

TRADING.COM MARKETS INC.

**FINANCIAL STATEMENT
AND SUPPLEMENTAL INFORMATION
DECEMBER 31, 2022**

**(with Report of Independent Registered Public
Accounting Firm)**

TRADING.COM MARKETS INC.

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder
of Trading.com Markets Inc.

Opinion on the Financial Statement

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

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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, the Commodity Future Trading Commission ("CFTC") and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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 provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2019 (such date takes into account the acquisition of Rotenberg Meril Solomon Bertiger & Guttilla, P.C., by Marcum LLP effective February 1, 2022).

Marcum LLP

Saddle Brook, New Jersey
April 30, 2023

TRADING.COM MARKETS INC.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022 STATEMENT OF FINANCIAL CONDITION As of December 31, 2022

Assets

Cash and cash equivalents	\$	25,712,079
Cash held for customers		1,077,747
Receivable from broker, net		2,000,000
Property and equipment, net of accumulated depreciation		18,916
Intangible assets, net of accumulated amortization		17,041
Operating lease right-of-use asset		147,958
Other assets		351,958
Total Assets	\$	29,325,699

Liabilities and Stockholder's equity

Liabilities:

Accounts payable and accrued expenses	\$	242,815
Payables to customers, net		701,031
Operating lease liability		147,958
Total Liabilities		1,091,804

Stockholder's equity:

Common Stock (200 shares, no par value, authorized, issued and outstanding)		-
Additional paid-in capital		43,000,000
Accumulated deficit		(14,766,105)
Total Stockholder's equity		28,233,895
Total Liabilities and Stockholder's equity	\$	29,325,699

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

1. Incorporation and principal activities

State of incorporation

Trading.com Markets Inc. (formerly known as Trading Dot Com US Inc.) (the "Company") was incorporated in Delaware on March 6, 2018. The Company is a wholly-owned subsidiary of Trading.com Holdings US Inc.

Principal activities and nature of operations of the Company

The principal activities of the Company are the provision of online trading. The Company's trading platform provides access to clients on over-the-counter foreign exchange currencies and presents them with the price quotation on which clients take positions (trades). The Company has been authorised as a Retail Foreign Exchange Dealer with the Commodity Futures Trading Commission ("CFTC") and as a member of the National Futures Association ("NFA").

The Company provides access to over-the-counter ("OTC") spot foreign exchange markets ("forex").

The Company does not actively initiate positions in anticipation of future movements in the markets it offers. Rather, the Company takes positions to hedge customer generated market risk exposure, which it evaluates on a continuous basis.

Despite hedging activities, which offlay exposure to liquidity providers, the Company is likely to have net open positions at any given time. These positions affect required capital levels, which the Company is required to monitor and exceed at all times. The Company maintains liquidity relationships with other financial institutions, which provide the Company access to a deep liquidity pool.

The majority of the Company's foreign exchange business is in major currencies such as U.S. dollars, Japanese yen, Euros, British pounds sterling, Swiss francs, Australian dollars, and Canadian dollars.

The Company's customers include retail traders. The Company is principal and counterparty to all of its customers trades.

2. Basis of preparation

The financial statement has been prepared in accordance with accounting principles generally accepted accounting principles in the United States of America ("US GAAP").

Use of estimates and judgements

The preparation of financial statement in conformity with US GAAP requires from management the use of certain critical accounting estimates and assumptions that 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 Position. Therefore, actual results could differ from management's estimates and could have a material impact on the Statement of Financial Condition.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimates only relate to that period or in the period of the revision and future periods, if the revision affects the present as well as future periods.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statement are set out below.

Income tax

The Company is a wholly-owned subsidiary and the operations of the Company are reported by its parent. As such, the Company is not subject to federal, state and local income taxes.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

3. Significant accounting policies (continued)

Income tax (continued)

Management believes that the Company's financial statement is more useful if it reflects all costs of doing business. Accordingly, an income tax provision is reflected in the Company's financial statement. Since the transactions reported in the Company's financial statement has income tax implications to its parent, management believes that the Company's financial statement should reflect income tax expense and deferred income tax assets and liabilities attributable to the Company.

