

# **Tullett Prebon Financial Services LLC**

(SEC I.D. No. 8-43487)

**Statement of Financial Condition as of December 31, 2022,  
and Report of Independent Registered Public Accounting Firm**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: Oct. 31, 2023
Estimated average burden hours per response: 12

ANNUAL REPORTS  
FORM X-17A-5  
PART III

SEC FILE NUMBER
8-43487

FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 1/1/22 AND ENDING 12/31/22  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Tullett Prebon Financial Services LLC

TYPE OF REGISTRANT (check all applicable boxes):

- Broker-dealer       Security-based swap dealer       Major security-based swap participant  
 Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

200 Vesey Street, 6th Floor  
(No. and Street)  
New York      NY      10285  
(City)      (State)      (Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Luciano Soldiviero      (201) 984-6355      luciano.soldiviero@tpicap.com  
(Name)      (Area Code – Telephone Number)      (Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

Deloitte & Touche LLP  
(Name – if individual, state last, first, and middle name)  
30 Rockefeller Plaza      New York      NY      10112  
(Address)      (City)      (State)      (Zip Code)  
October 20, 2003      34  
(Date of Registration with PCAOB)(if applicable)      (PCAOB Registration Number, if applicable)

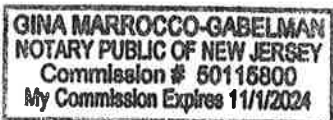
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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Christian Pezeu, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Tullett Prebon Financial Services LLC, as of December 31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.



Signature:

[Handwritten signature]

Subscribed and sworn to before me on this day of February 24, 2023

[Handwritten signature of Gina Marrocco-Gabelman]
Notary Public

Title:

Chief Financial Officer

This filing\*\* contains (check all applicable boxes):

- (a) Statement of financial condition.
(b) Notes to consolidated statement of financial condition.
(c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income...
(d) Statement of cash flows.
(e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
(f) Statement of changes in liabilities subordinated to claims of creditors.
(g) Notes to consolidated financial statements.
(h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
(i) Computation of tangible net worth under 17 CFR 240.18a-2.
(j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
(k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
(l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
(m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
(n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
(o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
(p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
(q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
(r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(t) Independent public accountant's report based on an examination of the statement of financial condition.
(u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
(v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
(x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
(y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
(z) Other:

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

# Tullett Prebon Financial Services LLC

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December 31, 2022

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Member of Tullett Prebon Financial Services LLC

### **Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of Tullett Prebon Financial Services LLC (the "Company") as of December 31, 2022, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

*Deloitte & Touche LLP*

February 24, 2023

We have served as the Company's auditor since 2003.

**Tullett Prebon Financial Services LLC**  
**Statement of Financial Condition**  
**December 31, 2022**

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*(dollars in thousands)*

**Assets**

Cash	\$52,675
Cash segregated under federal regulations	3,703
Deposits with clearing organizations	11,736
Securities owned	4,002
Trading memberships	879
Receivable from brokers or dealers and clearing organizations	16,208
Accounts receivable, net of expected credit losses of \$442	31,884
Receivable from Customers	60
Receivable from affiliates	2,140
Goodwill	10,361
Prepaid expenses & other assets	5,101
<b>Total assets</b>	<b><u>\$138,749</u></b>

**Liabilities and Member's Equity**

**Liabilities**

Accrued personnel costs	\$ 24,703
Payable to affiliates	882
Payables to brokers or dealers and clearing organizations	7,421
Accounts payable and accrued liabilities	4,246
Payables to customers	224
Securities sold, not yet purchased	4,043
<b>Total liabilities</b>	<b><u>41,519</u></b>

Member's equity	<u>97,230</u>
<b>Total Liabilities and Member's Equity</b>	<b><u>\$138,749</u></b>

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

# Tullett Prebon Financial Services LLC

## Notes to Statement of Financial Condition

### December 31, 2022

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*(dollars in thousands)*

#### 1. Organization

Tullett Prebon Financial Services LLC (the “Company”) is a Delaware limited liability company. The Company’s sole Member is TP ICAP Americas Holdings Inc. (“TPIAHI”). TPIAHI is a wholly owned indirect subsidiary of TP ICAP Group plc, and therefore the Company is an indirect wholly owned subsidiary of TP ICAP Group plc, as such TP ICAP Group plc is the ultimate parent of the Company.

