Credit Suisse Securities (USA) LLC
Unaudited Statement of Financial Condition
June 30, 2024

CREDIT SUISSE SECURITIES (USA) LLC
Statement of Financial Condition
June 30, 2024
(In millions)

ASSETS

Cash and cash equivalents	$	98
Collateralized financings:		
Securities purchased under agreements to resell, of which $12,201 is reported at fair value		12,201
Securities borrowed, of which $1 is reported at fair value		62
Securities received as collateral, at fair value ($1 of which was encumbered)		6
Financial instruments owned, at fair value:		
Debt instruments		31
Equity instruments		33
Derivative contracts		1
Brokerage receivables:		
Customers		6
Brokers, dealers and others		527
Other assets and deferred amounts, of which $7 is reported at fair value		1,209
Total assets	$	14,174

See accompanying notes to statement of financial condition.

CREDIT SUISSE SECURITIES (USA) LLC
Statement of Financial Condition
June 30, 2024
(In millions)

LIABILITIES AND MEMBER'S EQUITY

Short-term borrowings	$	6
Collateralized financings:		
Securities sold under agreements to repurchase, of which $8,171 is reported at fair value		8,171
Securities loaned		20
Obligation to return securities received as collateral, at fair value		6
Financial instruments sold not yet purchased, at fair value:		
Debt instruments		2
Equity instruments		1
Derivative contracts		2
Brokerage payables:		
Customers		139
Brokers, dealers and others		558
Subordinated and other long-term borrowings		1,995
Other liabilities, of which $2 reported at fair value		1,267
Total liabilities		12,167
Member's equity:		
Member's contributions		8,454
Accumulated loss		(6,300)
Accumulated other comprehensive loss		(147)
Total member's equity		2,007
Total liabilities and member's equity	$	14,174

See accompanying notes to statement of financial condition.

1. Organization and Summary of Significant Accounting Policies

The Company

Credit Suisse Securities (USA) LLC (the Company) is a 99% owned subsidiary of Credit Suisse (USA) LLC (CS USA) and a 1% owned subsidiary of CS Group Finance (US) LLC. The Company is an indirect wholly owned subsidiary of UBS Americas Holding, LLC (UBS AH), whose ultimate parent is UBS Group AG (UBS). See Note 2 for more information.

The Company, as a U.S. registered broker-dealer, provided a variety of capital raising, market making, advisory and brokerage services for governments, financial institutions, corporate clients and affiliates. It acted as an underwriter, placement agent and dealer for money market instruments, commercial paper, mortgage and other asset-backed securities, as well as a range of debt, equity and other convertible securities of corporations and other issuers. As a result of the merger with UBS, the Company is in the process of winding down operations and is no longer accepting new client trades, other than on an exceptional basis, as all new activity is now being done in the UBS entities. See Note 2 for more information.

The accompanying statement of financial condition has been prepared from the separate records maintained by the Company and may not necessarily be indicative of the financial condition or the results of its operations that would have existed if the Company had been operated as an unaffiliated entity.

Significant Accounting Policies

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

Use of estimates. Management is required to make estimates and assumptions, including but not limited to, the fair value measurements of certain financial assets and liabilities, the evaluation of variable interest entities, recognition of deferred tax assets, goodwill, pension liabilities, legal and tax uncertainties, as well as various contingencies. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the statement of financial condition. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management's estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

Foreign currency translation. Transactions denominated in currencies other than the functional currency of the Company are recorded by remeasuring them in the functional currency of the Company using the foreign exchange rate on the date of the transaction. As of the dates of the statement of financial condition, monetary assets and liabilities, such as receivables and payables, are reported using the year-end spot foreign exchange rates. Non-monetary assets and liabilities are recorded using the historic exchange rate.

1. Organization and Summary of Significant Accounting Policies

Fair value measurement and option. The fair value measurement guidance establishes a single authoritative definition of fair value and sets out a framework for measuring fair value. The fair value option creates an alternative measurement treatment for certain financial assets and financial liabilities. The fair value option can be elected at initial recognition of the eligible item or at the date when the Company enters into an agreement which gives rise to an eligible item. If not elected at initial recognition, the fair value option can be applied to an item upon certain triggering events that give rise to a new basis of accounting for that item. The application of the fair value option to a financial asset or a financial liability does not change its classification on the statement of financial condition and the election is irrevocable.

Cash and cash equivalents. Cash and cash equivalents include all demand deposits held in banks, including demand deposits held at affiliate branches, and certain highly liquid investments with original maturities of 90 days or less, other than those held-for-sale in the ordinary course of business. As of June 30, 2024, there is $4 million restricted cash segregated for regulatory purposes under the Commodity Exchange Act Sections 4d(2) and 4d(F).

Resale and repurchase agreements. Purchases of securities under agreements to resell (resale agreements) and securities sold under agreements to repurchase (repurchase agreements) do not constitute economic sales and are therefore treated as collateralized financing transactions, which are carried in the statement of financial condition at the amount of cash disbursed or received, respectively. Resale agreements are recorded as assets while repurchase agreements are recorded as liabilities. The underlying securities sold continue to be recognized in trading assets. The fair value of securities to be repurchased and resold is monitored on a daily basis, and additional collateral is obtained as needed to protect against credit exposure.

Assets and liabilities recorded under these agreements are accounted for on one of two bases, the accrual basis or the fair value basis. Certain repurchase agreements and resale agreements that primarily represent matched-book activities are fair value elected. The remaining repurchase agreements and resale agreements are carried at contract amounts that reflect the amounts at which the securities will be subsequently repurchased or resold. The Company may take possession of the securities purchased under resale agreements and obtains additional collateral when the market value falls below the contract value. The Company may deliver securities sold under repurchase agreements and pledge additional collateral when the market value falls below the contract value. Accrued interest income and expense are recorded in the same manner as under the accrual method in other assets and liabilities, respectively in the statement of financial condition.

Repurchase and resale agreements may be netted if they are with the same counterparty, have the same maturity date, settle through the same qualifying clearing institution and subject to a right of offset allowed by a legally enforceable master netting agreement or a central counterparty's clearing rules.

1. Organization and Summary of Significant Accounting Policies

Securities lending and borrowing transactions. Securities borrowed and securities loaned that are cash-collateralized are included in the statement of financial condition at amounts equal to the cash advanced or received. If securities received as collateral in a securities lending and borrowing transaction may be sold or repledged, they are recorded as securities received as collateral in the statement of financial condition and a corresponding obligation to return the security is recorded. Securities lending transactions against non-cash collateral in which the Company has the right to resell or repledge the collateral received are recorded at the fair value of the collateral initially received. Certain securities loaned and securities borrowed transactions that represent matched-book activities are carried at fair value. For securities borrowing and lending transactions, the Company deposits or receives cash or securities collateral in an amount generally in excess of the market value of securities borrowed or lent. The Company monitors the fair value of securities borrowed and loaned on a daily basis with additional collateral obtained or pledged as necessary.

Accrued interest income and expense are recorded in the same manner as under the accrual method in other assets and liabilities in the statement of financial condition.

Financial instruments owned. Financial instruments owned include debt securities, marketable equity instruments and derivative instruments, which are carried at fair value and classified as trading based on management's intent. Regular-way security transactions are recorded on a trade date basis.

Derivative contracts. All derivative contracts are carried at fair value. The fair value amounts associated with derivative instruments are reported net by counterparty across products, provided a legally enforceable master netting agreement exists and such provisions are stated in the master netting agreement. The fair value amounts recognized for derivative instruments, as well as the fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral, are reported net. The Company may enter into transactions that have non-regular way settlement terms, which if all requirements are met, are treated as non-regular-way accounting derivatives during the period from trade date to settlement date. See Notes 4 and 8 for more information.

Credit losses on financial instruments measured at amortized cost. The credit loss requirements apply to financial assets measured at amortized cost as well as certain off-balance sheet credit exposures, such as irrevocable loan commitments and similar instruments. The credit loss requirements are based on a forward-looking, lifetime current expected credit loss (CECL) model by incorporating reasonable and supportable forecasts of future economic conditions available at the reporting date. The estimation and application of forward-looking information requires quantitative analysis and significant judgement. The CECL amounts are estimated over the contractual term of the financial assets taking into account the effect of prepayments. This requires considerable judgment over how changes in macroeconomic factors (MEFs) as well as changes in forward-looking borrower-specific characteristics will affect the CECL amounts.