The Company accounts for income taxes pursuant to ASC 740, Income Taxes. Deferred tax assets and liabilities are determined based on temporary differences between the bases of certain assets and liabilities for income tax and financial reporting purposes. The deferred tax assets and liabilities are classified according to the financial statement classification of the assets and liabilities generating the differences.

The Company maintains a valuation allowance with respect to deferred tax assets. The Company establishes a valuation allowance based upon the potential likelihood of realizing the deferred tax asset within the Parent's group return. Future realization of the deferred tax benefit depends on the existence of sufficient group taxable income within the carry-forward period. Any change in the valuation allowance will be included in income in the year of the change in estimate. The Company has evaluated its tax positions and concluded that the Company has no uncertain tax positions that require adjustment to or disclosures in the financial statements

Leases

The Company accounts for leases under ASC 842, *Leases*. The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date for all leases with terms longer than 12 months and classify them as either operating or finance leases.

In accordance with ASC 842, at the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present and the classification of the lease including whether the contract involves the use of a distinct identified asset, whether we obtain the right to substantially all the economic benefit from the use of the asset, and whether we have the right to direct the use of the asset. The Company has elected not to recognize on the balance sheet leases with terms of one year or less under practical expedient as mentioned in paragraph ASC 842-20-25-2. For contracts with lease and non-lease components, the Company has elected not to allocate the contract consideration and to account for the lease and non-lease components as a single lease component.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company generally uses its incremental borrowing rate as the discount rate for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

Lease payments included in the measurement of the lease liability comprise of fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the Company would owe if the lease term assumes Company exercise of a termination option).

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain that the Company will exercise that option. An option to terminate is considered unless it is reasonably certain that the Company will not exercise the option.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

3. Significant accounting policies (continued)

Receivable from broker, net

Receivable from broker, net recorded on the Statement of Financial Condition, includes funds that the Company has posted as collateral with a prime broker, as required by the agreement for holding retail hedging positions. The Company expects that Receivable from broker, net will fluctuate based on realized and unrealized gains or losses from hedging positions that will be entered by the Company.

Property and equipment

Property and equipment are measured at cost net of accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributed to the acquisition of property and equipment.

Depreciation is calculated using the straight-line method to write off the cost or revalued amount of each asset to its residual value, over its estimated useful life. The annual depreciation rates used are as follows:

	Years
Computer hardware	5

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Expenditure for repairs and maintenance of property and equipment is charged to profit or loss of the year in which it is incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. When revalued assets are sold, the amounts included in the fair value reserves are transferred to retained earnings.

Intangible assets

Costs that are directly associated with identifiable and unique software licence controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently they are carried at cost less any accumulated amortization and accumulated impairments losses. Expenditure which enhances or extends their performance beyond their original specifications is recognised as a capital improvement and added to the original cost. Costs associated with maintenance of software licence are recognised as an expense when incurred. The software licence is amortised using the straight-line method over its useful life which is three years. Amortization commences when the software licence is available for use and is included in the profit or loss.

Impairment of long-lived assets

The long-lived assets held and used by the Company are reviewed for impairment whenever events or changed circumstances indicate that the carrying amount of assets may not be recoverable. It is reasonably possible that these could become impaired as a result of technology or other industry changes. Determination of recoverability of assets to be held and used is by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair values of the assets. Assets to be disposed off are reported at the lower of the carrying amount or fair value less costs to sell. For the year ended December 31, 2022, the Company did not recognise any impairment charge.

Cash and cash equivalents

Cash and cash equivalents is made up of liquid accounts with a maturity of 90 days or less and are recognised at fair value.

TRADING.COM MARKETS INC.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

3. Significant accounting policies (continued)

Cash held for customers

Cash held for customers are maintained in designated accounts in financial institutions and represent cash deposits from customers. The Company records a liability in connection with this amount that is included in payables to customers, net in the Statement of Financial Condition.

Derivatives

Any open positions maintained by the customers as at the reporting date are considered as derivatives and are accounted for at fair value. These amounts are included in the Payables to Customers, net on the statement of financial condition. Foreign exchange contracts result in either a gain or a loss for the customer once the position is realized.