TP ICAP Group plc is a public company registered in the United Kingdom that engages principally as an intermediary in global financial, energy and commodity markets. In its intermediary role, TP ICAP Group plc provides access to dynamic and efficient markets that enhance the flow of capital, energy, and commodities around the world.

The Company is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company is also registered as a non-clearing Independent Introducing Broker (“IB”) with the Commodities Futures Trading Commission (“CFTC”) and is a member of the National Futures Association (“NFA”).

The Company is headquartered in New York and operates primarily in the interdealer market in U.S. government securities, U.S. agency securities, mortgage backed securities, municipal bonds, equity securities, corporate bonds, and other financial instruments. The Company is also a broker of commodities and futures contracts. The Company self clears transactions in certain products and has also entered into fully disclosed clearing agreements with third parties to clear certain products.

#### Brokerage capacities

The Company may act in the capacity of “matched principal”, “exchange give-up” and/or “name passing”.

When acting in the capacity of “matched principal”, the Company acts as a “middleman” or intermediary by serving as the counterparty for identified buyers and sellers in the matching, in whole or in part, reciprocal back-to-back trades.

When acting in the “exchange give-up” capacity, the Company facilitates the trading activity of its client on an exchange or trading facility. Once the execution has occurred, the executed position is then given-up to the client or the client’s clearing member through the clearing services at the exchange clearing house.

When acting in the “name passing” capacity, the Company connects buyers and sellers and may assist in the negotiation of the price and other material terms of the transaction. At the point at which the parties agree to terms, the Company leaves the buyer and seller to clear and settle through the appropriate market mechanism.

The Company routes for execution and/or acts as executing broker for orders in certain products and introduces such transactions to a clearing firm for settlement and clearance on a deliver versus payment and receive versus payment (“DVP/RVP”) basis.

The Company self-clears certain fixed income transactions on a DVP/RVP basis.

# Tullett Prebon Financial Services LLC

## Notes to Statement of Financial Condition

### December 31, 2022

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*(dollars in thousands)*

#### Fees/commissions

The Company is generally compensated for its role in facilitating and consummating transactions by charging a brokerage fee. In “matched principal” market places, the fee typically takes the form of a markup or markdown which is added to or subtracted from, as the case may be, the agreed-to transaction price. In “exchange give-up” and “name-passing” market places and for other transactions the fee will typically take the form of a commission. Commission income is recorded on a trade date basis.

In addition, in certain fixed income markets the Company may when acting in a “matched principal” capacity, earn a profit by buying a financial instrument at one price and simultaneously or shortly thereafter selling it at a higher price (or vice versa), such that the Company receives the benefit of the “spread” on the trade in addition to any markup or markdown it charges.

#### Unmatched principal transactions

The Company may and does from time to time acquire unmatched positions as principal, including, but not limited to, as a result of errors or out trades. The Company, while managing and liquidating such positions, may generate a profit or a loss.

#### Securities transactions

Securities transactions are recorded on a trade-date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net in receivables from brokers or dealers and clearing organizations on the statement of financial condition as trades pending settlement, net.

#### Exchange incentive fee rebates

The Company receives incentive fee rebates from a U.S. based securities exchanges in return for trades executed through the exchange. The exchange incentive fee rebates are recognized on an accrual basis.

#### Risk and Uncertainty

The COVID-19 pandemic and the Russia invasion of Ukraine have impacted global economies and global financial markets. Additionally, COVID-19 and the Russia invasion of Ukraine have resulted in a number of risks and uncertainties, including market volatility, global economic and political factors. As of the date of this report, there are no indicators of significant impairment to the Company’s financial and non-financial assets nor significant loss or credit risk exposures as a result of these conditions.

