

Interactive Brokers Group, Inc.  
Form 10-Q  
August 09, 2011

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

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011.

TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from            to

Commission File Number: 001-33440

INTERACTIVE BROKERS GROUP, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

30-0390693  
(I.R.S. Employer  
Identification No.)

One Pickwick Plaza  
Greenwich, Connecticut 06830  
(Address of principal executive office)

(203) 618-5800  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No .

As of August 9, 2011, there were 45,565,484 shares of the issuer's Class A common stock, par value \$0.01 per share, outstanding and 100 shares of the issuer's Class B common stock, par value \$0.01 per share, outstanding.

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INTERACTIVE BROKERS GROUP, INC.  
QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2011  
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Financial Statements Introductory Note

Interactive Brokers Group, Inc. (“IBG, Inc.” or the “Company”) is a holding company whose primary asset is its ownership of approximately 11.0% of the membership interests of IBG LLC (the “Group”). See Notes 1 and 4 to the unaudited condensed consolidated financial statements for further discussion of the Company’s capital and ownership structure.

We are an automated global electronic broker and market maker specializing in routing orders and executing and processing trades in securities, futures, foreign exchange instruments, bonds and mutual funds on more than 90 electronic exchanges and trading venues around the world. In the U.S., our business is conducted from our headquarters in Greenwich, Connecticut and from Chicago, Illinois and Jersey City, New Jersey. Abroad, we conduct business through offices located in Canada, England, Switzerland, Hong Kong, India, Australia and Japan. At June 30, 2011 we had 857 employees worldwide.

Interactive Brokers Group, Inc. and Subsidiaries  
Condensed Consolidated Statements of Financial Condition  
(Unaudited)

(in thousands, except share data)	June 30, 2011	December 31, 2010
<b>Assets</b>		
Cash and cash equivalents	\$ 1,422,935	\$ 1,354,219
Cash and securities - segregated for regulatory purposes	8,807,874	7,888,093
Securities borrowed	3,215,552	3,292,345
Securities purchased under agreements to resell	304,278	336,299
<b>Trading assets, at fair value:</b>		
Financial instruments owned	4,125,305	5,420,929
Financial instruments owned and pledged as collateral	1,978,158	2,001,488
	6,103,463	7,422,417
<b>Other receivables:</b>		
Customers, less allowance for doubtful accounts of \$20,746 and \$17,871 at June 30, 2011 and December 31, 2010	9,320,028	6,973,033
Brokers, dealers and clearing organizations	947,365	732,869
Receivable from affiliate	581	1,185
Interest	22,774	18,502
	10,290,748	7,725,589
Other assets	495,405	479,806
<b>Total assets</b>	<b>\$ 30,640,255</b>	<b>\$ 28,498,768</b>
<b>Liabilities and equity</b>		
<b>Liabilities:</b>		
<b>Trading liabilities - financial instruments sold but not yet purchased,</b>		
at fair value	\$ 4,939,976	\$ 6,125,224
Securities loaned	1,757,467	1,659,611
Short-term borrowings	42,964	187,380
<b>Other payables:</b>		
Customers	18,158,887	15,060,479
Brokers, dealers and clearing organizations	283,370	248,685
Payable to affiliate	284,862	284,860
Accounts payable, accrued expenses and other liabilities	399,779	409,757
Interest	9,107	7,682
	19,136,005	16,011,463
Senior notes payable	178,300	194,603
Senior secured credit facility	-	100,000
	26,054,712	24,278,281

## Commitments, contingencies and guarantees

## Equity:

## Stockholders' equity:

Common stock, \$0.01 par value per share:		
Class A – Authorized - 1,000,000,000, Issued - 50,298,024		
Outstanding – 43,581,860 and 42,231,551 shares at June 30, 2011 and December 31, 2010	503	503
Class B – Authorized, Issued and Outstanding – 100 shares at June 30, 2011 and December 31, 2010	-	-
Additional paid-in capital	522,434	535,630
Retained earnings	113,958	92,504
Accumulated other comprehensive income, net of income taxes of		
\$15,251 and \$12,284 at June 30, 2011 and December 31, 2010	26,242	21,137
Treasury stock, at cost, 6,716,164 and 8,066,473 shares at June 30, 2011 and December 31, 2010	(132,542)	(161,947)
Total stockholders' equity	530,595	487,827
Non-controlling interests	4,054,948	3,732,660
Total equity	4,585,543	4,220,487
Total liabilities and equity	\$ 30,640,255	\$ 28,498,768

See accompanying notes to the unaudited condensed consolidated financial statements.

