

CHARLES SCHWAB FUTURES AND FOREX LLC

(NFA I.D. NO 477394)

Statement of Financial Condition as of December 31, 2021
and Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member of Charles Schwab Futures and Forex LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Charles Schwab Futures and Forex LLC (formerly TD Ameritrade Futures & Forex LLC) (the "Company") as of December 31, 2021, 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, 2021, 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 and in accordance with auditing standards generally accepted in the United States of America. 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statement that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statement and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statement, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Pushdown Accounting for the TD Ameritrade Acquisition — Goodwill — Refer to Note 3 to the financial statement

Critical Audit Matter Description

Effective October 6, 2020, the Charles Schwab Corporation ("CSC") completed its acquisition of TDA Holdings and its wholly-owned subsidiaries, including TD Ameritrade Futures and Forex LLC. The transaction was accounted for under the acquisition method of accounting and pushdown accounting was applied to the Company as of October 6, 2020. As a result of the application of pushdown accounting, CSC's basis of accounting has been

applied to the Company's assets and liabilities. Management allocated goodwill to the Company based on the estimated fair value of the acquired stand-alone Company as well as the relative acquisition date value of acquired assets and assumed liabilities (net assets).

We identified the allocation of goodwill for Charles Schwab Futures and Forex LLC as a critical audit matter because of the significant estimates and assumptions management makes to estimate the fair value of the stand-alone company. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's methodology.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to pushdown accounting and management's estimates of allocation of goodwill included the following, among others:

- We tested the mathematical accuracy of management's allocation of the purchase price, including goodwill.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the methodology used by management to allocate goodwill.
- We tested the design and implementation of internal controls over management's allocation of the purchase price, including goodwill.

Report on Supplemental Schedule

The supplemental schedule on page 13 has been subjected to audit procedures performed in conjunction with the audit of the Company's statement of financial condition. The supplemental schedule is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statement or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in compliance with Regulation 1.16 under the Commodity Exchange Act. In our opinion, such schedule is fairly stated, in all material respects, in relation to the statement of financial condition as a whole.

Deloitte Touche LLP

Denver, Colorado
February 25, 2022

We have served as the Company's auditor since 2021.

CHARLES SCHWAB FUTURES AND FOREX LLC

Statement of Financial Condition

(In Thousands)

Assets	December 31, 2021
Cash and cash equivalents	\$ 141,344
Cash and investments segregated and on deposit for regulatory purposes	781,224
Receivables from brokerage clients — net	2,256
Goodwill	363,571
Other assets	14,472
Total assets	\$ 1,302,867
Liabilities and Member's Equity	
Payables to brokerage clients	\$ 684,199
Accrued expenses and other liabilities	6,780
Total liabilities	690,979
Member's equity	611,888
Total liabilities and member's equity	\$ 1,302,867

See Notes to Statement of Financial Condition.

CHARLES SCHWAB FUTURES AND FOREX LLC

Notes to Statement of Financial Condition

(Tabular Amounts in Thousands)

1. Organization and Nature of Business

Charles Schwab Futures and Forex LLC (“CSFF”, “we”, “our” or “the Company”), formerly known as TD Ameritrade Futures & Forex LLC, is an indirect wholly-owned subsidiary of The Charles Schwab Corporation (CSC) through the Company's immediate parent, TD Ameritrade Online Holdings Corporation (TDAOH), and its parent TD Ameritrade Holding Corporation (TDA Holding). On October 6, 2020, pursuant to an Agreement and Plan of Merger (the “Merger Agreement”), TDA Holding and its wholly-owned subsidiaries were acquired by CSC (the “Merger”). For additional information regarding the Merger see Note 3.

The Company provides futures and foreign exchange trade execution services to its clients and clients of other entities related by common ownership, all of which are indirect wholly-owned subsidiaries of CSC. The Company is registered as a futures commission merchant (FCM) and forex dealer member (FDM) with the Commodity Futures Trading Commission (CFTC) and is a member of, and the corresponding services functions are regulated by the National Futures Association (NFA). The Company is required to comply with all applicable regulations of the CFTC and NFA. The Company contracts with external providers for futures clearing and to facilitate foreign exchange trading for its clients.

