

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**ING Financial Markets LLC**

(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Year Ended December 31, 2017

With Report of Independent Registered Public Accounting Firm

*(Confidential Pursuant to SEC Rule 17a-5(e)(3))*

*(This report is deemed confidential in accordance with Rule 17a5-(e)(3) under the Securities Exchange Act of 1934. A statement of financial condition has been bound separately and filed with the Securities and Exchange Commission simultaneously herewith as a public document.)*



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Financial Statements  
and Supplemental Information

Year Ended December 31, 2017

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

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL	
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ING Financial Markets LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1133 Avenue of the Americas

(No. and Street)

New York

New York

10036

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Patrick Roach

(646)424-8131

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG LLP

(Name - if individual, state last, first, middle name)

345 Park Avenue

New York

New York

10154

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Patrick Roach, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ING Financial Markets LLC, as of December 31, 2017, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

Patrick J. Roach  
Signature

Chief Financial Officer

Title

Tammy Milatos  
Notary Public

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

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

On the 28th day of February, 2018 before me personally came Patrick J. Roach personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged that that Mr. Roach is the Chief Financial Officer of ING Financial Services LLC. In witness hereof, I hereunto set my hand and official seal.

TAMMY MILATOS  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01MI6139869  
Qualified in Putnam County  
Certificate Filed in New York County  
My Commission Expires January 17, 2022

Name of Notary: Tammy Milatos

Title: New York Notary Public

Signature of Notary: Tammy Milatos





KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

The Board of Directors  
ING Financial Markets LLC:

### *Opinion on the Financial Statements*

We have audited the accompanying statement of financial condition of ING Financial Markets LLC (the Company) as of December 31, 2017, the related statements of income, changes in member's equity, and cash flows for the year then ended, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, 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 statements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

### *Accompanying Supplemental Information*

The supplemental information contained in Schedules I, II, III, and IV has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information contained in Schedules I, II, III, and IV is fairly stated, in all material respects, in relation to the financial statements as a whole.

**KPMG LLP**

We have served as the Company's auditor since 2016.

New York, New York  
February 28, 2018

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Statement of Financial Condition

December 31, 2017  
(In Thousands)

**Assets**

Cash	\$ 427,970
Securities segregated under Federal and other regulations (with a market value of \$41,942)	41,480
Collateralized financing agreements:	
Securities borrowed (of which \$4,019,000 is with an affiliate)	8,693,428
Securities purchased under agreements to resell at fair value	22,733,696
Securities received as collateral at fair value	2,531,380
Receivable from affiliates	3,386
Receivable from brokers, dealers, and clearing organizations	165,917
Receivable from customers	3,731
Financial instruments owned, at fair value (of which \$21,145 was pledged in relation to secured financing transactions)	21,047
Financial instruments owned, not readily marketable, at fair value	1,373
Other assets	10,565
Total assets	<u>\$ 34,633,973</u>

**Liabilities and member's equity**

Liabilities:

Short-term loan from affiliate	\$ 630,005
Collateralized financing agreements:	
Securities loaned	3,537,819
Securities sold under agreements to repurchase at fair value	26,328,550
Payable to brokers, dealers, and clearing organizations	140,877
Payable to customers	105,324
Obligation to return securities received as collateral at fair value	2,531,380
Accounts payable, accrued expenses, and other liabilities	14,972
Total liabilities	<u>33,288,927</u>

Commitments and Contingencies (note 16)

Equity:

Member's equity	921,481
Retained Earnings	423,565
Total liabilities and member's equity	<u>\$ 34,633,973</u>

*See accompanying Notes to Financial Statements.*

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Statement of Income

Year Ended December 31, 2017  
(In Thousands)

Revenues:	
Interest and dividend income	\$ 713,049
Underwriting fees	40,455
Commissions and other fee income	10,620
Other	1,678
Total revenues	<u>765,802</u>
Expenses:	
Interest and dividend expense	627,862
Employee compensation and benefits	28,611
Brokerage, commission, exchange and clearing organization fees	6,536
Occupancy and equipment	2,379
Communications	930
Other	15,443
Total expenses	<u>681,761</u>
Income before taxes	84,041
Provision for income tax	31,467
Net income	<u>\$ 52,574</u>