1. Organization and Summary of Significant Accounting Policies

The Company measures expected credit losses of financial assets on a collective (pool) basis when similar risk characteristics exist. For financial assets which do not share similar risk characteristics, expected credit losses are evaluated on an individual basis. CECL amounts are probability-weighted estimates of potential credit losses based on historical frequency, current trends and conditions as well as forecasted MEFs, such as interest rates, gross domestic product (GDP) and unemployment rates. An allowance for credit losses is deducted from the amortized cost basis of the financial asset. Provisions for off-balance sheet credit exposures are recognized as a provision in other liabilities in the statement of financial condition. The allowance for credit losses and provisions for off-balance sheet credit exposures were immaterial as of June 30, 2024.

The Company applied the collateral maintenance practical expedient to its collateralized financing arrangements, including securities borrowed and resale agreements, along with its customer margin loans reported in brokerage receivables from customers in the statement of financial condition, which are subject to collateral maintenance provisions where the borrower is required to continually adjust the amount of collateral securing the financial asset as a result of changes in the fair value of the collateral. When the fair value of the collateral is less than the amortized cost basis of the financial assets, the Company evaluates whether an allowance for credit losses is necessary for the unsecured amount of the amortized cost basis, limited to the difference between the fair value of the collateral at the reporting date and the amortized cost basis of the financial assets. As of June 30, 2024, the Company did not have any specific provisions related to customer margin loans.

Financial assets measured at amortized cost that are not eligible for the collateral maintenance practical expedient consist of receivables due from customers recorded in the statement of financial condition, receivables due from broker-dealers and clearing organizations, unsettled trades and securities failed to deliver, recorded in receivables from brokers, dealers and others on the statement of financial condition, as well as any unsecured amounts for instruments applying the practical expedient. For financial assets measured at amortized cost basis that are not eligible for the collateral maintenance practical expedient, the Company estimates expected credit losses over the life of the financial assets as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts.

The Company estimates credit losses on certain off-balance sheet credit exposures over the contractual period of a present obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. Other than the estimation of the probability of funding on such arrangements, the allowance for credit losses is estimated in a manner similar to the methodology used for funded credit exposures and as such, the Company estimates expected credit losses over the life of the instruments as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts.

The Company continually monitors collections and payments from its clients and maintains an allowance for doubtful accounts. The allowance is based on an estimate the amount of potential credit losses in existing receivables. The Company determines this allowance based on a review of aging schedules and past due balances, and considers the short-term nature of credit exposure, counterparty credit quality, historical experience and current customer and economic conditions.

1. Organization and Summary of Significant Accounting Policies

Impairment on non-financial assets. The Company evaluates premises and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment assessment is performed for an individual asset or, where applicable, a group of assets for which largely separate cash flows can be identified. Recognition of an impairment on such assets establishes a new cost base, which is not adjusted for subsequent recoveries in value.

Income taxes. The Company is treated as a partnership for U.S. federal, state and local income tax purposes. As such, the Company is not required to provide for or pay any U.S. federal income taxes.

The Company is itself subject to New York City Unincorporated Business Tax (UBT), for which it accrues current and deferred taxes.

In accordance with the provisions of FASB ASC 740 - 'Income Taxes' (ASC Topic 740), deferred tax assets and liabilities are recognized for the future tax effect of differences between the statement of financial condition carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect during the year in which the basis differences reverse. In the event it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is recorded.

ASC Topic 740 sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50% likely to be realized.

Brokerage receivables and brokerage payables. The Company recognizes receivables and payables from transactions in financial instruments purchased from and sold to customers, banks and broker-dealers. The Company is exposed to risk of loss resulting from the inability of counterparties to pay for or deliver financial instruments purchased or sold, in which case the Company would have to sell or purchase, respectively, these financial instruments at prevailing market prices. To the extent an exchange or clearing organization acts as counterparty to a transaction, credit risk is generally considered to be limited. If available information indicates that it is probable that a brokerage receivable is impaired, an allowance is established. Write-offs of brokerage receivables occur if the outstanding amounts are considered uncollectible.

1. Organization and Summary of Significant Accounting Policies

Receivables from and payables to customers include amounts due on regular way securities transactions and futures. Securities owned by customers, including those that collateralize margin or similar transactions are held for clients on an agency or fiduciary capacity by the Company, are not assets of the Company and are not reflected in the statement of financial condition. Receivables from and payables to customers are recorded at amortized cost net of any allowances for credit losses.

Receivables from brokers, dealers and others include amounts receivable for securities not delivered by the Company to a purchaser by the settlement date (fails to deliver), omnibus receivables, receivables from clearing organizations (excluding cash collateral receivables relating to initial margin with exchanges which are included in other assets on the statement of financial condition), and other non-customer receivables, which are primarily amounts related to futures contracts. Payables to brokers, dealers and others include amounts payable for securities not received by the Company from a seller by the settlement date (fails to receive), payables to clearing organizations and other non-customer payables, which are primarily amounts related to futures contracts. In addition, the net receivable or payable arising from unsettled regular-way trades is included in receivables from brokers, dealers and others or payables to brokers, dealers and others, as well as settlement payments of the mark-to-market variation margin from settled-to-market derivative contracts. Receivables from brokers, dealers and others and payables to brokers, dealers and others are recorded at amortized cost net of any allowances for credit losses.

Subordinated and other long-term borrowings. The Company carries its subordinated and long-term borrowings with affiliates on an accrual basis. See Notes 4 and 12 for more information.

Projected benefit obligation. The Company uses the projected unit credit actuarial method to determine the present value of its projected benefit obligation (PBO) and the current and past service costs or credits related to its defined benefit and other post-retirement benefit plans. The measurement date used to perform the actuarial valuation is December 31st. Certain key assumptions are used in performing the actuarial valuations. These assumptions must be made concerning the future events that will determine the amount and timing of the benefit payments and thus require significant judgment and estimates by the Company's management. Among others, assumptions have to be made with regard to discount rates, expected return on plan assets and salary increases. The assumed discount rates reflect the rates at which the pension benefits could be effectively settled. These rates are determined based on yields of high-quality corporate bonds currently available and are expected to be available during the period to maturity of the pension benefits. The expected long-term rate of return on plan assets is determined on a plan basis, taking into account asset allocation, historical rate of return, benchmark indices for similar-type pension plan assets, long-term expectations of future returns and investment strategy. Health care cost trend rates are determined by reviewing external data and the Company's own historical trends for health care costs. Salary increases are determined by reviewing external data and considering internal projections. The funded status of the Company's defined benefit post-retirement and pension plans is recognized in the statement of financial condition.

1. Organization and Summary of Significant Accounting Policies

RECENTLY ADOPTED ACCOUNTING STANDARDS

ASC Topic 820 – Fair Value Measurement

In June 2022, the FASB issued Accounting Standards Update 2022-03, "Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions" (ASU 2022-03), an update to ASC Topic 820 – Fair Value Measurement. The amendments in ASU 2022-03 clarified that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments clarified that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments required new disclosures related to equity securities subject to contractual sale restrictions, including the fair value of such equity securities, the nature and remaining duration of the corresponding restrictions and any circumstances that could cause a lapse in the restrictions.

The amendments were effective for annual reporting periods beginning after December 15, 2023 and for the interim periods within those annual reporting periods. The adoption of ASU 2022-03 on January 1, 2024 did not have a material impact on the Company's statement of financial condition.

2. Business Developments

Acquisition by UBS

Following the acquisition of Credit Suisse Group AG by UBS Group AG in 2023, the parent bank merger of UBS AG and Credit Suisse AG was completed in the second quarter of 2024.

Securitized Products Group

In the first half of 2024, Credit Suisse terminated the investment management agreement under which Atlas managed Credit Suisse's retained portfolio of assets of its former SPG business, as well as the transition services agreement under which Credit Suisse provided services to Atlas, in continuing efforts to wind down and reduce the businesses in Non-Core Legacy divisions.