The full extent of how these conditions will continue to impact the Company are not yet known as there is uncertainty around the duration and severity. Therefore, while we expect these matters to impact our business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. The Company has a positive net asset value and cash reserves available to help preserve its financial flexibility. Additionally, the Company is closely monitoring regional and global developments and remains attentive to signals that could impact its business.



# Tullett Prebon Financial Services LLC

## Notes to Statement of Financial Condition

### December 31, 2022

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*(dollars in thousands)*

## 2. Summary of Significant Accounting Policies

### Basis of presentation

The statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The U.S. Dollar is the functional currency of the Company. In the opinion of management, the statement of financial condition includes all adjustments necessary to present fairly the financial position at December 31, 2022.

### Use of estimates

Preparation of the statement of financial condition in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition and reported amounts of revenues and expenses during the reporting period. Significant estimates include accounting for goodwill and expected credit losses for receivables. Actual results could differ from those estimates.

### Revenue recognition

The Company acts as an intermediary in the wholesale financial markets and therefore acts in a matched principal, or agency role. The Company also earns revenue from data sales.

### Matched principal transactions

The Company acts as a "middleman" by serving as the counterparty for identified buyers and sellers in matching reciprocal back-to-back trades. The buyers and sellers in these transactions have agreed to the performance obligation details of price and quantity for the securities being traded. Principal transactions revenue is derived from the spread of the buy and sell transactions. Principal transactions revenue is recognized on a trade date basis once the details of the performance obligation are met and transfer of control of the securities is established between the customers. Principal transaction revenues are generally paid on settlement date (typically one or two days after trade date), therefore the Company records a receivable between trade date and payment on settlement date.

### Agency commissions

The Company acts in an agency capacity, by connecting buyers and sellers. When the buyers and sellers agree to price and other terms of the transaction, the Company's performance obligation is met, and it leaves both parties to clear and settle through the appropriate market mechanism. In agency transactions, the Company charges commission for executing transactions between buyers and sellers. Agency commissions revenue are recognized on trade date, as that is when performance obligations are satisfied. The Company accounts for agency commissions on an accrual basis and therefore records a receivable between trade date and payment date (the date customer invoice payments are received).

# Tullett Prebon Financial Services LLC

## Notes to Statement of Financial Condition

### December 31, 2022

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*(dollars in thousands)*

#### Data sales

The Company earns data sales revenues from providing trading information to financial institutions. Data sales revenue is recognized upon usage or availability of data. The Company's performance obligation related to these sales does not go beyond providing data to its customers. Data sales revenues are generally recognized over the period that the related service is provided. The timing of the Company's revenue recognition may differ from the timing of payment by customers. The Company records a receivable when revenue is recognized prior to payment, and conversely when the customer is billed in advance or payment precedes the Company's service obligation, deferred revenue is recorded until the Company's performance obligations are satisfied. The Company did not have any deferred revenue as of December 31, 2022, additionally there were no data sales revenues for the year ended December 31, 2022.

#### Cash

Cash at December 31, 2022 includes \$52,675 of cash held in demand deposit accounts by three major financial institutions. Additionally, at December 31, 2022, the Company had a cash balance that exceeded the Federal Deposit Insurance Corporation ("FDIC") limit of \$250, held at three major financial institutions.

#### Cash segregated under federal regulations

Cash in the amount of \$3,703 has been segregated in a special reserve bank account for the exclusive benefit of customers under SEC Rule 15c3-3. The segregated cash held in the special reserve bank account for the exclusive benefit of customers exceeded the requirement pursuant to SEC Rule 15c3-3.

#### Trading memberships

The Company owns membership shares in the Depository Trust Clearing Corporation ("DTCC"). The membership shares are subject to restriction. The Company carries these restricted shares at cost of \$879.