After the Merger, the Company requested and received approval from the NFA to change the fiscal year end date of its audited annual financial statement from September 30th to December 31st pursuant to CFTC Regulation 1.10(e)(2) and 5.12(f)(2). We then provided notification to the CFTC as required under CFTC Regulations 1.10(e)(2) and 5.12(f)(2) the change in fiscal year. This audited financial statement contained herein is as of December 31, 2021. See Note 3 for additional information.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying statement of financial condition has been prepared in conformity with generally accepted accounting principles (GAAP) in the U.S., which require management to make certain estimates and assumptions that affect the reported amounts in the accompanying financial statement. Certain estimates relate to income taxes, legal and regulatory reserves, and fair values of assets acquired and liabilities assumed, as well as goodwill recognized, in business combinations. Actual results may differ from these estimates.

Unsatisfied performance obligations

The Company does not have any unsatisfied performance obligations under Accounting Standards Codification (ASC) 606 *Revenue From Contracts With Customers* (ASC 606).

Cash and cash equivalents

The Company considers all highly liquid investments that mature in three months or less from the time of acquisition and that are not segregated and on deposit for regulatory purposes to be cash and cash equivalents. Cash and cash equivalents include deposits with banks and money market funds. Deposits with banks include amounts held to satisfy the requirements for client foreign exchange assets represented by the payable to foreign exchange clients recorded in payables to brokerage clients on the statement of financial condition.

Cash and investments segregated and on deposit for regulatory purposes

Cash and investments segregated and on deposit for regulatory purposes include cash deposits with banks, open trade equity, and cash deposits with clearing FCMs that have been segregated or secured for the benefit of futures clients, in accordance with regulations of the CFTC governing FCMs.

CHARLES SCHWAB FUTURES AND FOREX LLC

Notes to Statement of Financial Condition

(Tabular Amounts in Thousands)

Receivables from and payables to brokerage clients

Receivables from brokerage clients arise primarily in connection with futures transactions. Payables to brokerage clients primarily in connection with futures and foreign exchange transactions including client cash held in futures and forex accounts and the fair value of any net unrealized gains/losses on open client futures and foreign exchange contracts. The value of client options on futures is not reflected in the accompanying statement of financial condition.

Goodwill

Goodwill is not amortized but is tested for impairment annually or whenever indications of impairment exist. Impairment exists when the carrying amount of a reporting unit exceeds its estimated fair value, resulting in an impairment charge for this excess, with the maximum charge limited to the carrying value of goodwill allocated to that reporting unit. Our annual impairment testing date is April 1st. The Company can elect to qualitatively assess goodwill for impairment if it is more likely than not that the fair value of a reporting unit exceeds its carrying value. A qualitative assessment considers macroeconomic and other industry-specific factors, such as trends in short-term and long-term interest rates and the ability to access capital, and Company specific factors such as market capitalization in excess of net assets, trends in revenue generating activities, and merger or acquisition activity.

If the Company elects to bypass qualitatively assessing goodwill, or it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, management estimates the fair value of the Company's reporting unit (defined as the Company's businesses for which financial information is available and reviewed regularly by management) and compares it to its carrying value. The estimated fair value of the reporting unit is established using an income approach based on a discounted cash flow model that includes significant assumptions about the future operating results and cash flows of the reporting unit, as well as a market approach which compares the reporting unit to comparable companies in its industry.

Goodwill was reset subsequent to the Merger as a result of accounting for the Merger under the acquisition-method of accounting and the related pushdown accounting adjustments. See Note 3.

Income taxes

The Company has elected to be treated as a corporation for income tax purposes and is included in the consolidated federal income tax return of CSC. The Company provides for income taxes on all transactions that have been recognized in the statement of financial condition on a standalone basis, while taking into consideration the fact that the activity of this entity is included with CSC's other subsidiaries in the CSC consolidated income tax return. Accordingly, deferred tax assets are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. Uncertain tax positions are evaluated to determine whether they are more likely than not to be sustained upon examination. When tax positions are more likely than not to be sustained upon examination the difference between positions taken on tax return filings and estimated potential tax settlement outcomes are recognized in accrued expenses and other liabilities. If a position is not more likely than not to be sustained, then none of the tax benefit is recognized in the Company's statement of financial condition.

Fair values of assets and liabilities

Fair value is defined as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement accounting guidance describes the fair value hierarchy for disclosing assets and liabilities measured at fair value based on the inputs used to value them. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are based on market pricing data obtained from third-party sources independent of the Company. A quoted price in an active market provides the most reliable evidence of fair value and is generally used to measure fair value whenever available.