3. Restructuring

The table below shows the restructuring liabilities related to the acquisition of Credit Suisse by UBS.

	June 30, 2024
Restructuring liabilities (1)	**(In millions)**
as of the beginning of period	$ 21
as of June 30, 2024	17

(1) Consist of liabilities related to severance expenses.

4. Fair Value of Financial Instruments

Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction at the measurement date. In measuring fair value, the Company uses various valuation approaches which often utilize certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and / or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market corroborated or generally unobservable internal inputs. The Company utilizes valuation techniques that rely on observable and unobservable inputs.

The most frequently applied valuation techniques and pricing models include discounted cash flow models, relative value models and option pricing models. Discounted cash flow models determine the value by estimating the expected future cash flows from assets or liabilities discounted to their present value. Relative value models determine the value based on the market prices of similar assets or liabilities. Option pricing models use probability-based techniques that include binomial and Monte Carlo pricing. The output of a model is always an estimate or approximation of a value that cannot be estimated with certainty.

As a result, valuations are adjusted, where appropriate, to reflect liquidity adjustments, credit exposure, model-driven-valuation adjustments and trading restrictions when such factors would be considered by market participants.

The Company's fair value and model governance framework includes numerous controls and other procedural safeguards that are intended to maximize the quality of fair value measurements reported on the statement of financial condition. New products and valuation techniques must be reviewed and approved by key stakeholders from Risk and Finance control. Responsibility for the ongoing measurement of financial and non-financial instruments at fair value resides with the business. In carrying out their valuation responsibilities, the business is required to consider the availability and quality of external market data and to provide justification and rationale for their fair value estimates.

Fair value estimates are validated by Risk and Finance control functions, which are independent of the business. Independent price verification is performed by Finance through benchmarking the business' fair value estimates with observable market prices or other independent sources. Controls and a governance framework are in place and are intended to ensure the quality of third-party pricing sources where used.

4. Fair Value of Financial Instruments

A critical aspect of the independent price verification process is the evaluation of the accuracy of modeling approaches and input assumptions which yield fair value estimates derived from valuation models. The output of modeling approaches is also compared to observed prices and market levels for the specific instrument being priced if possible and appropriate.

This calibration analysis is performed to assess the ability of the model and its inputs (which are frequently based upon a combination of price levels of observable hedge instruments and unobservable parameters) to price a specific product in its own specific market. An independent model review group reviews the Company's valuation models on a regular basis or if specific triggers occur and approves them for valuing specific products.

As a result of the valuation controls employed, valuation adjustments may be made to the business' estimates of fair value to align with independent market data.

All financial instruments at fair value are categorized into one of three fair value hierarchy levels, based upon the lowest level input that is significant to the position's fair value measurement in its entirety:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which all significant inputs are, or are based on, market observable data.

Level 3: Valuation techniques for which significant inputs are not based on observable market data.

4. Fair Value of Financial Instruments

Quantitative Disclosures of Fair Values

The following is a tabular presentation of fair value of assets and liabilities for instruments measured at fair value on a recurring basis.

June 30, 2024	Level 1	Level 2	Level 3	Total at fair value
		(In millions)		
Assets				
Resale agreements	$ —	$ 12,201	$ —	$ 12,201
Securities borrowed transactions	—	1	—	1
Securities received as collateral:				
Debt instruments	6	—	—	6
Financial instruments owned:				
Debt instruments:				
Commercial mortgage-backed securities	—	—	14	14
Corporates	—	1	—	1
Residential mortgage-backed securities	—	—	16	16
Total debt instruments	—	1	30	31
Equity instruments	—	10	23	33
Derivative contracts:				
Foreign exchange products	—	1	—	1
Total derivative contracts	—	1	—	1
Other assets:				
Other	—	—	7	7
Total assets at fair value	$ 6	$ 12,214	$ 60	$ 12,280

(1) Derivative contracts are reported on a gross basis by level, with the total at fair value column including the impact of netting. The impact of netting represents an adjustment related to counterparty and cash collateral netting where the Company has a legal and enforceable right to net.

4. Fair Value of Financial Instruments

June 30, 2024	Level 1	Level 2	Level 3	Total at fair value
		(In millions)		
Liabilities				
Repurchase agreements	$ —	$ 8,171	$ —	$ 8,171
Obligation to return securities received as collateral:				
Debt instruments	6	—	—	6
Financial instruments sold, not yet purchased:				
Debt instruments:				
Corporates	—	2	—	2
Total debt instruments	—	2	—	2
Equity instruments	—	1	—	1
Derivative contracts:				
Foreign exchange products		1	—	1
Equity/index-related products		1	—	1
Total derivative contracts	—	2	—	2
Other liabilities		2	—	2
Total liabilities at fair value	$ 6	$ 8,178	$ —	$ 8,184

(1) Derivative contracts are reported on a gross basis by level, with the total at fair value column including the impact of netting. The impact of netting represents an adjustment related to counterparty and cash collateral netting where the Company has a legal and enforceable right to net.

4. Fair Value of Financial Instruments

Qualitative Disclosures of Valuation Techniques

The following is a description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value.

Repurchase agreement and resale agreement transactions and securities borrowed and securities loaned

Securities purchased under resale agreements and securities sold under repurchase agreements are measured at fair value using discounted cash flow analysis. Future cash flows are discounted using observable market interest rate repurchase/resale curves for the applicable maturity and underlying collateral of the instruments. As such, both securities purchased under resale agreements and securities sold under repurchase agreements are included in level 2 of the fair value hierarchy. Securities borrowed and securities loaned are measured at fair value and are included in level 2 of the fair value hierarchy.

Securities purchased under resale agreements are usually fully collateralized or over collateralized by government securities, money market instruments, corporate bonds, or other debt instruments. In the event of counterparty default, the collateral service agreement provides the Company with the right to liquidate the collateral held.

Securities received as collateral and obligation to return securities received as collateral

Securities received as collateral and obligation to return securities received as collateral are measured at fair value using the method outlined below for "debt instruments."

Debt instruments

Government

Federal government debt securities typically have quoted prices in active markets and are mainly categorized as level 1 instruments.

4. Fair Value of Financial Instruments

Corporates

Corporate bonds are priced to reflect current market levels either through recent market transactions or broker or dealer quotes. Convertible bonds are generally valued using observable pricing sources. Where a market price for the particular security is not directly available, valuations are obtained based on yields reflected by other instruments in the specific or similar entity's capital structure and adjusting for differences in seniority and maturity, benchmarking to a comparable security where market data is available (taking into consideration differences in credit, liquidity and maturity), or through the application of cash flow modeling techniques utilizing observable inputs, such as current interest rate curves and observable CDS spreads. Significant unobservable inputs may include correlation and price. For securities using market comparable price, the differentiation between level 2 and level 3 is based upon the relative significance of any yield adjustments as well as the accuracy of the comparison characteristics (i.e., the observable comparable security may be in the same country but a different industry and may have a different seniority level – the lower the comparability the more likely the security will be level 3).

RMBS and CMBS securities

Fair values of RMBS and CMBS securities may be available through quoted prices, which are often based on the prices at which similarly structured and collateralized securities trade between dealers and to and from customers. Fair values of RMBS and CMBS securities for which there are significant unobservable inputs are valued using capitalization rate and discount rate. Price may not be observable for fair value measurement purposes for many reasons, such as the length of time since the last executed transaction for the related security, use of a price from a similar instrument, or use of a price from an indicative quote. Fair values determined by market comparable price may include discounted cash flow models using the inputs credit spread, default rate, discount rate, prepayment rate and loss severity. Prices from similar observable instruments are used to calculate implied inputs which are then used to value unobservable instruments using discounted cash flow. The discounted cash flow price is then compared to the unobservable prices and assessed for reasonableness.

Equity instruments

The majority of the Company's positions in equity securities are not traded in active markets and require significant unobservable inputs. Fair values of preferred shares are determined by their yield and the subordination relative to the issuer's other credit obligations. Level 1 equities include equity securities that are traded on public stock exchanges, for which quoted prices are readily and regularly available. Level 2 and level 3 equities include equity securities with restrictions that are not traded in active markets. Significant unobservable inputs may include market comparable price.