The Company is required to hold these shares and trading membership in order to maintain its trading membership privileges. The Company performed an annual impairment review and determined that there was no impairment of the shares or trading membership seat.

#### Securities transactions

Securities owned are recorded at fair value. Security transactions and the related revenue and expenses are recorded on a trade date basis. Securities owned primarily consist of US Government, corporate obligations, and equities. Customers' securities transactions are recorded on a trade date basis and commission income is recorded on a trade date basis.

# Tullett Prebon Financial Services LLC

## Notes to Statement of Financial Condition

### December 31, 2022

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*(dollars in thousands)*

#### Goodwill

Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. The Company tests goodwill for impairment on an annual basis and more frequently when certain events or circumstances exist. Impairment is the condition that exists when the carrying amount of goodwill exceeds its fair value. Impairment is tested at the reporting unit level. If the estimated fair value exceeds the carrying value of the reporting unit, goodwill at the reporting unit level is not impaired. If the estimated fair value is below the carrying value, further analysis is required to determine the amount of impairment. In performing its assessment for impairment of goodwill, the Company is required to make estimates and assumptions in order to determine the fair value of reporting units and projected future earnings using various valuation techniques. The Company uses its best judgement and information available to it at the time to perform this review. Upon completing its annual review, the Company concluded that there was no impairment to goodwill as of December 31, 2022.

#### Prepaid expenses and other assets

Prepaid expenses and other assets primarily represent unamortized compensation expense associated with sign-on bonuses and forgivable loans which are amortized over the life of the employment contracts.

#### Receivable from and Payable to Brokers, Dealers and Clearing Organizations

Receivable from and payable to brokers, dealers and clearing organizations consists primarily of amounts due on cash transactions arising from brokers, dealers and clearing organizations fails-to-receive and fails-to-deliver.

#### Receivable from and payable to customers

Receivable from and payable to customers consists primarily of amounts due on cash transactions arising from customer fails-to-receive and fails-to-deliver.

#### Commissions receivable

Commissions receivable represents balances owed to the Company for facilitating brokerage transactions on behalf of counterparties.

#### Expected credit loss for commissions receivable

The Company recognizes lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. As of December 31, 2022, there was an expected credit loss of \$442.

**Tullett Prebon Financial Services LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2022**

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(dollars in thousands)

**3. Income Taxes**

The Company is a single member limited liability company and is treated as a disregarded entity for income tax purposes pursuant to the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) ASU 2019-12. Accordingly, the Company does not file any tax returns, but its taxable income is included in the consolidated U.S. federal and combined state and local income tax returns of TPIAHI, and therefore no provision, liability or receivable for federal or state income taxes has been included in the Company’s statement of financial condition.

**4. Receivable from and Payable to Brokers, Dealers and Clearing Organizations**

Settlement date for brokered transactions in securities is generally same day or one to two business days after trade date, except for mortgage related securities issued by federal agencies, which is between five and twenty business days after trade date.

	<u>Receivable</u>		<u>Payable</u>
Fail-to-deliver	6,665	Fail-to-receive	6,324
Receivable from clearing brokers and clearing organizations	9,416	Payable to clearing brokers and clearing organizations	427
Other	127	Other	670
	<u>\$ 16,208</u>		<u>\$ 7,421</u>

**5. Commitments and Contingencies**

The Company has access to a 350,000 GBP revolving credit facility through TP ICAP Group plc. This revolving credit facility includes a \$230,000 USD committed daily Swing line facility which can be drawn directly by the Company and utilized to satisfy collateral and margin requirements with clearing organizations. The remaining GBP revolving credit facility balance can be drawn by TP ICAP Group plc and sent to the Company to be used for general corporate purposes (including satisfying collateral or margin requirements). The revolving credit facility matures on May 31, 2025. Additionally, the Company has direct access to a \$50,000 overdraft facility with a major financial institution.

As of December 31, 2022, the Company had not drawn down on the revolving credit facility, nor the overdraft credit facility.