*See accompanying notes to financial statements.*



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Statement of Changes in Member's Equity

Year Ended December 31, 2017  
*(In Thousands)*

Beginning member's equity (balance at January 1, 2017)	\$ 1,292,472
Net income	<u>52,574</u>
Ending member's equity (balance at December 31, 2017)	<u><u>\$ 1,345,046</u></u>

*See accompanying notes to financial statements.*



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Statement of Cash Flows

Year Ended December 31, 2017  
(In Thousands)

**Cash flows from operating activities**

Net income	\$ 52,574
Adjustments to reconcile net income to net cash used in operating activities:	
Decrease (increase) in operating assets:	
Securities segregated under Federal and other regulations	27,744
Receivable from affiliates	(2,129)
Receivable from customers	72,934
Receivable from brokers, dealers, and clearing organizations	250,012
Securities borrowed	(105,991)
Securities purchased under agreements to resell at fair value	(6,890,493)
Financial instruments owned, at fair value	291,691
Financial instruments owned, not readily marketable, at fair value	(188)
Other assets	(3,154)
(Decrease) increase in operating liabilities:	
Payable to customers	(670,158)
Payable to brokers, dealers, and clearing organizations	(172,506)
Securities loaned	(2,339,389)
Securities sold under agreements to repurchase at fair value	9,689,238
Financial instruments sold, not yet purchased, at fair value	(312,699)
Accounts payable, accrued expenses, and other liabilities	6,894
Net cash used in operating activities	<u>(105,620)</u>

**Cash flows from financing activities**

Proceeds from short-term loans from affiliate	<u>501,005</u>
Net cash provided by financing activities	<u>501,005</u>
Net decrease in cash	395,385
Cash at beginning of period	32,585
Cash at end of period	<u>\$ 427,970</u>

**Supplemental disclosures of cash flow information**

Cash paid during the year for:	
Interest	\$ 593,589
Income taxes paid to Parent	\$ 24,215

**Supplemental disclosure of non-cash operating activities**

Change in securities received as collateral and obligation to return securities received as collateral	\$ 140,411
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*See accompanying notes to financial statements.*

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements

December 31, 2017  
*(In Thousands)*

**1. Organization**

ING Financial Markets LLC (the Company) is a wholly owned subsidiary of ING Financial Holdings Corporation (the Parent). The Parent is an indirect, wholly owned subsidiary of ING Groep N.V. The Company was formed in Delaware on March 28, 2002. The Company is a registered broker-dealer with the Securities and Exchange Commission (SEC), a member of the Financial Industry Regulatory Authority (FINRA), a member of the Securities Investor Protection Corporation (SIPC), a netting member of the Government Securities Division of the Fixed Income Clearing Corporation (FICC), and a member of various exchanges. The Company primarily provides customer facilitation services for equity and fixed income securities, securities lending activities, repurchase and resale transactions, principal trading in equities, options and futures, limited underwriting services, and clearing and custodial services for affiliates.

The Company clears and settles its equity derivative business, primarily options and futures, through an unaffiliated securities clearing firm. Throughout the year, the Company self-cleared other products, including fixed income securities, U.S. exchange traded funds, equity securities, securities borrowed and loaned, securities purchased under agreements to resell and securities sold under agreements to repurchase.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Company prepares its financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). All intercompany balances and transactions are eliminated. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements in addition to the reported amounts of revenues and expenses during the reporting period. The most important of these estimates and assumptions relate to fair value measurements. Management believes that the estimates utilized in the preparation of the financial statements are reasonable; however, actual results could differ from those estimates.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase**