4. Fair Value of Financial Instruments

Derivative contracts

Derivatives held for trading purposes include OTC derivatives. The fair values of OTC derivatives are determined on the basis of either industry standard models or internally developed proprietary models. Both model types use various observable and unobservable inputs in order to determine fair value. The inputs include those characteristics of the derivative that have a bearing on the economics of the instrument. The determination of the fair value of many derivatives involves only a limited degree of subjectivity, because the required inputs are observable in the marketplace, while more complex derivatives may use unobservable inputs that rely on specific proprietary modeling assumptions. Where observable inputs (prices from exchanges, dealers, brokers or market consensus data providers) are not available, attempts are made to infer values from observable prices through model calibration (spot and forward rates, mean reversion, benchmark interest rate curves and volatility inputs for commonly traded option products). For inputs that cannot be derived from other sources, estimates from historical data may be made. OTC derivatives where the majority of the value is derived from market observable inputs are categorized as level 2 instruments, while those where the majority of the value is derived from unobservable inputs are categorized as level 3 of the fair value hierarchy.

Uncertainty of fair value measurements from the use of significant unobservable inputs

For level 3 assets with a significant unobservable input of price, correlation or volatility and prepayment rate, in general, an increase in the significant unobservable input would increase the fair value. For level 3 assets with a significant unobservable input of default rate, discount rate, loss severity, and credit spread, in general, an increase in the significant unobservable input would decrease the fair value. For level 3 liabilities, in general, an increase in the related significant unobservable inputs would have the inverse impact on fair value.

Interrelationships between significant unobservable inputs

There are no material interrelationships between the significant unobservable inputs for the financial instruments. As the significant unobservable inputs move independently, generally an increase or decrease in one significant unobservable input will have no impact on the other significant unobservable inputs.

4. Fair Value of Financial Instruments

Quantitative disclosures of valuation techniques

The following table provides a representative range of minimum and maximum values of each significant unobservable input for material level 3 assets and liabilities by the related valuation technique most significant to the related financial instrument.

June 30, 2024

Assets	Fair Value (In millions)	Valuation Technique	Unobservable Input	Minimum Value	Maximum Value	Weighted Average
Debt instruments:						
Commercial mortgage backed securities	14	Discounted cash flow	Price in %	41.5 %	41.5 %	41.5 %
Residential mortgage backed securities	16	Discounted cash flow	Price in %	10.5 %	31.3 %	12.6 %
Equity instruments	23	Market comparable	Price, in actuals	79	6,500	2,114

Qualitative discussion of the ranges of significant unobservable inputs

The following sections provide further information about the ranges of significant unobservable inputs included in the table above. The level of aggregation and diversity within the financial instruments disclosed in the table above result in certain ranges of significant inputs being wide and unevenly distributed across asset and liability categories.

Discount rate. The discount rate is the rate of interest used to calculate the present value of the expected cash flows of a financial instrument. There are multiple factors that will impact the discount rate for any given financial instrument including the coupon on the instrument, the term and the underlying risk of the expected cash flows. Two instruments of similar term and expected cash flows may have significantly different discount rates because the coupons on the instruments are different.

Price. Bond equivalent price is a primary significant unobservable input for multiple products. Where market prices are not available for an instrument, benchmarking may be utilized to identify comparable issues (same industry and similar product mixes) while adjustments are considered for differences in deal terms and performance.

Fair Value Option

The Company elected fair value for certain of its statement of financial condition captions as follows:

Collateralized financings: The Company has elected to account for matched book repurchase and resale agreements and securities borrowed and securities loaned transactions at fair value.

4. Fair Value of Financial Instruments

Difference between the fair value and the aggregate unpaid principal balances of fair value option elected financial instruments

June 30, 2024	Of which at fair value	Aggregate unpaid principal	Difference between aggregate fair value and unpaid principal
		(In millions)	
Resale agreements	$ 12,201	$ 12,201	$ —
Securities-borrowed transactions	1	1	—
Repurchase agreements	8,171	8,171	—

Leveling of assets and liabilities not at fair value where a fair value is disclosed

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the statement of financial condition. The disclosure excludes all non-financial instruments such as real estate, premises and equipment, equity method investments and pension and benefit obligations, along with receivables and payables with customers and brokers, dealers and others with an expected maturity of less than one year.

		Fair Value			
June 30, 2024	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets			(In millions)		
Cash and cash equivalents	$ 98	$ 98	$ —	$ —	$ 98
Securities borrowed transactions	61	—	61	—	61
Other assets and deferred amounts	1,028	—	1,018	33	1,051
Total financial assets	1,187	98	1,079	33	1,210
Financial Liabilities					
Short-term borrowings (1)	$ 6	$ 1	$ 5	$ —	$ 6
Securities loaned transactions	20	—	20	—	20
Subordinated and other long-term borrowings	1,995	—	2,142	—	2,142
Other liabilities	557	—	557	—	557
Total financial liabilities	2,578	1	2,724	—	2,725

(1) Amounts in Level 1 relate to cash overdrafts.

5. Related Party Transactions

In the ordinary course of business, the Company enters into significant financing and operating transactions with related companies.

The following table sets forth the Company's related party assets and liabilities as of June 30, 2024:

ASSETS

	(In millions)	
Cash and cash equivalents	$	47
Securities borrowed		2
Securities received as collateral		6
Taxes receivable (included in Other assets and deferred amounts)		1
Other assets and deferred amounts		375
Total assets	$	431

LIABILITIES

Short-term borrowings	$	6
Securities sold under agreements to repurchase		8,171
Securities loaned		16
Obligation to return securities received as collateral		6
Derivative contracts (included in Financial instruments sold not yet purchased)		1
Payables to customers		102
Payables to brokers, dealers and others		493
Subordinated and other long-term borrowings		1,995
Taxes payable (included in Other liabilities)		1
Other liabilities		301
Total liabilities	$	11,092

Certain obligations of the Company related to various business activities are guaranteed by CS USA and CSAG.

The Company has certain foreign affiliates holding customer securities pursuant to the applicable SEC rules.

Included in other assets and liabilities are receivables and payables with UBS affiliates related to the secondment of employees following the merger.

The Company carries its subordinated and long-term borrowings with affiliates on an accrual basis. Subordinated and other long-term borrowings with affiliates are with CS USA. See Note 12 for more information.

5. Related Party Transactions

The Share Plan provides for the grant of equity-based awards to Company employees based on UBS shares pursuant to which employees of the Company may be granted shares or other equity-based awards as compensation for services performed. For the six months ended June 30, 2024, the Company increased its member's contribution by $15 million, which consisted of accruals for share award obligations, the purchases of shares for delivery to employees including realized mark-to-market gains (losses) on these shares at delivery date and dividend equivalents.

During the year, the Company returned $1,980 million of paid in capital to CS USA and $20 million of paid in capital to CS Group Finance (US) LLC. The Company also paid down $1 billion of equity subordinated debt with CS USA.

The Company is no longer included in the consolidated federal and state filings but instead files its own partnership tax return. See Note 1 and 18 for more information.