As a member of the Mortgage Backed Securities Division (“MBSD”) of the Fixed Income Clearing Corp (“FICC”), the Company participates in the Capped Contingency Liquidity Facility (“CCLF”). The CCLF creates overnight repos between the FICC and each of its solvent firms so that, if a firm fails, the funding to offset its portfolio would be sourced across FICC’s membership rather than dependent on an expensive, long-term line of credit. As of December 31, 2022, the Company’s commitment to the CCLF was \$5,649 of which no utilization had occurred. This amount is calculated by FICC based on membership size and volumes and may fluctuate significantly.

# Tullett Prebon Financial Services LLC

## Notes to Statement of Financial Condition

### December 31, 2022

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*(dollars in thousands)*

#### Litigation

In the ordinary course of business, various legal actions are brought and are pending or threatened against the Company. In some of these actions, substantial amounts are claimed. The Company is also involved, from time to time, in other reviews, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Company's business, judgments, settlements, fines, penalties, injunctions or other relief.

The Company contests the liability or the amount of damages in each pending matter. In view of the inherent difficulty of projecting the outcome of such matters, the Company cannot predict with certainty the loss or range of loss related to such matters, how such matters will be resolved, when they ultimately will be resolved, or what the eventual settlement, fine, penalty or other relief might be. Management believes, based on currently available information, that the results of such matters, in the aggregate, will not have a material adverse effect on its statement of financial condition.

#### **6. Net Capital Requirements**

As a registered broker-dealer and member of FINRA, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) ("the Rule") of the SEC. The Company computes its net capital under the alternative method permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250 or 2% of aggregate debit balances arising from customer transactions, as defined. At December 31, 2022, the Company had net capital of \$49,847, which exceeded the minimum requirement of \$250 by \$49,597.

As a registered non-clearing IB, the Company is subject to the Minimum Capital Requirements Rule ("The CFTC Rule") pursuant to Regulation 1.17 under the Commodity Exchange Act (the "Act") as amended. The CFTC Rule requires the maintenance of minimum net capital equal to the greater of \$250 or 2% of aggregate debit balances as shown in the Formula for Reserve Requirements pursuant to Rule 15c3-3. At December 31, 2022, the Company had net capital of \$49,847 which was \$49,597 in excess of the minimum net capital requirements of the Act.

#### **7. Employee Benefits**

The Company participates in a 401(k) profit sharing plan (the "Plan") covering substantially all of its employees. All employees who participate are allowed to contribute a portion of their earnings into a deferred retirement account up to limits established by the Internal Revenue Code. On a discretionary basis, the Company matches a portion of all eligible employee contributions not to exceed a certain limit.

#### **8. Phantom Award Plan**

On June 1, 2020, the TP ICAP Board of Directors approved, and management adopted the Broker Equity Phantom Award Plan ("the Plan"). Under the Plan, phantom shares ("Deferral Awards") may be awarded, each of which represents a contractual right to receive an amount in cash equal to the fair market value of a share of TP ICAP Group plc common stock on the settlement date.

The Plan covers incentive contract payments ("ICP's") related to broker renewal contracts or new contracts for brokers hired after June 1, 2020. Additionally, the Plan covers regular broker bonus or

**Tullett Prebon Financial Services LLC**  
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**December 31, 2022**

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*(dollars in thousands)*

commission payments (“bonuses”) for contract renewals or new brokers hired on or after September 1, 2020.

Deferral Awards under the Plan vest over three years in equal tranches. If termination occurs due to disability, long term health issues, redundancy, mutual agreement or contract expiry, all Deferral Awards will be retained and will vest on the date specified in the award certificate. Termination due to cause or misconduct will result in vested and unvested awards to be forfeited. The Plan does however provide the Board of Directors with discretionary authority to modify and/or accelerate the vesting of Deferral Awards.