Unobservable inputs reflect management's judgment about the assumptions market participants would use in pricing the asset or liability. Where inputs used to measure fair value of an asset or liability are from different levels of the hierarchy, the asset or liability is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing

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Notes to Statement of Financial Condition

(Tabular Amounts in Thousands)

the significance of a particular input requires judgment. The fair value hierarchy includes three levels based on the objectivity of the inputs as follows:

- Level 1 inputs are quoted prices in active markets as of the measurement date for identical assets or liabilities that the Company has the ability to access.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates, benchmark yields, issuer spreads, new issue data, and collateral performance.
- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Assets and liabilities measured at fair value on a recurring basis

The Company's assets and liabilities measured at fair value on a recurring basis include certain cash equivalents. The Company uses the market approach to determine the fair value of assets and liabilities. When available, the Company uses quoted prices in active markets to measure the fair value of assets and liabilities. Quoted prices for investments in exchange-traded securities represent end-of-day close prices published by exchanges. Quoted prices for money market funds and other mutual funds represent reported net asset values. When utilizing market data and bid-ask spread, the Company uses the price within the bid-ask spread that best represents fair value. When quoted prices in active markets do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets, and we generally obtain prices from three independent third-party pricing sources for such assets recorded at fair value.

Our primary independent pricing service provides prices for our fixed income investments such as certificates of deposits; U.S. government securities; state and municipal securities; and corporate debt securities. Such prices are based on observable trades, broker/dealer quotes and discounted cash flows that incorporate observable information such as yields for similar types of securities (a benchmark interest rate plus observable spreads) and weighted-average maturity for the same or similar "to-be-issued" securities. We compare the prices obtained from the primary independent pricing service to the prices obtained from the additional independent pricing services to determine if the price obtained from the primary independent pricing service is reasonable. The Company does not adjust the prices received from the independent third-party pricing services unless such prices are inconsistent with the definition of fair value and result in material differences in the amount recorded.

New Accounting Standards

No new accounting standards that are material to the Company were adopted during the period ended December 31, 2021. There are currently no new accounting standards not yet adopted that are material to the Company.

3. Business Combinations

Effective October 6, 2020, CSC completed its acquisition of TDA Holding and its wholly-owned subsidiaries, including CSFF. The transaction was accounted for as a business combination under GAAP by CSC and pushdown accounting was applied by the Company as of October 6, 2020. As a result of the application of pushdown accounting, CSC's basis of accounting has been applied to the Company's assets and liabilities.

The determination of estimated fair values required management to make significant estimates and assumptions. The Company finalized the valuation of assets and liabilities during 2021. Goodwill associated with the Merger was primarily attributable to the scale, skill sets, operations, and synergies from combining the operations of TDA Holding and its consolidated subsidiaries with the operations of CSC and its wholly-owned subsidiaries. Goodwill of \$363.6 million was assigned to the Company and is not deductible for income tax purposes.

In October 2021, Charles Schwab & Co., Inc. (CS&Co) transferred its futures business to CSFF. The transfer of CS&Co's

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(Tabular Amounts in Thousands)

futures business into the Company was accounted for as a common control transfer. CS&Co's futures business expands the Company's client base under its existing product and service offerings and did not result in a change in reporting entity. Accordingly, CSFF recorded the transfer of CS&Co's futures business' assets of \$212.2 million and liabilities of \$208.5 million at CS&Co's historical carrying values as of the transfer date, resulting in a net increase to member's equity of \$3.7 million.

4. Goodwill

The goodwill balance increased to \$363.6 million as of December 31, 2021 due to the Merger. See Note 3.

As of our annual testing date, we performed an assessment of goodwill for impairment. Based on the Company's analysis, we concluded that goodwill was not impaired.