6. Other Assets and Liabilities

The following table sets forth the Company's other assets and liabilities as of June 30, 2024:

Other Assets		(In millions)
Cash collateral on derivative instruments	$	503
Cash collateral on non-derivative transactions		45
Loans		12
Premises and equipment		91
Interest and fee receivable		267
Prepaid expenses, of which $1 is cloud computing arrangement implementation costs		83
Other investments		17
Other		191
Total other assets	$	1,209

Other Liabilities		(In millions)
Provisions		513
Tax provisions		1
Interest and fee payable		318
Other		435
Total other liabilities	$	1,267

The following table sets forth the Company's premises and equipment as of June 30, 2024:

Premises and Equipment		(In millions)
Buildings and improvements	$	34
Capitalized software		150
Leasehold improvements		58
Equipment		2
Premises and equipment		244
Accumulated depreciation		(153)
Total premises and equipment, net	$	91

6. Other Assets and Liabilities

Leasehold improvements, such as alterations and improvements to rented premises, are depreciated on a straight-line basis over the shorter of the lease term or estimated useful life, which generally does not exceed ten years. Equipment, such as computers, machinery, furnishings, vehicles and other tangible non-financial assets, is depreciated using the straight-line method over its estimated useful lives, generally three to ten years. The capitalized software costs are depreciated on a straight-line basis over the estimated useful life of the software, generally not exceeding seven years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

7. Receivables from/Payables to Brokers, Dealers and Others

Amounts receivable from and payable to brokers, dealers and others as of June 30, 2024 consist of the following:

	Receivables	Payables
	(In millions)	
Unsettled regular-way securities trades (open trades)	$ 9	$ 9
Fails to deliver/fails to receive	55	106
Receivables from/payables to clearing organizations	463	3
Other non-customer receivables/payables	—	440
Total	$ 527	$ 558

The amounts receivable from/payable to clearing organizations primarily relate to unsettled trades and deposits from affiliates held at clearing organizations and are collateralized by securities owned by the Company.

8. Derivative Contracts

Derivatives are generally standard contracts transacted through regulated exchanges. The Company used derivative contracts for trading, to provide products for clients and economic hedging purposes. Economic hedges arose when the Company entered into derivative contracts for its own risk management purposes, but the contracts entered into did not qualify for hedge accounting treatment. These derivatives included options, forwards, and futures. The Company has exited a majority of its derivatives positions as part of winding down operations, with only residual balances remaining in the statement of financial condition.

Options

The Company previously performed market making activities for option contracts specifically designed to meet customer needs or for economic hedging purposes. Most options did not expose the Company to credit risk because they were primarily exchange traded options, except for credit options. During the contract period, the Company bears the risk of unfavorable changes in the value of the financial instruments underlying the options. To manage this market risk, the Company purchased or sold cash or derivative financial instruments on a proprietary basis.

Forwards and Futures

The Company's customer and trading activities included executing, settling and financing various securities and financial instrument transactions. To execute these transactions, the Company purchased and sold (including short sales) securities, and purchased and sold forward contracts primarily related to U.S. government and agencies and mortgage-backed securities. In addition, the Company entered into futures contracts on equity-based indices and other financial instruments, as well as options on futures contracts. These contracts were typically settled through the Chicago Mercantile Exchange (CME).

Because forward contracts are subject to the credit worthiness of the counterparty, the Company is exposed to credit risk. To mitigate this credit risk, the Company reviews the credit worthiness of specific counterparties, reviews credit limits, requires certain customers and counterparties to maintain margin collateral and adheres to internally established credit extension policies.

For futures contracts and options on futures contracts, the change in the market value is settled with a clearing broker or exchange in cash each day. As a result, the credit risk with the clearing broker is limited to the net positive change in the market value for a single day, which is recorded in receivables from brokers, dealers and others in the statement of financial condition.

8. Derivative Contracts

Fair value of derivative instruments

The table below represents gross derivative fair values, segregated by type of contract. Notionals have also been provided as an indication of the volume of derivative activity within the Company.

June 30, 2024	Notional amount	Positive replacement value	Negative replacement value
		(In millions)	
Futures	$ 733	$ —	$ —
Interest rate products	733	—	—
Forwards	710	1	1
Foreign exchange products	710	1	1
Forwards	5	—	1
Options bought and sold (OTC)	14	—	—
Equity/index-related products	19	—	1
Total gross derivative contracts	$ 1,462	$ 1	$ 2
Total derivative contracts (1)	$ 1,462	$ 1	$ 2

(1) Derivative contracts are reported on a net basis in the statement of financial condition. The impact of netting represents an adjustment for counterparty and cash collateral netting.

These financial instruments are included as derivative contracts in financial instruments owned/sold not yet purchased, respectively, in the statement of financial condition. Financial instruments related to futures contracts are included in receivables from brokers, dealers and others and payables to brokers, dealers and others, respectively, in the statement of financial condition.

9. Assets Assigned and Pledged

The Company pledges assets mainly for repurchase agreements and other securities financing. Certain pledged assets may be encumbered, meaning they have the right to be sold or repledged. The encumbered assets are parenthetically disclosed on the statement of financial condition. The Company receives cash and securities in connection with resale agreements, securities borrowing and loans and margined broker loans.

A significant portion of the collateral and securities received by the Company were sold or repledged in connection with repurchase agreements, securities sold not yet purchased, securities borrowing or loans, pledges to clearing organizations and segregation requirements under securities laws and regulations.

As part of the Company's financing and securities settlement activities, the Company uses securities as collateral to support various secured financing sources. If the counterparty does not meet its contractual obligation to return securities used as collateral, the Company may be exposed to the risk of reacquiring the securities at prevailing market prices to satisfy its obligations. The Company controls this risk by monitoring the market value of financial instruments pledged each day and by requiring collateral levels to be adjusted in the event of excess market exposure.

The following table sets forth the assets pledged by the Company and the collateral received by the Company as of June 30, 2024:

	June 30, 2024
	(In millions)
Total assets pledged or assigned as collateral by the Company	$ 6
of which was encumbered	6
Fair value of the collateral received by the Company with the right to sell or repledge	12,329
of which was sold or repledged	7,935

10. Offsetting of Financial Assets and Financial Liabilities

The disclosures set out in the tables below include derivatives, resale and repurchase agreements, and securities lending and borrowing transactions that are offset in the Company’s statement of financial condition; or are subject to an enforceable master netting agreement or similar agreement (enforceable master netting agreements or enforceable MNA), irrespective of whether they are offset in the Company’s statement of financial condition. Similar agreements include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements.

10. Offsetting of Financial Assets and Financial Liabilities

Derivatives

The Company transacted bilateral OTC derivatives (OTC derivatives) mainly under International Swaps and Derivatives Association (ISDA) Master Agreements. These agreements provide for the net settlement of all transactions under the agreement through a single payment in the event of default on or termination under the agreement. They allowed the Company to offset balances from derivative assets and liabilities as well as the receivables and payables to related cash collateral transacted with the same counterparty. Collateral for OTC derivatives is received and provided in the form of cash and marketable securities. Such collateral may be subject to the standard industry terms of an ISDA Credit Support Annex. The terms of an ISDA Credit Support Annex provide that securities received or provided as collateral may be pledged or sold during the term of the transactions and must be returned upon maturity of the transaction. These terms also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral. Financial collateral received or pledged for OTC derivatives may also be subject to collateral agreements which restrict the use of financial collateral.

OTC-cleared derivatives, which are fully margined and for which the daily margin payments constitute settlement of the outstanding exposure, are not included in the offsetting disclosures because they are not subject to offsetting due to the daily settlement. The daily margin payments, which are not settled until the next settlement cycle is conducted, are presented in brokerage receivables or brokerage payables.

Offsetting of derivatives

The following table presents the gross amount of derivatives subject to enforceable master netting agreements by contract and transaction type, the amount of offsetting, the amount of derivatives not subject to enforceable master netting agreements and the net amount presented in the statement of financial condition.

	Derivative assets	Derivative liabilities
As of June 30, 2024	(In millions)	
OTC	$ 1	$ 1
Foreign exchange products	1	1
OTC	1	1
Total gross derivative contracts subject to enforceable MNA	1	1
of which OTC	1	1
Total net derivatives subject to enforceable MNA	1	1
Total derivatives not subject to enforceable MNA (1)	—	1
Total net derivatives presented in the statement of financial condition	$ 1	$ 2

(1) Represents derivatives where a legal opinion supporting their enforceability of netting in the event of default or termination under the agreement is not in place.

10. Offsetting of Financial Assets and Financial Liabilities

Resale and repurchase agreements and securities lending and borrowing transactions

Resale and repurchase agreements are generally covered by master repurchase agreements. In certain situations, for example, in the event of default, all contracts under the agreements are terminated and are settled net in one single payment. Master repurchase agreements also include payment or settlement netting provisions in the normal course of business that state that all amounts in the same currency payable by each party to the other under any transaction or otherwise under the global master repurchase agreement on the same date shall be set off.

