds for the Company, filed for bankruptcy. Shortly before Sentinel filed for bankruptcy, Sentinel sold certain securities to Citadel Equity Fund, Ltd. (Citadel). The U.S. Bankruptcy Court ordered funds from the sale to Citadel be distributed to certain Sentinel customers. The Company received its pro rata share, which totaled \$52,755,815. On or about September 15, 2008, the bankruptcy trustee filed an adversary proceeding (the Complaint) against all of the recipients of the court ordered distribution of funds from the Citadel sale, including the Company. The Complaint also includes a claim for money the Company received shortly before Sentinel filed for bankruptcy in the amount of \$4,000,399 and a claim for pre-judgment interest which could range from \$750,000 to \$1,760,000. After years of litigation, during which time the Company subsequently filed a counterclaim for its pro rata share of a pool of reserve funds, a positive decision for the defendants was rendered at the appellate level. After the trustee's petition for writ of certiorari at the Supreme Court was denied, the parties settled all claims in May 2018 and the Company received \$10,314,576 from the reserve funds, bringing an end to the litigation.

In the normal course of business, the Company is subject to litigation and regulatory proceedings. Management of the Company, after consultation with legal counsel, believes that the outcome of such proceedings will not have a material adverse effect on the Company's financial position.

(20) Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Company is required to evaluate and recognize in the statement of financial position the effect of all events or transactions that existed at the balance sheet date. The Company evaluated events and transactions through August, 28 2018, the date the statement of financial condition were issued, noting no subsequent events requiring recording or disclosure in the statement of financial condition or in related notes to the statement of financial condition.