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Interactive Brokers Group, Inc. and Subsidiaries  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
(thousands, except for shares or per share amounts)	2011	2010	2011	2010
<b>Revenues:</b>				
Trading gains	\$ 120,569	\$ 77,640	\$ 320,907	\$ 158,214
Commissions and execution fees	106,432	107,519	215,631	199,252
Interest income	79,400	40,968	138,063	77,617
Other income	14,976	17,723	32,411	34,497
Total revenues	321,377	243,850	707,012	469,580
Interest expense	24,437	17,714	42,184	32,874
Total net revenues	296,940	226,136	664,828	436,706
<b>Non-interest expenses:</b>				
Execution and clearing	66,074	75,482	132,311	145,170
Employee compensation and benefits	52,651	49,578	105,010	100,036
Occupancy, depreciation and amortization	9,059	9,148	18,305	18,352
Communications	6,665	6,322	12,113	11,724
General and administrative	13,347	13,530	25,973	24,435
Total non-interest expenses	147,796	154,060	293,712	299,717
Income before income taxes	149,144	72,076	371,116	136,989
Income tax expense	12,496	7,308	31,228	12,534
Net income	136,648	64,768	339,888	124,455
Less net income attributable to non-controlling interests	127,087	60,928	314,076	116,724
Net income available for common stockholders	\$ 9,561	\$ 3,840	\$ 25,812	\$ 7,731
<b>Earnings per share:</b>				
Basic	\$ 0.22	\$ 0.09	\$ 0.61	\$ 0.18
Diluted	\$ 0.22	\$ 0.09	\$ 0.60	\$ 0.18
<b>Weighted average common shares outstanding:</b>				
Basic	43,018,095	41,802,541	42,627,045	41,511,328
Diluted	43,470,928	42,441,995	43,133,155	42,206,384

## Comprehensive income:

Net income available for common stockholders	\$	9,561	\$	3,840	\$	25,812	\$	7,731
Other comprehensive income:								
Cumulative translation adjustment, before income taxes		6,067		(5,785)		8,072		(7,992)
Income taxes related to items of other comprehensive income		2,230		(2,126)		2,967		(2,937)
Other comprehensive income (loss), net of tax		3,837		(3,659)		5,105		(5,055)
Comprehensive income available for common stockholders	\$	13,398	\$	181	\$	30,917	\$	2,676

## Comprehensive income attributable to non-controlling interests:

Net income attributable to non-controlling interests	\$	127,087	\$	60,928	\$	314,076	\$	116,724
Other comprehensive income (loss) - cumulative translation adjustment		50,144		(49,426)		66,761		(68,174)
Comprehensive income attributable to non-controlling interests	\$	177,231	\$	11,502	\$	380,837	\$	48,550

See accompanying notes to the unaudited condensed consolidated financial statements.



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Interactive Brokers Group, Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

(in thousands)	Six months ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 339,888	\$ 124,455
Adjustments to reconcile net income to net cash provided by operating activities:		
Translation losses	20,185	158,614
Deferred income taxes	9,246	3,554
Depreciation and amortization	9,360	9,052
Employee stock plan compensation	21,310	20,166
(Gains) losses on non-trading investments, net	(3,768)	768
Bad debt expense and other	2,695	2,486
Change in operating assets and liabilities:		
Increase in cash and securities - segregated for regulatory purposes	(919,777)	(400,000)
Decrease in securities borrowed	81,963	926,243
Decrease (increase) in securities purchased under agreements to resell	32,008	(155,175)
Decrease in trading assets	1,337,548	252,067
Increase in receivables from customers	(2,348,938)	(1,202,495)
Increase in other receivables	(213,533)	(138,845)
Decrease (increase) in other assets	1	(1,361)
Decrease in trading liabilities	(1,172,320)	(921,995)
Increase in securities loaned	100,884	266,909
Increase in payable to customers	3,094,694	1,392,358
Increase in other payables	24,760	229,982
Net cash provided by operating activities	416,206	566,783
Cash flows from investing activities:		
Purchase of investments, net	(16,707)	(1)
Purchase of property and equipment	(6,991)	(10,885)
Net cash used in investing activities	(23,698)	(10,886)
Cash flows from financing activities:		
Dividends paid to non-controlling interests	(70,930)	(81,160)
Dividends paid to shareholders	(4,358)	-
Redemption of member interests from IBG Holdings LLC	-	(27,204)
Redemption of former member interest	(815)	-
Issuance of senior notes	264,680	320,058
Redemptions of senior notes	(280,983)	(294,981)
Repayments of senior secured credit facility	(100,000)	-
Decrease in short-term borrowings, net	(155,200)	(151,979)
Net cash used in financing activities	(347,606)	(235,266)
	23,814	(16,147)

