

Clear Street Derivatives LLC

SEC # 026-00231

Statement of Financial Condition

As of June 30, 2025

(Unaudited)

Clear Street Derivatives

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June 30, 2025

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(amounts in thousands)

Assets			
Cash and cash equivalents	\$		45
Financial instruments owned, at fair value			35,406
Receivable from broker-dealers and clearing organizations			87,841
Other assets			168
Total Assets	\$		123,460
Liabilities and Equity			
Liabilities			
Financial instruments sold, not yet purchased, at fair value	\$		68,427
Payable to customers			17,112
Accounts payable and accrued liabilities			7,746
Total liabilities			93,285
Equity			
Member's equity			30,175
Total Liabilities and Equity			123,460

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1. Organization and Description of Business

Clear Street Derivatives 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 CEO has sole authority to carry out management responsibilities and control day-to-day management of the Company's operations, including 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, founded in 2022 and headquartered in New York, is a security-based swap dealer registered with the U.S. Securities and Exchange Commission ("SEC"). The Company does not effect transactions in cleared security-based swaps for or on behalf of customers. Accordingly, the Company claims an exemption from 17 C.F.R. § 240.18a-4 under the provisions of 17 C.F.R. § 240.18a-4(f).

The Company provides security-based swap dealer counterparties exposure to securities via total return swap transactions by: (i) entering into short or long total return swap transactions with security-based swap dealer counterparties, and (ii) acquiring or selling the securities underlying each total return swap via open market transactions to fully hedge the Company's market risk and create a delta neutral position.

In April 2025, the Company, novated a majority of its security-based swaps positions to Clear Street LLC ("CS LLC"), an affiliate under common control.

The Company is engaged in a single line of business as a security-based swap dealer, which is comprised of several classes of services. The Company has identified its CEO as the chief operating decision maker ("CODM"), who uses net income to evaluate the results of the business to manage the Company. Additionally, the CODM uses excess net capital (see Note 7, Net Capital Requirements) to make operational decisions while maintaining capital adequacy, such as whether to reinvest profits or make distributions. The Company's operations constitute a single operating segment and therefore, a single reportable segment, because the CODM manages the business activities using information of the Company as a whole.

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

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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.

Recently Adopted Accounting Pronouncements

There are no new accounting pronouncements that the Company has adopted as of June 30, 2025.

Cash and Cash Equivalents

The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. The Company manages the risk by selecting financial institutions deemed highly creditworthy to minimize the risk.

Cash equivalents are defined as highly liquid investments with original maturities of three months or less when purchased. At June 30, 2025, the Company had no cash equivalents.

Receivable from and Payable to Customers

Receivables from and Payables to Customers include the portion of cash collateral posted to and received from counterparties for security-based swaps transactions, which is not eligible for netting under ASC 815-10-45 or where the cash collateral delivered/received exceeds the related derivative payable/receivable as of the date of the Statement of Financial Condition.

Allowance for Credit Loss

The current estimated credit losses (“CECL”) model requires the measurement of expected credit losses for financial assets measured at amortized cost, using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. The overall estimate of the allowance for credit losses is based on both quantitative and qualitative considerations.

The majority of financial assets subject to CECL are margin receivables. The Company applied qualitative methods to margin receivable and the other remaining assets where there is no history of significant credit losses and reasonable expectation of minimal future credit losses with any potential measurement of credit losses being immaterial. The Company has elected to exclude accrued interest receivable from the amortized cost basis of financial instruments used to measure expected credit losses. Accrued interest receivable balances are charged off against interest income when the related financial instrument is placed on nonaccrual status. No CECL allowance against the outstanding balances was deemed necessary at June 30, 2025.

Receivable from and Payable to Broker-Dealers and Clearing Organizations

Amounts receivable from broker-dealers and clearing organizations may be restricted to the extent they serve as deposits for securities sold, not yet purchased. At June 30, 2025, Receivable from broker-dealers and clearing organizations represented cash balances held at prime brokers related to the Company's security-based swap dealer activity.

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Financial Instruments Owned and Financial Instruments Sold, Not Yet Purchased

Financial instruments owned and Financial instruments sold, not yet purchased, relate to the Company's security-based swap activity, and include derivative assets and derivative liabilities related to open security-based swaps in listed equity 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 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 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 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, 2025, there were no transfers between levels in the fair value hierarchy.

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Derivative Instruments

Derivative instruments include derivative assets and derivative liabilities related to open security-based swaps in listed equities. These derivative assets and derivative liabilities are carried at fair value and reported in Financial instruments owned and Financial instruments sold, not yet purchased on the Statement of Financial Condition. Refer to Note 5, *Derivative Instruments*, for further information related to the Company's derivative holdings.