5. Other Assets

The components of other assets at December 31, 2021 are as follows:

Receivables from brokers, dealers, and clearing organizations	\$	13,598
Deferred tax assets		453
Receivables from affiliates		220
Prepaid expenses		164
Other ⁽¹⁾		37
Total other assets	\$	14,472

⁽¹⁾Includes \$31 thousand of receivables from contracts with customers within the scope of ASC 606. The Company does not have any other significant contract assets or contract liability balances as of December 31, 2021.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities at December 31, 2021 are as follows:

Current taxes payable	\$	2,205
Payables to affiliates		2,029
Accrued compensation and employee benefits		835
Other		1,711
Total accrued expenses and other liabilities	\$	6,780

CSC's integration of the Company's operations is ongoing and based on current integration plans and scope of technology work, CSC expects to complete client conversion within 30 to 36 months from the October 6, 2020 Merger date. As of December 31, 2021, CSFF had a liability for exit and other costs related to the integration of \$234 thousand included in accrued expenses and other liabilities on the statement of financial condition.

7. Borrowings

The Company maintains a credit facility with CSC under which the Company may borrow up to \$500 million. This agreement matures as of December 31, 2022, and no amounts were outstanding as of December 31, 2021.

8. Commitments and Contingencies

Guarantees and indemnifications: The Company clears its clients' futures transactions on an omnibus account basis through unaffiliated clearing firms. The Company also contracts with an external provider to facilitate foreign exchange trading for its

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(Tabular Amounts in Thousands)

clients. The Company has agreed to indemnify these unaffiliated clearing firms and the external provider for losses that they may incur from the client transactions introduced to them by the Company. The potential requirement to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these guarantees and indemnifications.

Legal contingencies: CSFF is subject to claims and lawsuits in the ordinary course of business, including arbitrations, class actions and other litigation, some of which include claims for substantial or unspecified damages. The Company is also the subject of inquiries, investigations, and proceedings by regulatory and other governmental agencies.

Predicting the outcome of a litigation or regulatory matter is inherently difficult, requiring significant judgment and evaluation of various factors, including the procedural status of the matter and any recent developments; prior experience and the experience of others in similar cases; available defenses, including potential opportunities to dispose of a case on the merits or procedural grounds before trial (e.g., motions to dismiss or for summary judgment); the progress of fact discovery; the opinions of counsel and experts regarding potential damages; and potential opportunities for settlement and the status of any settlement discussions. It may not be reasonably possible to estimate a range of potential liability until the matter is closer to resolution – pending, for example, further proceedings, the outcome of key motions or appeals, or discussions among the parties. Numerous issues may have to be developed, such as discovery of important factual matters and determination of threshold legal issues, which may include novel or unsettled questions of law. Reserves are established or adjusted or further disclosure and estimates of potential loss are provided as the matter progresses and more information becomes available.

CSFF believes it has strong defenses in all significant matters currently pending and is contesting liability and any damages claimed. Nevertheless, some of these matters may result in adverse judgments or awards, including penalties, injunctions or other relief, and the Company may also determine to settle a matter because of the uncertainty and risks of litigation. Described below is a matter in which there is a reasonable possibility that a material loss could be incurred or where the matter may otherwise be of significant interest. Unless otherwise noted, the Company is unable to provide a reasonable estimate of any potential liability given the stage of proceedings in the matter. With respect to all other pending matters, based on current information and consultation with counsel, it does not appear reasonably possible that the outcome of any such matter would be material to the financial condition of the Company.

Forex Arbitration: A National Futures Association arbitration claim served July 2019 was filed against the Company, TD Ameritrade, Inc., and a representative alleging that in 2018 respondents wrongfully converted over \$14.4 million from claimant's forex account through forced margin liquidations and unauthorized trading. Claimant claims that respondents' alleged conduct violated provisions of the Commodity Exchange Act, National Futures Association Rules, the Nebraska Deceptive Trade Practices Act, and the Nebraska Consumer Protection Act. Claimant also includes claims for negligence, fraud, breach of the covenant of good faith and fair dealing, unjust enrichment, breach of fiduciary duty, aiding and abetting, and respondeat superior. The Company intends to vigorously defend against the arbitration claims and is unable to predict the outcome or the timing of the ultimate resolution, or the potential losses, if any, that may result.

9. Fair Value of Assets and Liabilities

For a description of the fair value hierarchy and the Company's fair value methodologies, including the use of independent third-party pricing services, see Note 2. The Company did not adjust prices received from the primary independent third-party pricing service at December 31, 2021.