Concentrations of credit risk

The Company maintains cash and cash equivalents with various financial institutions which, at times, may exceed the amount insured. The exposure to the Company is solely dependent upon daily bank balances and the respective strength of the financial institutions. The Company has not incurred any losses on these accounts. At December 31, 2022, amounts in excess of insured limits were \$25,211,873.

Fair Value measurement

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of financial instruments traded in active markets, such as publicly traded held for trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price and the quoted market price for financial liabilities is the current ask price.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table summarizes the Company's assets and liabilities that are reported at fair value according to the related hierarchy levels:

31 December 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	25,712,079	-	-	25,712,079
Cash held for customers	1,077,747	-	-	1,077,747
Receivable from broker, net		2,000,000	-	2,000,000
Total	26,789,826	2,000,000	-	28,789,826
Financial Liabilities				
Payables to customers, net	-	701,031	-	701,031
Total	-	701,031	-	701,031

TRADING.COM MARKETS INC.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

4. Receivable from broker, net

Receivable from broker, net consisted of the following as of December 31, 2022:

Required collateral	\$	2,000,000
Open foreign exchange positions		-
Total	\$	<u>2,000,000</u>

5. Property and equipment

Property and equipment consist of the following as of December 31, 2022:

Computer Hardware	\$	46,830
Less: accumulated depreciation		(27,914)
Total	\$	<u>18,916</u>

Depreciation expense for the year ended December 31, 2022 was \$9,252.

6. Intangible asset

	Weighted average amortization period (years)	December 31, 2022		
		Gross carrying amount	Accumulated amortization	Net carrying amount
Intangibles				
Technology assets	3	\$ 468,865	\$ 451,824	\$ 17,041
		<u>\$ 468,865</u>	<u>\$ 451,824</u>	<u>\$ 17,041</u>

Amortization expense for the year ended December 31, 2022 was \$106,096.

Estimated amortization expense for the coming years is \$17,041 for the year ending December 31, 2023.

7. Other assets

	12.31.2022
Prepaid expenses	\$ 212,202
Other receivable	\$ 3,950
Interest Receivable	\$ 41,657
Receivable From Clients	\$ 74,678
Security deposit	\$ 19,470
	<u>\$ 351,957</u>

8. Leases

The Company maintains a lease for its corporate office. The lease was extended during 2022 and scheduled to terminate on April 30, 2024. The lease contains fixed base rent payments over the term of the lease.

The component of lease expense is as follows:

	12.31.2022
Lease cost	\$ 80,192
	<u>\$ 80,192</u>

TRADING.COM MARKETS INC.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

8. Leases (continued)

Supplemental cash flow information related to the lease is as follows:

	12.31.2022
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 80,192
	<u>\$ 80,192</u>

Supplemental balance sheet information related to the lease is as follows:

	12.31.2022
Assets	
Operating lease – right of use asset	\$ 147,958
Liabilities	
Operating lease liability – current	\$ 147,958
Remaining lease term	
Operating lease	16 months
Discount rate	
Operating lease	7%

The maturity of the operating lease liability was as follows for the year ending:

December 31, 2022 – future lease payments	\$ 155,168
Less: imputed interest	(7,210)
	<u>\$ 147,958</u>

9. Income tax

The provision for income taxes for the year ended December 31, 2022 was as follows:

	12.31.2022
Current tax provision:	
Federal	\$ -
State and local	-
	<u>\$ -</u>
Deferred tax provision:	
Federal	\$ 515,583
State and local	334,189
Valuation allowance	(849,772)
	<u>\$ -</u>

The reconciliation of the statutory income tax rate and the Company's effective income tax rate was as follows:

	12.31.2022
Statutory federal income tax rate	21%
State and local	13.6%
Valuation allowance	(34.6%)
Effective tax rate	<u>-</u>

TRADING.COM MARKETS INC.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

9. Income tax (continued)

The components of the Company's net deferred tax asset / liability as of December 31, 2022 was as follows:

		12.31.2022
Deferred tax assets		
Capitalized start-up costs	\$	722,264
Net operating losses	\$	2,660,723
Intangible asset	\$	12,133
Lease Liability	\$	51,211
Valuation allowance		(3,378,566)
Total deferred tax asset after valuation allowance	\$	67,765
Deferred tax liabilities		
Property and equipment	\$	(6,547)
Unrealized FX gains	\$	(10,007)
Right to use assets	\$	(51,211)
Total deferred tax liabilities		(67,765)
Total net deferred tax assets	\$	-

The Company provided a valuation allowance equal to the deferred income tax assets for the year ended December 31, 2022 because it is not presently known whether future taxable income will be sufficient to utilize the deferred tax assets. The valuation allowance could be reduced or eliminated based on future earnings and future estimates of taxable income. During the year ended December 31, 2022, the valuation allowance decreased by \$849,772.