Income Taxes

The Company is a single-member limited liability company and is treated as a disregarded entity for federal tax purposes and, as such, is not subject to income taxes in federal, state and local jurisdictions. Instead, income, deductions, and credits are passed through and included by its single member on its tax return. If any interest or penalties are accrued, they will be included in the pre-tax income.

3. 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 are valued based on quoted prices from the primary exchanges and are classified as Level 1 securities in the fair value hierarchy. Restricted equity securities are valued based on quoted prices from the primary exchanges and are classified as Level 2 securities in the fair value hierarchy. Security-based swaps are valued based on their replacement values, which in turn, are derived from the quoted prices of the underlying listed securities from the primary exchange and are classified as Level 2 financial instruments in the fair value hierarchy. Fair 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, 2025, 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, 2025 (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Financial instruments owned				
Listed equity securities	\$ 14,503	\$ 17,418	\$ -	\$ 31,921
Security-based swaps	-	3,485	-	3,485
Financial instruments owned	\$ 14,503	\$ 20,903	\$ -	\$ 35,406
Liabilities				
Financial instruments sold, not yet purchased				
Listed equity securities	\$ 62,482	\$ -	\$ -	\$ 62,482
Security-based swaps	-	5,945	-	5,945
Financial instruments sold, not yet purchased	\$ 62,482	\$ 5,945	\$ -	\$ 68,427

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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 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, 2025. For the six months ended June 30, 2025, there were no transfers between levels in the fair value hierarchy (in thousands).

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	\$ 45	\$ 45	\$ 45	\$ -	\$ -
Receivable from broker-dealers and clearing organizations	87,841	87,841	-	87,841	-
Other assets	168	168	-	168	-
Total financial assets	\$ 88,054	\$ 88,054	\$ 45	\$ 88,009	\$ -
Liabilities					
Payable to customers	\$ 17,112	\$ 17,112	\$ -	\$ 17,112	\$ -
Accounts payable and accrued liabilities	7,746	7,746	-	7,746	-
Total financial liabilities	\$ 24,858	\$ 24,858	\$ -	\$ 24,858	\$ -

4. Derivative Instruments

The Company does not have any derivative instruments designated as hedging instruments under ASC 815, Derivatives and Hedging ("ASC 815"). The gross fair value of the Company's derivative instruments on a gross basis consisted of the following derivative assets and derivative liabilities at June 30, 2025 (in thousands):

Derivative Assets	Financial Statement Caption	Fair Value	Notional Value
Security-based swaps	Financial instruments owned	\$ 3,485	\$ 47,703
Derivative Liabilities	Financial Statement Caption	Fair Value	Notional Value
Security-based swaps	Financial Instruments sold, not yet purchased	\$ 5,945	\$ 11,257

The Company believes that the notional amounts of derivative contracts generally overstate its exposure. In most circumstances, notional amounts are used only as a reference point from which to calculate amounts owed between the parties to the contract. Furthermore, notional amounts do not reflect the benefit of master netting and collateral agreements or risk mitigating transactions.

Offsetting of Derivatives

The Company enters into master netting and collateral agreements with all of its security-based swap counterparties. Where legally enforceable, these master netting and collateral agreements give the Company, in the event of default by the counterparty, the right to

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offset receivables, including cash collateral received, and payables with the same counterparty. At June 30, 2025, the Company had the following derivative assets and derivative liabilities under master netting and collateral agreements (in thousands):

	Derivative Assets	Derivative Liabilities
Total gross security-based swaps balance (1)	\$ 3,485	\$ 5,945
Less: Amounts offset in the Statement of Financial Condition	-	-
Total net amount reported in the Statement of Financial Condition	3,485	5,945
Less: Amounts not offset in the Statement of Financial Condition: (2)		
Counterparty netting	(2,919)	(2,919)
Cash collateral	(2,508)	(3,026)
Net Amount	\$ (1,942)	\$ -

- (1) Includes all gross balances related to securities-based swaps balances irrespective of whether they are transacted under legally enforceable master netting and collateral agreements or whether the Company has obtained sufficient evidence of enforceability of the master netting and collateral agreement. At June 30, 2025, the gross balance of derivative assets and derivative liabilities which are documented under master netting and collateral for which the company has not yet obtained sufficient evidence of legal enforceability was \$3.5 million and \$5.9 million, respectively.
- (2) Amounts relate to master netting and collateral agreements which are not permitted to be offset on the face of the Statement of Financial Condition in accordance with ASC 210-20, Balance Sheet Offsetting, and ASC 815 but which provide the Company with the legal right to offset in the event of default.