The following table presents the Company's fair value hierarchy for assets measured at fair value on a recurring basis as of December 31, 2021. Liabilities recorded at fair value were not material, and therefore are not included in the following table:

	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	\$ 64,397	\$ —	\$ —	\$ 64,397
Total cash equivalents	\$ 64,397	\$ —	\$ —	\$ 64,397

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Notes to Statement of Financial Condition

(Tabular Amounts in Thousands)

Fair Value of Other Financial Instruments

The following table presents the fair value hierarchy for other financial instruments at December 31, 2021:

	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	\$ 76,947	\$ 76,947	\$ —	\$ —	\$ 76,947
Cash and investments segregated and on deposit for regulatory purposes	781,224	781,224	—	—	781,224
Receivables from brokerage clients — net	2,256	—	2,256	—	2,256
Other assets	13,646	—	13,646	—	13,646
Liabilities					
Payables to brokerage clients	\$ 684,199	\$ —	\$ 684,199	\$ —	\$ 684,199
Accrued expenses and other liabilities	50	—	50	—	50

10. Related-Party Transactions

The Company engages in various related-party transactions with CSC and other affiliates under common control. The accompanying statement of financial condition is not necessarily indicative of the condition that would exist if the Company were operated as an unaffiliated entity.

Fully-Disclosed Futures Commission Merchant Services Agreement

The Company maintains a fully-disclosed futures commission merchant services agreements between the Company and other subsidiaries of CSC.

Account Funding and Sweep Arrangement Agreements

All clients who maintain a futures and/or forex account with the Company must also maintain a securities brokerage account with TD Ameritrade, Inc., which is held at TD Ameritrade Clearing, Inc. (TDAC) (wholly-owned subsidiary of TDAOH) or with CS&Co. Pursuant to account funding and sweep arrangement agreements between entities related by common ownership, all client cash is initially deposited and held in the client's securities brokerage account, subject to transfer on a daily basis to the client's futures account if funds are required as a result of futures funding requirements. Futures funding requirements may include the transfer of cash to satisfy a margin call, pre-fund margin to establish a new position or to satisfy any deficit. Unless a client opts out, all cash remaining in the client's futures account in excess of these futures funding requirements is transferred back to the client's securities brokerage account on a daily basis. Clients have the ability to transfer funds between their securities brokerage account and their futures and/or forex account. In the event the Company's clients have unsecured losses in their futures and/or forex accounts, the losses are transferred to TDAC, which then becomes reimbursable subject to the terms of the clearing agreement between TD Ameritrade, Inc. and TDAC. Pursuant to the clearing agreement between TD Ameritrade, Inc. and TDAC, TDAC charges TD Ameritrade, Inc. for unsecured losses in the Company's clients' futures and/or forex accounts.

Allocated Costs from Affiliates Based on Services and Expense Administrative Agreements

The Company is allocated costs from entities related by common ownership pursuant to various service and expense administrative agreements.

CHARLES SCHWAB FUTURES AND FOREX LLC

Notes to Statement of Financial Condition

(Tabular Amounts in Thousands)

Receivables from and Payables to Affiliates

The following table summarizes receivables from and payables to affiliates associated with the activities described above. The balances are included in other assets and accrued expenses and other liabilities, respectively, on the statement of financial condition as of December 31, 2021:

Other assets:	
Receivable from affiliates	\$ 220
Accrued expenses and other liabilities:	
Payable to affiliates	\$ 2,029

These receivables from and payables to affiliates are generally settled in cash on a monthly basis.

11. Employee Incentive and Retirement Plans

Prior to the Merger, the Company participated in TDA Holding 401(k) and profit-sharing plan under which annual profit-sharing contributions were determined at the discretion of its parent, TDA Holding. In connection with the Merger, TDA Holding's 401(k) and profit-sharing plan was terminated effective October 5, 2020. Subsequent to the Merger, employees of the Company can participate in CSC's qualified retirement plans. CSC may match certain employee contributions or make additional contributions at its discretion.

Prior to the Merger, certain employees of the Company participated in TDA Holding's stock incentive plan. Upon completion of the Merger, and pursuant to the terms of the Merger Agreement, undistributed stock-based awards under the TDA Holding stock incentive plan were replaced with stock-based awards of CSC with the same terms and conditions that applied to each award immediately prior to the Merger after giving effect to an exchange ratio. After the Merger, there were no future awards issued under the TDA Holding stock incentive plan, and the employees and directors of the Company became participants in stock incentive plans sponsored by CSC that provide for granting options and restricted stock units to participants. In addition, CSC offers an employee stock purchase plan to eligible employees.