The Company has elected to net transactions under such agreements in the statement of financial condition when specific conditions are met. Transactions are netted if, amongst other conditions, they are executed with the same counterparty, have the same explicit settlement date specified at the inception of the transactions, are settled through the same securities transfer system and are subject to the same enforceable master netting agreement. The amounts offset are measured on the same basis as the underlying transaction (i.e., on an accrual basis or fair value basis).

Securities lending and borrowing transactions are generally executed under global master securities lending agreements with netting terms similar to ISDA Master Agreements. In certain situations, for example in the event of default, all contracts under the agreement are terminated and are settled net in one single payment. Transactions under these agreements are netted in the statement of financial condition if they meet the same right of offset criteria as for resale and repurchase agreements. In general, most securities lending and borrowing transactions do not meet the criterion of having the same settlement date specified at inception of the transaction, and therefore they are not eligible for netting in the statement of financial condition. However, securities lending and borrowing transactions with explicit maturity dates may be eligible for netting in the statement of financial condition.

Resale and repurchase agreements are collateralized principally by government securities, money market instruments and corporate bonds and have terms ranging from overnight to a longer or unspecified period of time. In the event of counterparty default, the resale agreements or securities lending agreement provides the Company with the right to liquidate the collateral held. As is the case in the Company's normal course of business, substantially all of the collateral received that may be sold or repledged has been sold or repledged as of June 30, 2024. In certain circumstances, financial collateral received may be restricted during the term of the agreement (e.g., in tri-party arrangements).

10. Offsetting of Financial Assets and Financial Liabilities

Offsetting of securities purchased under resale agreements and securities borrowing transactions

The following table presents the gross amount of securities purchased under resale agreements and securities borrowing transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities purchased under resale agreements and securities borrowing transactions not subject to enforceable master netting agreements and the net amount presented in the statement of financial condition.

June 30, 2024	Gross	Offsetting	Net
	(In millions)		
Securities purchased under resale agreements	$ 12,368	$ (167)	$ 12,201
Securities borrowing transactions	24	—	24
Total subject to enforceable MNA	12,392	(167)	12,225
Securities borrowing transactions	38	—	38
Total not subject to enforceable MNA (1)	38	—	38
Total (2)	$ 12,430	$ (167)	$ 12,263

(1) Represents securities purchased under resale agreements and securities borrowing transactions where a legal opinion supporting their enforceability of netting in the event of default or termination under the agreement is not in place.

(2) $12,201 million of the total net amount of securities purchased under resale agreements and $1 million securities borrowing transactions are reported at fair value.

Offsetting of securities sold under repurchase agreements and securities lending transactions

The following table presents the gross amount of securities sold under repurchase agreements and securities lending transactions subject to enforceable master netting agreements, the amount of offsetting, the amount of securities sold under repurchase agreements and securities lending transactions not subject to master netting agreements and the net amount presented in the statement of financial condition.

June 30, 2024	Gross	Offsetting	Net
	(In millions)		
Securities sold under repurchase agreements (1)	$ 8,338	$ (167)	$ 8,171
Securities lending transactions	17	—	17
Obligation to return securities received as collateral, at fair value	6	—	6
Total subject to enforceable MNA	8,361	(167)	8,194
Securities lending transactions	3	—	3
Total not subject to enforceable MNA (2)	3	—	3
Total	$ 8,365	$ (167)	$ 8,198

(1) $8,171 million of the total net amount of securities sold under repurchase agreements are reported at fair value.

(2) Represents securities sold under repurchase agreements and securities lending transactions where a legal opinion supporting their enforceability of netting in the event of default or termination under the agreement is not in place.

10. Offsetting of Financial Assets and Financial Liabilities

Amount not offset in the statement of financial condition

The following table presents the net amount presented in the statement of financial condition of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of financial instruments and cash collateral not offset in the statement of financial condition. The table excludes derivatives, resale and repurchase agreements and securities lending and borrowing transactions not subject to enforceable master netting agreements where a legal opinion supporting the enforceability of netting in the event of default or termination under the agreement is not in place. Net exposure reflects risk mitigation in the form of collateral.

	Net	Financial Instruments (1)	Cash collateral received/ pledged (1)	Net exposure
June 30, 2024		(In millions)		
Financial assets subject to enforceable MNA				
Derivative contracts	$ 1	$ —	$ —	$ 1
Securities purchased under resale agreements	12,201	12,201	—	—
Securities borrowing transactions	24	22	—	2
Total financial assets subject to enforceable MNA	$ 12,226	$ 12,223	$ —	$ 3
Financial liabilities subject to enforceable MNA				
Derivative contracts	$ 1	$ —	$ —	$ 1
Securities sold under repurchase agreements	8,171	8,171	—	—
Securities lending transactions	17	16	—	1
Obligation to return securities received as collateral, at fair value	6	7	—	—
Total financial liabilities subject to enforceable MNA	$ 8,195	$ 8,194	$ —	$ 2

(1) The total amount reported in financial instruments (recognized financial assets and financial liabilities and non-cash financial collateral) and cash collateral is limited to the amount of the related instruments presented in the statement of financial condition and therefore any over-collateralization of these positions is not included.

11. Transfers of Financial Assets and Variable Interest Entities

Continuing involvement in transferred financial assets

The Company was engaged in securitization activities which involved entering into transactions with, and making use of, special purpose entities (SPEs). The Company may have continuing involvement in the financial assets that are transferred to an SPE, which may take several forms, including, but not limited to, recourse and guarantee arrangements and beneficial interests in the transferred assets. During the year, the Company did not receive any cash on interests that continue to be held. The outstanding principal balance of assets to which the Company continues to be exposed/has continuing involvement with after the transfer of the financial assets to any SPE and the total assets of the SPE were $56 million as of June 30, 2024.

Securities sold under repurchase agreements and lending transactions accounted for as secured borrowings

For securities sold under repurchase agreements and securities lending transactions accounted for as secured borrowings, US GAAP requires the disclosure of the collateral pledged and the associated risks to which a transferor continues to be exposed after the transfer. This provides an understanding of the nature and risks of short-term collateralized financing obtained through these types of transactions.

Securities sold under repurchase agreements and securities lending transactions represent collateralized financing transactions used to earn net interest income, increase liquidity or facilitate trading activities. These transactions are collateralized principally by government debt securities, corporate debt securities, asset backed securities, equity securities and other collateral and have terms ranging from on demand to a longer period of time.

In the event of the Company's default or a decline in fair value of collateral pledged, the repurchase agreement or security lending transaction provides the counterparty with the right to liquidate the collateral held or request additional collateral.

The following tables provide the gross obligation relating to securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral by the class of collateral pledged and by remaining contractual maturity as of June 30, 2024.

11. Transfers of Financial Assets and Variable Interest Entities

Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by class of collateral pledged

	June 30, 2024
	(In millions)
Government debt securities	$ 8,338
Securities sold under repurchase agreements	8,338
Equity securities	20
Securities lending transactions	20
Government debt securities	7
Obligation to return securities received as collateral, at fair value	7
Total	$ 8,365

Securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral – by remaining contractual maturity

		Remaining contractual maturities			
As of June 30, 2024	On demand (1)	Up to 30 days (2)	30 to 90 days	More than 90 days	Total
Securities sold under repurchase agreements	$ 521	$ 7,667	$ —	$ 150	$ 8,338
Securities lending transactions	4	—	—	16	20
Obligation to return securities received as collateral, at fair value	2	—	1	4	7
Total	$ 527	$ 7,667	$ 1	$ 170	$ 8,365

(1) Includes contracts with no contractual maturity that may contain termination arrangements subject to a notice period.
(2) Includes overnight transactions.

Refer to "Note 10 – Offsetting of financial assets and financial liabilities" for a reconciliation of gross amounts of securities sold under repurchase agreements, securities lending transactions and obligation to return securities received as collateral to the net amounts disclosed in the statement of financial condition.