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Effect of exchange rate changes on cash and cash equivalents			
Net increase in cash and cash equivalents		68,716	304,484
Cash and cash equivalents at beginning of period		1,354,219	806,560
Cash and cash equivalents at end of period	\$	1,422,935	\$ 1,111,044

Supplemental disclosures of cash flow information:

Cash paid for interest	\$	40,759	\$ 34,190
Cash paid for taxes	\$	54,558	\$ 60,659

Non-cash financing activities:

Adjustments to Additional Paid in Capital for changes in proportionate ownership in IBG LLC	\$	(13,108)	\$ -
Adjustments to Non-Controlling Interests for changes in proportionate ownership in IBG LLC	\$	13,108	\$ -

See accompanying notes to the unaudited condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries  
Condensed Consolidated Statement of Changes in Equity  
Six months ended June 30, 2011  
(Unaudited)

(in thousands,  
except for share  
amounts)

	Common Stock				Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Par Value	Additional Paid-In Capital	Treasury Stock			
Balance, January 1, 2011	42,231,651	\$ 503	\$ 535,630	\$ (161,947)	\$ 92,504	\$ 21,137	\$ 487,827
Common Stock distributed to employees	1,350,309			29,405			29,405
Redemption of former-member interests			(88)				(88)
Dividends paid to shareholders					(4,358)		(4,358)
Dividends paid by IBG LLC to non-controlling interests							-
Adjustments for changes in proportionate ownership in IBG LLC			(13,108)				(13,108)
Comprehensive income, net of tax					25,812	5,105	30,917
Balance, June 30, 2011	43,581,960	\$ 503	\$ 522,434	\$ (132,542)	\$ 113,958	\$ 26,242	\$ 530,595

See accompanying notes to the unaudited condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(dollars in thousands, except shares and per share amounts, unless otherwise noted)

1. Organization and Nature of Business

Interactive Brokers Group, Inc. ("IBG, Inc." or the "Company") is a Delaware holding company whose primary asset is its ownership of approximately 11.0% of the membership interests of IBG LLC, which, in turn, owns operating subsidiaries (collectively, "IBG LLC" or the "Group"). The accompanying unaudited condensed consolidated financial statements of IBG, Inc. reflect the consolidation of IBG, Inc.'s investment in IBG LLC for all periods presented (Note 4). IBG LLC is an automated global electronic broker and market maker specializing in routing orders and processing trades in securities, futures and foreign exchange instruments.

IBG LLC is a Connecticut limited liability company that conducts its business through its operating subsidiaries (collectively called the "Operating Companies"): Timber Hill LLC ("TH LLC"), Timber Hill Specialists Corp. ("THSC"), Timber Hill Europe AG ("THE"), Timber Hill Securities Hong Kong Limited ("THSHK"), Timber Hill Australia Pty Limited ("THA"), Timber Hill Canada Company ("THC"), Interactive Brokers LLC ("IB LLC") and subsidiaries, Interactive Brokers Canada Inc. ("IBC"), Interactive Brokers (U.K.) Limited ("IBUK"), Interactive Brokers (India) Private Limited ("IBI"), Interactive Brokers Financial Products S.A. ("IBFP"), Interactive Brokers Hungary KFT ("IBH"), IB Exchange Corp. ("IBEC"), Interactive Brokers Securities Japan, Inc. ("IBSJ"), Interactive Brokers Software Services Estonia OU ("IBEST") and Interactive Brokers Software Services Russia ("IBRUS").

IBG, Inc. operates in two business segments, electronic brokerage and market making. IBG, Inc. conducts its electronic brokerage business through its Interactive Brokers subsidiaries, which provide electronic execution and clearing services to customers worldwide. The Company conducts its market making business principally through its Timber Hill subsidiaries on the world's leading exchanges and market centers, primarily in exchange-traded equities, equity options and equity-index options and futures.

Certain of the Operating Companies are members of various securities and commodities exchanges in North America, Europe and the Asia/Pacific region. Other than IB LLC, IBUK, IBC, IBI and IBSJ, the Operating Companies do not carry securities accounts for customers or perform custodial functions relating to customer securities.