12. Taxes on Income

The temporary differences that created deferred income tax assets and liabilities as of December 31, 2021 are detailed below:

Deferred tax assets:	
State and local taxes	\$ 269
Employee compensation, severance, and benefits	163
Other	21
Total deferred tax assets	453
Total deferred tax liabilities	—
Net deferred tax assets	\$ 453

The Company was included in the TDA Holding consolidated federal return prior to the Merger, and in the CSC consolidated federal return after the Merger. TDA Holding's consolidated federal income tax returns for 2017 through 2020 and, as applicable to the Company, CSC's consolidated federal income tax return for 2020 remain subject to examination. The years open to examination by state and local governments vary by jurisdiction.

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(Tabular Amounts in Thousands)

13. Regulatory Requirements

The Company is subject to CFTC Regulations 1.17 and 5.7 under the Commodity Exchange Act, administered by the CFTC and the NFA. As an FCM, the Company is required to maintain minimum adjusted net capital under CFTC Regulation 1.17 of the greater of \$20 million or 8% of the total risk margin requirements for all positions carried in client and non-client accounts, as defined in CFTC Regulation 1.17. As an FDM, the Company is also subject to the net capital requirements under CFTC Regulation 5.7, which requires the Company to maintain minimum adjusted net capital of the greater of any amount required under CFTC Regulation 1.17 as described above or \$20 million plus 5% of all foreign exchange liabilities owed to forex clients in excess of \$10 million.

In addition, an FCM and FDM must provide notice to the CFTC if its adjusted net capital amounts to less than (1) 110% of its risk-based capital requirement under CFTC Regulation 1.17, (2) 110% of its \$20 million minimum dollar requirement, or (3) 110% of \$20 million plus 5% of all foreign exchange liabilities owed to forex clients in excess of \$10 million.

The following table summarizes the Company's adjusted net capital and adjusted net capital requirements as of December 31, 2021:

Adjusted net capital	\$	233,465
Required adjusted net capital (8% of total risk margin requirements for all positions carried in client and non-client accounts)		38,399
Adjusted net capital in excess of required adjusted net capital	\$	195,066

Additional amounts are segregated in accordance with the regulations of the CFTC's governing FCMs. The Company had \$781.2 million included in cash and investments segregated and on deposit for regulatory purposes at December 31, 2021.

As of December 31, 2021 CSFF's customers do not engage in activity that requires a 30.7 account or in cleared swap activity. As such, the Company does not have any data to report 30.7 activity or cleared swap activity on the Statement of Secured Amounts and Funds Held in Separate Accounts for 30.7 Customers Pursuant to Commission Regulation 30.7 or the Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts Under Section 4d(f) of the Commodity Exchange Act.

14. Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2021, through the date the statement of financial condition was issued. There have been no material subsequent events that have occurred during such period that would require disclosure or recognition.

SUPPLEMENTAL SCHEDULE

CHARLES SCHWAB FUTURES AND FOREX LLC.

Schedule I: Statement of Segregation Requirements and Funds in Segregation For Customers Trading on U.S. Commodity Exchanges Pursuant to Regulation 4(d)(2) Under the Commodity Exchange Act

(In Thousands)

SEGREGATION REQUIREMENTS	As of December 31, 2021
Net ledger balance:	
Cash	\$ 622,335
Net unrealized loss in open futures contracts traded on a contract market	(3,469)
Exchange traded options:	
Market value of open option contracts purchased on a contract market	63,070
Market value of open option contracts granted (sold) on a contract market	(81,542)
Net equity	600,394
Accounts liquidating to a deficit and accounts with debit balances - net of customer owned securities (\$—)	1,695
Amount required to be segregated	\$ 602,089
FUNDS IN SEGREGATED ACCOUNTS	
Deposited in segregated funds bank accounts:	
Cash	\$ 202,969
Net equities with other futures commission merchants:	
Net liquidating equity	559,783
Total amount in segregation	762,752
Excess funds in segregation	\$ 160,663
Management Target Amount Excess funds in segregation (unaudited)	100,000
Excess funds in segregation over Management Target Amount Excess (unaudited)	\$ 60,663

There are no material differences between the above computation for determination of segregation requirements pursuant to regulations under the Commodity Exchange Act and the corresponding computation included in Charles Schwab Futures and Forex LLC's unaudited Form 1-FR-FCM report, filed on January 20, 2022.