11. Transfers of Financial Assets and Variable Interest Entities

Variable Interest Entities

The Company has engaged in various transactions that included entities which are considered VIEs and categorized as financial intermediation. VIEs are SPEs that typically either lack sufficient equity to finance their activities without additional subordinated financial support or are structured such that the holders of the voting rights do not substantively participate in the gains and losses of the entity. VIEs may be sponsored by the Company or third parties. Such entities are required to be assessed for consolidation, requiring the primary beneficiary to consolidate the VIE. The consolidation assessment requires an entity to determine whether it has the power to direct the activities that most significantly affect the economics of the VIE as well as whether the reporting entity has potentially significant benefits or losses in the VIE. The primary beneficiary assessment must be re-evaluated on an ongoing basis.

Application of the requirements for consolidation of VIEs may require the exercise of significant judgment. In the event consolidation of a VIE is required, the exposure to the Company is limited to that portion of the VIE's assets attributable to any variable interest held by the Company prior to any risk management activities to hedge the Company's net exposure. Any interests held in the VIE by third parties, even though consolidated by the Company, will not typically impact its results of operations.

Transactions with VIEs are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investing opportunities, and, as part of these activities, the Company may hold interests in the VIEs. Securitization-related transactions with VIEs involve selling or purchasing assets. Typically, the VIE's assets are restricted in nature in that they are held primarily to satisfy the obligations of the entity.

As a consequence of these activities, the Company holds variable interests in VIEs. Such variable interests consist of financial instruments issued by VIEs and which are held by the Company. In general, investors in consolidated VIEs do not have recourse to the Company in the event of a default, except where a guarantee was provided to the investors.

The total assets of consolidated and non-consolidated VIEs for which the Company has involvement represent the total assets of the VIEs even though the Company's involvement may be significantly less due to interests held by third-party investors. The asset balances for unconsolidated VIEs where the Company has significant involvement represent the most current information available to the Company regarding the remaining principal balance of assets owned. In most cases, the asset balances represent an amortized cost basis without regards to impairments in fair value, unless fair value information is readily available.

The Company's maximum exposure to loss is different from the carrying value of the assets of the VIE. This maximum exposure to loss consists of the carrying value of the Company's variable interests held as financial instruments owned and the notional amount of guarantees to VIEs, rather than the amount of total assets of the VIEs. The maximum exposure to loss does not reflect the Company's risk management activities, including effects from financial instruments that the Company may utilize to economically hedge the risks inherent in these VIEs. The economic risks associated with VIE exposures held by the Company, together with all relevant risk mitigation initiatives, are included in the Company's risk management framework.

11. Transfers of Financial Assets and Variable Interest Entities

Except as described below, the Company has not provided financial or other support to consolidated or non-consolidated VIEs that it was not contractually required to provide.

Financial Intermediation

The Company has involvement with VIEs in its role as a financial intermediary on behalf of clients. The Company considers the likelihood of incurring a loss equal to the maximum exposure to be remote because of the Company's risk mitigation efforts, including, but not limited to, economic hedging strategies and collateral arrangements. The Company's economic risks associated with consolidated and non-consolidated VIE exposures arising from financial intermediation, together with all relevant risk mitigation initiatives, are included in the Company's risk management framework.

Securitizations

In its financial intermediation activities, the Company acted as underwriter and market maker to VIEs related to certain securitization transactions. The Company believes its maximum loss exposure is generally equal to the carrying value of the beneficial interest held. The Company's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risks of the VIEs.

Typically, the servicer of the assets in the VIE is considered to have the power that most significantly affects the economics of the entity. When a servicer or its related party also has an economic interest that has the potential to absorb a significant portion of the gains and/or losses, it is presumed to be the primary beneficiary and consolidate the vehicle. The Company typically consolidated securitization vehicles when it was the servicer and had holdings stemming from its role as underwriter or sponsor.

The Company may have relationships with such VIEs as a result of other business activities. The maximum exposure to loss consists of the fair value of instruments which are held by the Company.

The maximum exposure to loss consists of the fair value of instruments issued by such structures that are held by the Company as a result of underwriting or market-making activities, financing provided to the vehicles and the Company's exposure resulting from principal protection and redemptions features. The investors typically retain the risk of loss on such transactions, but for certain fund types, the Company may provide principal protection on the securities to limit the investors' exposure to downside market risk. The Company's maximum exposure to loss does not include any effects from financial instruments used to economically hedge the risk of the VIEs.

Consolidated VIEs

As of June 30, 2024, there were no consolidated VIEs where the Company was considered the primary beneficiary.

11. Transfers of Financial Assets and Variable Interest Entities

Non-consolidated VIEs

The non-consolidated VIE tables provide the carrying amounts and classification of the assets of variable interests recorded in the statement of financial condition, maximum exposure to loss and total assets of the non-consolidated VIEs.

Maximum exposure to loss represents the variable interests of non-consolidated VIEs that are held by the Company (for example, direct holdings in vehicles, loans and other receivables), as well as notional amounts of guarantees and off-balance sheet commitments which are variable interests that have been extended to non-consolidated VIEs. Such amounts, particularly notional amounts of derivatives and guarantees, do not represent the anticipated losses in connection with these transactions as they do not take into consideration the effect of collateral, recoveries or the probability of loss. In addition, they exclude the effect of offsetting financial instruments that are held to mitigate these risks and have not been reduced by unrealized losses previously recorded by the Company in connection with guarantees or derivatives.

Non-consolidated VIE assets are VIEs with which the Company has variable interests. These amounts are typically unrelated to the exposure the Company has with the entity and thus are not amounts that are considered for risk management purposes.

June 30, 2024	Financial Intermediation Securitizations (In millions)
Financial instruments owned	$ 29
Net loans	1
Total variable interest assets	30
Maximum exposure to loss	30
Non-consolidated VIE assets	$ 2,388

12. Borrowings

Short-term borrowings are generally funding obligations with interest approximating the Federal Funds rate, or other money market indices and an incremental spread. Such borrowings are generally used to facilitate the securities settlement process, finance financial instruments owned and finance securities purchased by customers on margin. As of June 30, 2024, the Company had $6 million in short-term borrowings, which predominately includes short-term borrowings from affiliates and has a weighted average interest rate of 9.5%. As of June 30, 2024, there were no short-term borrowings secured by Company-owned securities.

12. Borrowings

As of June 30, 2024, the Company's outstanding subordinated borrowings were as follows:

	(In millions)	
Equity subordinated debt, Fed Funds rate plus 263 bps, due in 2034 (1)	$	1,500
Long-term borrowings from affiliates - 5.7% , due in 2025		495
Total subordinated borrowings	$	1,995

(1) The effective interest rate for this subordinated borrowing as of June 30, 2024 was 8%.

The following table sets forth scheduled maturities of all long-term borrowings as of June 30, 2024:

	(In millions)	
2025	$	495
2034	$	1,500
Total	$	1,995

The subordinated borrowings under these subordinated agreements qualify as regulatory capital and the agreements include all statutory restrictions specified by the Uniform Net Capital Rule 15c3-1, under the Securities Exchange Act of 1934 (the Exchange Act), including restrictive covenants relating to additional subordinated borrowings and to minimum levels of net capital, as defined, and member's equity.

13. Guarantees and Commitments

From time to time the Company enters into guarantee contracts as guarantor. US GAAP requires disclosure by a guarantor of its maximum potential payment obligations under certain of its guarantees to the extent that it is possible to estimate them. The carrying value represents the higher of the initial fair value (generally the related fee received or receivable) less cumulative amortization and the Company's current best estimate of payments that will be required under existing guarantee arrangements.

The guarantees may require the Company to make payments to the guaranteed party based on changes related to an asset, a liability or an equity security of the guaranteed party. The Company may also be contingently required to make payments to the guaranteed party based on another entity's failure to perform under an agreement, or the Company may have an indirect guarantee of the indebtedness of others, even though the payment to the guaranteed party may not be based on changes related to an asset, liability or equity security of the guaranteed party.

In addition, US GAAP covers certain indemnification agreements that contingently require the Company to make payments to the indemnified party based on changes related to an asset, liability or equity security of the indemnified party, such as an adverse judgment in a lawsuit or the imposition of additional taxes due to either a change in the tax law or an adverse interpretation of the tax law.

13. Guarantees and Commitments

Exchange and Clearinghouse Memberships

The Company is a member of numerous securities exchanges and clearinghouses, and may, as a result of its membership arrangements, be required to perform if another member defaults.