Deferral Awards are granted on a quarterly basis and payment dates occur shortly after vesting period ends. The fair value of the Deferral Awards is determined based on the five-day volume weighted average price (“VWAP”) of the TP ICAP Group plc share price up to and including the grant date of the Deferral Award.

A summary of the changes in the number of outstanding Deferral Awards during the year ended December 31, 2022, for the Plan is provided below.

	Deferral Award Shares	Weighted-Average Grant Date fair value
Number of Deferral Awards outstanding at December 31, 2021	17,973	\$ 2.876
Deferral Awards granted in 2022	541,304	1.931
Deferral Awards-vested	(6,342)	2.876
Deferral Awards-forfeited	0	0.000
Number of Deferral Awards outstanding at December 31, 2022	552,935	\$ 1.951

As of December 31, 2022, the Company recorded a liability of \$396 for its obligations related to the plan, which is included in accrued personnel costs in the statement of financial condition. Additionally, as of December 31, 2022, there were no cash payments made related to the plan.

**9. Fair Value Measurements**

ASC 820 defines fair value as 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 measure date. Various valuation inputs are used to determine the fair value of assets or liabilities. Such inputs are defined broadly as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

**Tullett Prebon Financial Services LLC**  
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**December 31, 2022**

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(dollars in thousands)

Level 2 – Quoted prices for similar assets in active markets or quoted prices for identical assets in markets that are not considered to be active, or financial instruments for which all significant valuation inputs are observable, either directly or indirectly; and

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

The Company did not have any assets or liabilities classified as Level 3 at December 31, 2022.

**Financial Instruments Measured at Fair Value**

At December 31, 2022 the Company’s cash of \$52,675 is held in demand deposit accounts and therefore considered a Level 1 asset.

The Company’s securities owned, are typically shares of common stock, which are measured based on quoted market prices and therefore are considered Level 1 assets.

The Company’s securities sold, but not yet purchased at fair value, are typically shares of common stock, which are quoted on a national securities exchange are classified as Level 1 liabilities.

	December 31, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Securities owned	4,002	-	-	4,002
	<u>\$ 4,002</u>	<u>-</u>	<u>-</u>	<u>\$ 4,002</u>
Liabilities:				
Securities sold, not yet purchased	4,043	-	-	4,043
	<u>\$ 4,043</u>	<u>-</u>	<u>-</u>	<u>\$ 4,043</u>

ASU 2010-6 “Improving Disclosures about Fair Value Measurements” (“ASU”) requires the following disclosures: (1) significant transfers in and out of Levels 1 and 2 and the reasons that such transfers were made; and (2) additional disclosures in the reconciliation of Level 3 activity; including information on a gross basis for purchases, sales issuances and settlements. For the year ended December 31, 2022, the Company did not have any transfers between levels or Level 3 activity.

**Financial Instruments Not Measured at Fair Value**

The Company estimates that the fair value of its remaining financial instruments recognized on the statement of financial condition approximate their carrying value, because they have limited counterparty credit risk and are short-term, replaceable on demand, or bear interest at market rates.

The table below presents the carrying value and fair value of the Company’s financial instruments which are not carried at fair value. In addition, the table excludes the values of non-financial assets and liabilities.

**Tullett Prebon Financial Services LLC**  
**Notes to Statement of Financial Condition**  
**December 31, 2022**

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(dollars in thousands)

	December 31, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Deposits with clearing organizations	\$ -	\$ 11,736	-	\$ 11,736
Receivables from brokers or dealers and clearing organizations	-	16,208	-	16,208
Accounts receivable	-	31,884	-	31,884
Receivable from Customers	-	60	-	60
Trading memberships	-	879	-	879
	<u>\$ -</u>	<u>\$ 60,767</u>	<u>\$ -</u>	<u>\$ 60,767</u>
Liabilities:				
Payables to brokers or dealers and clearing organizations	\$ -	\$ 7,421	-	\$ 7,421
Payables to customers	-	224	-	224
	<u>\$ -</u>	<u>\$ 7,645</u>	<u>\$ -</u>	<u>\$ 7,645</u>

**10. Financial Instruments with Off-Balance-Sheet Risk and Concentration of Credit Risk**

If transactions do not settle because of failure by either counterparty to perform, the Company may, under certain circumstances, be required to discharge the obligation of the non-performing party.