As of December 31, 2022, the Company had \$12,670,110 of federal net operating loss carry-forwards that do not expire and can be utilized in future periods to reduce taxable income.

As of December 31, 2022, the Company did not identify any uncertain tax positions that would require either recognition or disclosure in the accompanying financial statement. The Company recognizes interest and penalties related to uncertain income tax positions in other expense. However, no such interest and penalties were recorded as of December 31, 2022.

The federal, state and local income tax returns of the Company are subject to examination by various tax authorities, generally for three years from the date they are filed. The Company's prior tax years are subject to examination.

10. Derivatives

All foreign exchange contracts entered into by the customers are derivative instruments according to the accounting standards.

As at December 31, 2022, the Company had recognised the following derivative instruments, which are measured at fair value:

	Gross Amount of derivative assets at fair value	Gross Amount of derivative liabilities at fair value	Net Amount of derivative assets / (Liabilities) at fair value
	\$	\$	\$
Derivative positions maintained by customers	9,176	(118,288)	(109,112)

The Company has recognised the following amounts in the Statement of Financial Condition as at the reporting date:

	Net Amount of derivative assets / (liabilities) at fair value	Cash received collateral	Total fair value included in Payables to customers, net
	\$	\$	\$
Foreign Exchange contracts	109,112	592,317	701,429

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

11. Net capital requirement

The Company is subject to net capital requirements pursuant to CFTC Regulation section 5.7 of the Commodity Exchange Act and NFA Financial Requirements Section 11, which requires the maintenance of minimum net capital. The Company is required to maintain adjusted net capital of \$20.0 million plus 5% of all liabilities owed to retail customers exceeding \$10.0 million. As of December 31, 2022, the Company had adjusted net capital of approximately \$27,657,203 which was \$7,657,203 in excess of the required net capital.

12. Retirement plan

The Company maintains a Safe Harbor 401(k) plan for its employees. The Safe Harbor match is equal to the sum of 100% of the amount of the elective deferrals that are not in excess of 5% of compensation. For the year ended December 31, 2022, the Company contributed a total of \$50,315 to the plan.

13. Related party

On February 1, 2022, the Company entered into Service Level Agreements ("Agreements") with two related party affiliates, both of which share common ownership with the Company. Per the terms of the Agreements, the affiliates agreed to provide various supporting services, including back-office, middle-office, information technology infrastructure and support, and other services in order to support the revenue generation activities of the Company for an agreed annual fee.

14. Subsequent events

The Company has remained unaffected from the recent banking sector developments, and until the issuance date of these financial statement no other event is worth disclosing.

TRADING.COM MARKETS INC.

SUPPLEMENTAL INFORMATION

STATEMENT OF MINIMUM CAPITAL REQUIREMENTS As at 31 December 2022

Current Assets	\$ 28,914,645
Less Adjusted Liabilities	<u>1,091,804</u>
Net Capital Before Charges	27,822,841
Charges Against Net Capital	165,638
Adjusted Net Capital	<u>\$ 27,657,203</u>
Minimum Net Capital Requirement	20,000,000
Excess Net Capital	<u>\$ 7,657,203</u>

Computation of the Early Warning Level Pursuant to Section 5.6(b) of the Regulations:

Early Warning Level (110% of the Minimum Net Capital Requirement)	22,000,000
Net Capital in Excess of the Early Warning	<u>\$ 5,657,203</u>

There are no material differences between the computation of minimum capital requirements presented above and the computation of minimum capital requirements in the Company's corresponding Form 1-FR-FCM filing as of December 31, 2022.