As a member of Fixed Income Clearing Corporation (FICC), the Company is required to provide additional liquidity resources under a program called the Capped Contingency Liquidity Facility (CCLF). In the event of a default of a netting member of FICC, the Company would be required to enter into a resale agreement providing cash to FICC and receiving securities as collateral. Each member's commitment amount is periodically recalculated by FICC and communicated to the member firm. At June 30, 2024, the Company's maximum commitment was $91 million, of which none has been utilized, with an expiration period of over 5 years.

For the remaining membership agreements, the Company has determined that it is not possible to estimate the maximum amount of these obligations and believes that any potential requirement to make payments under these arrangements is remote.

14. Concentrations of Credit Risk

Credit risk is the potential for loss resulting from the default by a counterparty of its obligations. Exposure to credit risk is generated by securities and currency settlements, contracting derivatives and forward transactions with customers and dealers, and the holding of bonds in inventory. The Company uses various means to manage its credit risk. The creditworthiness of all counterparties is analyzed at the outset of a credit relationship with the Company and are subsequently reviewed on a periodic basis. The Company sets a maximum exposure limit for each counterparty, as well as for groups of counterparties. Furthermore, the Company enters into master netting agreements when feasible and demands collateral from certain counterparties or for certain types of credit transactions.

The Company had concentration risk exposure to U.S. Government securities primarily through its financing activities. The Company's indirect exposure results from maintaining U.S. Government securities as collateral for resale agreements and securities borrowed transactions. The Company's direct credit exposure on these transactions is with the counterparty; thus the Company has credit exposure to the U.S. Government only in the event of the counterparty's default. In addition, substantially all of the collateral held by the Company for resale agreements and securities borrowed as of June 30, 2024, consisted of U.S. Government securities.

15. Net Capital Requirements

The Company is a registered broker-dealer and registered futures commission merchant and, accordingly, is subject to the minimum net capital requirements of the Securities and Exchange Commission (SEC), the Commodities Futures Trading Commission (CFTC) and the Financial Industry Regulatory Authority (FINRA). Under the alternative method permitted by SEC Rule 15c3-1, the required net capital may not be less than 2% of aggregate debit balances arising from customer transactions. Under CFTC Regulation 1.17, the required minimum net capital requirement is 8% of the total risk margin requirement (as defined) for all positions carried in customer and non-customer accounts. FINRA may require a member firm to reduce its business if net capital is less than 4% of such aggregate debit items and may prohibit a firm from expanding its business if net capital is less than 5% of such aggregate debit items. As of June 30, 2024, the Company's net capital of approximately $2.6 billion which was in excess of the CFTC and reverse repurchase agreement minimum requirement by approximately $2.6 billion.

16. Cash and Securities Segregated Under Federal and Other Regulations

As a registered broker-dealer, the Company is subject to the customer protection requirements of SEC Rule 15c3-3. As of June 30, 2024, the Company segregated U.S. Treasury securities with a market value of $322 million in a special reserve bank account to meet the customer protection requirement.

The Company is also required to perform a computation of reserve requirements for Proprietary Accounts of Broker Dealers (PAB) pursuant to SEC Rule 15c3-3. As of June 30, 2024, the Company segregated U.S. Treasury securities with a market value of $456 million in a special reserve bank account to meet the PAB requirement.

As a futures commission merchant, the Company is required to perform computations of the requirements of Section 4d(2) and Regulation 30.7 under the Commodity Exchange Act. As of June 30, 2024, $3 million of cash was segregated in separate accounts exclusively for the benefit of customers.

As a futures commission merchant, the Company is required to perform computations of the requirements of Section 4d(F) under the Commodity Exchange Act. As of June 30, 2024, $1 million of cash was segregated in a separate account exclusively for the benefit of cleared swaps customers.

17. Employee Benefit Plans

The Company provides retirement and post-retirement benefits to its U.S. and certain non-U.S. employees through participation in a defined benefit pension plan, a defined contribution savings and retirement plan and other plans. The Company records the liability for its defined benefit pension plan, defined contribution savings and retirement plan and other plans within other liabilities in the statement of financial condition.

Pension Plans

The Company participates in a non-contributory defined benefit pension plan (the Qualified Plan) available to individuals employed before January 1, 2000. Effective January 1, 2004, compensation and credited service for benefit purposes were frozen for certain participants. Employees who no longer accrue benefits in the Qualified Plan participate in a savings and retirement plan similar to employees hired on or after January 1, 2000.

CS applies sponsor accounting for accounting and reporting for defined benefit pension plans. The Company and other CS entities participate in and contribute to the same plan and the assets held by the plan are not restricted or segregated and can be used to provide benefits to employees of any of the participating CS entities. The Company has been designated to be the sponsor of the plan and records all liabilities and expenses and allocates a portion of the expenses to affiliates for employees outside the Company.

Contributions to the Qualified Plan are made as required by the Internal Revenue Code and applicable law but not in excess of the amounts deductible by the Company for income tax purposes. The Company made no special contributions to the Qualified Plan during the six months ended June 30, 2024, and does not expect to contribute to the Qualified Plan during 2024.

The Company also provides a non-contributory, non-qualified, unfunded plan (the Supplemental Plan), which provides benefits to certain senior employees and Qualified Plan participants whose benefits may be limited by tax regulations. Benefits under these pension plans are based on years of service and employee compensation. The Company made payments of approximately $6 million to the Supplemental Plan and other post retirement plans during the six months ended June 30, 2024, and expects to pay approximately $8 million for the remainder of 2024.

18. Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the statement of financial condition and tax bases of assets and liabilities using enacted tax rates expected to be in effect during the year in which the basis differences reverse.

The Company recognizes deferred tax assets to the extent it is more likely than not to be realized. In making such a determination, Management considers all available positive and negative evidence, including history of earnings, possible tax planning strategies and future taxable income, supported through detailed projections.

18. Income Taxes

As of June 30, 2024, the Company had NYC UBT net deferred tax assets of $29.4 million, including net operating loss carryforwards of $18.5 million that have no expiration. After consideration of all relevant evidence, the Company believes that it is more likely than not that no benefit will be realized for NYC UBT and accordingly, a full valuation allowance has been recorded.

As of June 30, 2024, there was $23 million of unrecognized tax benefit recorded. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $23 million.

The Company is currently subject to ongoing tax audits and inquiries with the tax authorities in a number of jurisdictions. Although the timing of the completion of these audits is uncertain, it is reasonably possible that some of these audits and inquiries will be resolved within the next twelve months. The Company is currently subject to examination by the Internal Revenue Service for tax year 2010 and forward, New York State for the tax years 2015 and forward, and New York City for the tax years 2009 and forward. In the next twelve months, the Company believes that there will be no material changes to unrecognized tax benefits.

19. Legal Proceedings

The Company operates in a legal and regulatory environment that exposes it to significant litigation and similar risks arising from disputes and regulatory proceedings. As a result, the Company is involved in various disputes and legal proceedings, including litigation, arbitration, and regulatory and criminal investigations.

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where the Company may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which the Company believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities.

The Company makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is probable that an outflow of resources will be required, and the amount can be reasonably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against the Company, but are nevertheless expected to be, based on the Company's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant.

19. Legal Proceedings

The Company's estimate of the aggregate range of reasonably possible losses that are not covered by existing provisions for which the Company believes an estimate is possible is zero to $920 million. After taking into account its litigation provisions, the Company believes, based on currently available information and advice of counsel, that the results of its legal proceedings, in the aggregate, will not have a material adverse effect on the Company's financial condition. However, in light of the inherent uncertainties of such proceedings, including those brought by regulators or other governmental authorities, the ultimate cost to the Company of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period, depending, in part, upon the operating results for such period.

20. Subsequent Events

The Company has evaluated the potential for subsequent events from June 30, 2024 through the date of issuance of the statement of financial condition on August 30, 2024. It was determined that there were no other material events or transactions other than the below that would require recognition or disclosure in the statement of financial condition.

In August 2024, a return of capital of $247.5 million was paid to CS USA and $2.5 million was paid to CS Group Finance (US) LLC.