5. Risks and Uncertainties

Customer Activities

The Company's customer security-based swaps activities are transacted on a margin basis. In margin transactions, the Company extends credit to a customer, which is collateralized by cash in the customer's account that is held at the Company. In connection with these activities, the Company executes customer transactions involving security-based swaps purchased and sold. The Company seeks to control risks associated with customer activities by requiring customers to maintain margin collateral in compliance with regulatory 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.

Credit Risk

The Company engages in security-based swaps dealer activities servicing a diverse client group, primarily consisting of hedge funds and other financial institutions. The Company's exposure to credit risk associated with the non-performance of these counterparties in fulfilling their contractual obligations pursuant to security-based swaps transactions can be directly impacted by volatile securities markets or regulatory changes, which may impair the counterparties' ability to satisfy its obligation to the Company.

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The Company does not anticipate non-performance by the counterparties in the situation described. Based on the gross fair value of the financial instrument, the maximum potential loss due to credit risk, assuming non-performance by the counterparties and no recovery from collateral or other security, approximates the total fair value of the security-based swaps included in Financial instruments owned.

The Credit Risk Team, an independent function of the Company, manages the credit risk exposure that arises from its security-based swap dealer activities. The Company's process for managing credit risk includes the evaluation of likelihood that a counterparty defaults on its payments and obligations; assignment of internal credit ratings to all active counterparties; approval of extensions of credit and establishment of credit limits; measurement, monitoring and management of the Company's current and potential future credit exposures; setting credit terms in legal documentation including margin terms; use of appropriate credit risk mitigants including netting, collateral and hedging; and active communication and co-operation with various stakeholders such as Trading units, Operations, Legal, Compliance and Finance.

Market Risk

It is the Company's policy to hedge all its market risk exposure related to security-based swaps by purchasing or selling the corresponding underlying securities, and as such, is not subject to significant market risk on its security-based swaps, except for trading errors that may occur from time to time. The Company monitors its exposure daily to ensure no residual market risk between the open security-based swaps positions and the hedged securities positions exists.

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, 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, 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.

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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, third party due diligence and risk mitigation, product security programs, and more. The Company constantly reviews and assesses its security posture to address the ever-changing threat landscape. The review process includes both internal audits and tests and external validations such as audits, penetration tests and red-team exercises. Additionally, the Company maintains an incident response and readiness program that includes incident response and crisis management practices, exercises, and other measures to ensure efficient and rapid responses to potential security incidents.

Cybersecurity risk is managed under the direction of the Company's Chief Information Security Officer and communicated to senior management on a quarterly basis. The Company periodically reviews policies and procedures to ensure they are effective and accurate.

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, 2025, there were no unasserted claims or assessments 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.

6. 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 technology and administrative services related to shared and support functions. In addition, Clear Street Management LLC ("CS Management"), a member of Holdings, acts as the paying agent for any direct cost incurred by the Company.

At June 30, 2025, the Company had no payable to or receivable from Holdings and a \$6.3 million payable to CS Management which is included in Accounts payable and accrued liabilities on the Statement of Financial Condition.

The Company clears its business through CS LLC, on a fully disclosed basis. At June 30, 2025, the Company had a \$87.8 million receivable from CS LLC which is included in Receivables from broker-dealers and clearing organizations on the Statement of Financial Condition.

At June 30, 2025, the Company had recorded on the Statement of Financial Condition receivables from other various Clear Street affiliates under common control of \$0.1 million, which are included in Other assets on the Consolidated Statement of Financial

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Condition. The Company additionally has payables of \$1.2 million to various Clear Street affiliates under common control, which are included in Accounts payable and accrued liabilities.

7. Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule ("Securities Exchange Act of 1934 Rule 18a-1" or "SEC Rule 18a-1"), which requires the maintenance of minimum net capital. The Company is required to maintain a minimum net capital (as defined in SEC Rule 18a-1) equal to the greater of \$20 million or two percent of the risk margin amount (as defined in SEC Rule 18a-1). These regulations also prohibit a security-based swap 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, security-based swap dealers are required to notify the SEC 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 of its excess net capital (net capital less the minimum requirement). The SEC has the ability to prohibit or restrict such transactions if the result is detrimental to the integrity of the security-based swap dealer.

At June 30, 2025, the Company had net capital of \$29.7 million which was \$9.7 million in excess of its required net capital of \$0.3 million.

8. Subsequent Events

The Company has evaluated its subsequent events disclosure through August 14, 2025, 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, 2025.