As a result of acquiring a position as discussed under Note 1 herein, the Company may incur a gain or a loss if the market value of the security at the time of discharge is different from the value of the original transaction.

In addition, pursuant to the terms of the clearing agreements between the Company and its clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. At December 31, 2022, the Company has recorded no liability. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company believes the risk of loss is remote.

At December 31, 2022, the contractual amounts of purchase/payable and sale/receivable transactions were \$202,244 and \$202,371 respectively, for purchases and sales which have not yet reached settlement date. Substantially all of these transactions have settled within a short period of time subsequent to the Company's fiscal year end. The net amount of these purchase and sale transactions is included in payable to or receivable from brokers, dealers and clearing organizations in the statement of financial condition.

The Company's policy is to monitor its market exposure and counterparty risk through the use of a variety of financial position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business. The Company does not anticipate non-performance by the counterparties.



**Tullett Prebon Financial Services LLC**  
**Notes to Statement of Financial Condition**  
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(dollars in thousands)

**11. Transactions with Affiliates**

The Company has service agreements with indirect wholly owned subsidiaries of TP ICAP Group plc, whereby the subsidiaries provide the Company with shared occupancy, fixed assets and administrative services (including finance, human resources, operations, legal and electronic data processing functions), and the Company provides similar services to other TP ICAP Group plc subsidiaries. The agreements also include the payment of certain expenses such as payroll and executions fees incurred by the affiliates on behalf of the Company and instances where payroll and execution fees are incurred by the Company on behalf of its affiliates. Additionally, the agreements include payment for the collection of commissions by affiliates on behalf of the Company and commissions collected by the Company on behalf of its affiliates.

The table below presents the amounts owed from and due to affiliates under these agreements as of December 31, 2022.

	<u>Receivable from</u> <u>affiliates</u>	<u>Payable to</u> <u>affiliates</u>
Tullett Prebon (Europe) Ltd		79
Tullett Prebon (Securities) Ltd		325
ICAP Securities Limited		1
Louis Capital Markets LP		1
Tullett Prebon Americas Corp.		340
Tullett Prebon (Hong Kong) Ltd	9	
ICAP Securities USA LLC	6	
TP ICAP Global Markets Americas LLC		57
PVM Futures Inc.	0	
COEX Partners Inc		7
Tullett Prebon Information Inc	10	
TP ICAP Americas Holdings Inc.	2,113	
Tullett Prebon Do Brasil S/A Corretora de Valores e Cambio		13
tpSEF Inc.		59
Tullett Prebon (Australia) Pty Ltd	0	
Liquidnet Holdings Inc.	0	
TP ICAP Group Services Ltd	2	
	<u>\$ 2,140</u>	<u>\$ 882</u>

Amounts receivable from affiliates are non-interest bearing and due on demand.

The Company introduces its certificate of deposit ("CD") security transactions to its affiliate TP ICAP Global Markets Americas LLC for settlement on a fully disclosed basis.

**12. Subsequent Events**

The Company is in the early stages of working on a plan and has submitted applications to regulators, that would result in the Company being merged into its affiliate broker dealer TP ICAP Global Markets Americas LLC ("TPIGMA"). Upon completion of the merger the existing business of TPFS will be conducted by TPIGMA, and TPFS would cease operations and withdraw their SEC, FINRA, NFA and CFTC registrations. The merger plan is subject to regulatory approval.

**Tullett Prebon Financial Services LLC**  
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**December 31, 2022**

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*(dollars in thousands)*

The Company has performed an evaluation of subsequent events through February 24, 2023. There have been no other subsequent events that occurred during this period that would require recognition in the statement of financial condition or disclosure as of December 31, 2022, or for the year then ended.