2. Significant Accounting Policies

Basis of Presentation

These unaudited condensed consolidated financial statements are presented in U.S. dollars and have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding financial reporting with respect to Form 10-Q and accounting standards generally accepted in the United States of America ("U.S. GAAP") promulgated in the FASB Accounting Standards Codification ("ASC" or the "Codification"). These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in IBG, Inc.'s Annual Report on Form 10-K filed with the SEC on February 28, 2011.

Gains and losses from foreign currency transactions are included in trading gains and losses where related to market making activities or in interest income where related to investment of customer funds as part of electronic brokerage activities in the unaudited condensed consolidated statements of comprehensive income. Non-U.S. subsidiaries have a functional currency (i.e., the currency in which activities are primarily conducted) that is other than the U.S. dollar. Such subsidiaries' assets and liabilities are translated to U.S. dollars at period-end exchange rates, while

revenues and expenses are translated at average exchange rates during the year. Adjustments that result from translating amounts from a subsidiary's functional currency to the U.S. dollar are reported as a component of accumulated other comprehensive income.

The Company has reclassified an increase of \$1.1 billion in securities purchased under agreements to resell to an increase in cash and securities—segregated for regulatory purposes in the unaudited condensed consolidated statement of cash flows for the six months ended June 30, 2010.

#### Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of IBG, Inc. and its majority and wholly owned subsidiaries. As sole managing member of IBG LLC, IBG, Inc. exerts control over the Group's operations. In accordance with ASC 810, Consolidation, the Company consolidates the Group's consolidated financial statements and records as non-controlling interest the interests in the Group that IBG, Inc. does not own. The Company's policy is to consolidate all entities of which it owns more than 50% unless it does not have control. All inter-company balances and transactions have been eliminated. IBG, Inc. would

Interactive Brokers Group, Inc. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financials Statements (Continued)  
(dollars in thousands, except shares and per share amounts, unless otherwise noted)

also consolidate any Variable Interest Entities (“VIEs”) pursuant to ASC 860, Transfers and Servicing and ASC 810 of which it is the primary beneficiary. IBG, Inc. currently is not the primary beneficiary of any such entities and therefore no VIEs are included in the unaudited condensed consolidated financial statements.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the unaudited condensed consolidated financial statements and accompanying notes. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ materially from those estimates. Such estimates include the estimated value of investments accounted for under the equity method of accounting, the estimated useful lives of property and equipment, including capitalized internally developed software, the allowance for doubtful accounts, compensation accruals, tax liabilities and estimated contingency reserves.

#### Fair Value

At June 30, 2011 and December 31, 2010, substantially all of IBG, Inc.’s assets and liabilities, including financial instruments, were carried at fair value based on published market prices and are marked to market daily, or were assets which are short-term in nature (such as U.S. government treasury bills or spot foreign exchange) and were carried at amounts that approximate fair value.

IBG, Inc. applies the fair value hierarchy of ASC 820, Fair Value Measurement, to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

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

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant 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

Financial instruments owned and financial instruments sold, but not yet purchased, except forward currency contracts, over-the-counter (“OTC”) currency options and certain corporate and municipal debt securities, which are classified as Level 2 financial instruments, are classified within Level 1 of the fair value hierarchy. Level 1 financial instruments, which are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets, include U.S. government and sovereign obligations, active listed securities, options, futures, options on futures and corporate and municipal debt securities. IBG, Inc. does not adjust quoted prices for Level 1 financial instruments, even in the event that the Company may hold a large position whereby a purchase or sale could reasonably impact quoted prices. Currency forward contracts and OTC currency options are valued using broadly distributed bank and broker prices, and are classified as Level 2 financial instruments as such instruments are

not exchange-traded. Corporate and municipal debt securities, including Federal Deposit Insurance Corporation insured corporate bonds held as securities segregated for regulatory purposes, that are not actively traded are also classified in Level 2. Investments in common stock reported in other assets in the unaudited condensed statement of financial condition are valued using quoted market prices. These investments may include investments in restricted common stock, which would be valued using discounts from quoted market prices and, therefore, would be reported as Level 2 financial instruments.

#### Earnings Per Share

Earnings per share (“EPS”) are computed in accordance with ASC 260, Earnings per Share. Shares of Class A and Class B common stock share proportionately in the earnings of IBG, Inc. Basic earnings per share are calculated utilizing net income available for common stockholders divided by the weighted average number of shares of Class A and Class B common stock outstanding for that period. Diluted earnings per share are calculated utilizing the Company’s basic net income available for common stockholders divided by diluted weighted average shares outstanding with no adjustments to net income available to common stockholders for dilutive potential common shares.

Interactive Brokers Group, Inc. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financials Statements (Continued)  
(dollars in thousands, except shares and per share amounts, unless otherwise noted)

### Stock-Based Compensation

IBG, Inc. follows ASC 718, Compensation – Stock Compensation, to account for its stock-based compensation plans. ASC 718 requires all share-based payments to employees to be recognized in the financial statements using a fair value-based method. As a result, IBG, Inc. expenses the fair value of stock granted to employees over the related vesting period.

### Cash and Cash Equivalents

IBG, Inc. defines cash equivalents as short-term, highly liquid securities and cash deposits with original maturities of three months or less, other than those used for trading purposes.

### Cash and Securities — Segregated for Regulatory Purposes

As a result of customer activities, certain Operating Companies are obligated by rules mandated by their primary regulators to segregate or set aside cash or qualified securities to satisfy such regulations, which regulations have been promulgated to protect customer assets. In addition, substantially all of the Operating Companies are members of various clearing organizations at which cash or securities are deposited as required to conduct day-to-day clearance activities. Securities segregated for regulatory purposes consisted of Federal Deposit Insurance Corporation insured corporate bonds, which are recorded as Level 2 financial assets, in the amount of \$440,471 and \$440,773 at June 30, 2011 and December 31, 2010, U.S. Treasury Bills of \$397,694 and \$146,976 at June 30, 2011 and December 31, 2010, which are recorded as Level 1 financial assets and securities purchased under agreements to resell in the amount of \$2,595,592 and \$2,391,813 as of June 30, 2011 and December 31, 2010, respectively, which amounts approximate fair value.

### Securities Borrowed and Securities Loaned

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require IBG, Inc. to provide counterparties with collateral, which may be in the form of cash, letters of credit, or other securities. With respect to securities loaned, IBG, Inc. receives collateral, which may be in the form of cash or other securities in an amount generally in excess of the fair value of the securities loaned.

IBG, Inc. monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as permitted contractually. Receivables and payables with the same counterparty are not offset in the unaudited condensed consolidated statements of financial condition. For these transactions, the fees received or paid by IBG, Inc. are recorded as interest income or interest expense in the unaudited condensed consolidated statements of comprehensive income.

### Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are treated as collateralized financing transactions and are recorded at contract value, plus accrued interest, which approximates fair value. The Company's policy is to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the fair value of the underlying collateral remains sufficient, this collateral is valued daily with additional



collateral obtained or excess collateral returned, as permitted under contractual provisions.

#### Financial Instruments Owned and Sold But Not Yet Purchased

Stocks, government, corporate and municipal bonds, futures and options transactions are reported in the unaudited condensed consolidated financial statements on a trade date basis. All financial instruments owned and financial instruments sold but not yet purchased are recorded at fair value based upon quoted market prices. All firm-owned financial instruments pledged to counterparties where the counterparty has the right, by contract or custom, to sell or repledge the financial instruments are classified as financial instruments owned and pledged as collateral in the unaudited condensed consolidated statements of financial condition.

IBG, Inc. also enters into currency forward contracts. These transactions, which are also reported on a trade date basis, are agreements to exchange a fixed amount of one currency for a specified amount of a second currency at completion of the currency forward contract term. Unrealized mark-to-market gains and losses on currency forward contracts are reported as components of financial instruments owned or financial instruments sold but not yet purchased in the unaudited condensed consolidated statements of financial condition. Net earnings or losses are reported as components of interest income in the unaudited condensed consolidated statements of comprehensive income.

Interactive Brokers Group, Inc. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financials Statements (Continued)  
(dollars in thousands, except shares and per share amounts, unless otherwise noted)

Customer Receivables and Payables

Customer securities transactions are recorded on a settlement date basis and customer commodities transactions are recorded on a trade date basis. Receivables from and payables to customers include amounts due on cash and margin transactions, including futures contracts transacted on behalf of customers. Securities owned by customers, including those that collateralize margin loans or other similar transactions, are not reported in the unaudited condensed consolidated statements of financial condition. Amounts receivable from customers that are determined by management to be uncollectible are written off to general and administrative expense.

Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Receivables