Securities purchased under agreements to resell and securities sold under agreements to repurchase are accounted as collateralized financing transactions and are carried at fair value. The gains or losses from the fair value adjustment are reported in Other Revenues and Expenses. As described in Note 11 to the financial statements, the Company uses the income approach which is based on a cash flow discounting methodology to determine the fair value of securities purchased under agreements to resell and securities sold under agreements to repurchase. Such transactions are mainly collateralized by U.S. Treasuries, mortgage-backed securities, government agencies, and corporate bonds. The Company's exposure to credit risk associated with the nonperformance of counterparties in fulfilling these contractual obligations can be directly impacted by market fluctuations, which may impair the counterparties' ability to satisfy their obligations. It is the Company's policy to obtain possession of collateral related to securities purchased under agreements to resell with a market value equal to or in excess of the principal amount loaned. The market value of securities to be repurchased or resold is valued daily and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

It is the Company's policy to net securities purchased under agreements to resell and securities sold under agreements to repurchase for which FICC is the counterparty provided the conditions of ASC 210-20-45-11, *Balance Sheet – Offsetting: Repurchase and Reverse Repurchase Agreements*, are met.

Accrued interest receivable and payable for these agreements are reported within Receivable from and Payable to brokers, dealers, and clearing organizations in the statement of financial condition. Interest income and interest expense are recorded at the contractual rate within Interest and dividend income and Interest and dividend expense in the statement of income.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Securities Borrowed and Securities Loaned**

Securities borrowed and securities loaned are collateralized financing arrangements that are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash with the lender of the securities. With respect to securities loaned, the Company receives collateral in the form of cash and securities in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis with additional collateral obtained or refunded as necessary.

Accrued rebates are reported within Receivable from and Payable to brokers, dealers, and clearing organizations in the statement of financial condition. Rebates generated from these transactions are recorded at the contractual rate within Interest and dividend income and Interest and dividend expense in the statement of income.

**Financial Instruments Owned and Financial Instruments Sold, Not Yet Purchased, at Fair Value**

Financial instruments owned and financial instruments sold, not yet purchased, are primarily used in principal trading activities. These financial instruments are principally exchange traded funds and equities and are recorded at fair value based upon quoted market prices. The Company reported no such positions at the year ended December 31, 2017. These financial instruments are recorded on a trade-date basis. Both realized and unrealized gains and losses are included in Other Revenues and Expenses in the statement of income.

**Securities Transactions**

The Company records principal securities transactions, including realized and unrealized trading gains and losses, and related expenses on a trade-date basis. Customers' securities transactions are recorded on a settlement-date basis with related commission income and expense accounted for on a trade-date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net in the statement of financial condition under Receivable from or Payable to brokers, dealers, and clearing organizations.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Commissions and other fee income**

Commission and other fee income includes fees from facilitating and executing client transactions as well as fees for providing origination and facilitation services to affiliates. These fees are recognized on a trade-date basis.

**Underwriting Fees**

Underwriting revenues includes fees, net of syndicate expenses, arising from securities offerings in which the Company acts or participates as an underwriter or agent, as well as management fees and sales concessions. Management fees, sales concessions and underwriting fees are recorded at the time that the income is fixed and determinable and collection is reasonably assured.

**Income Taxes**

The Company is included in the consolidated federal and combined state and local income tax returns filed by the Parent. Federal income taxes are calculated as if the Company filed on a separate company basis and the amount of current tax provision or benefit calculated is either remitted to or received from the Parent. The Company accounts for income taxes in accordance with ASC 740, *Income Taxes*. ASC 740 requires the recording of deferred income taxes that reflect the net tax effect of temporary differences between the carrying amounts of the Company's assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, including operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date. The Company is subject to a tax sharing agreement with the Parent whereby the Company's tax provision is calculated on a modified separate company basis. The Company records interest and penalties related to income taxes within the provision for income taxes in the statement of income.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

**Translation of Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the close of business at the statement of financial condition date with resulting gains and losses reflected in the statement of income. Statement of income accounts are translated at average rates of exchange during the year. Net gains and losses resulting from foreign currency transactions are included in the statement of income under Other expenses.

**New Accounting Standards, Not Yet Adopted**

In May 2014, the Financial Accounting Standards Board (FASB) issued *Accounting Standard Update (ASU) 2014-09 – Revenue from Contracts with Customers (Topic 606)*. This ASU provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on Accounting for certain contract costs, and new disclosures. This Update will become effective in January 2018. The Company has conducted a thorough review of existing contracts and analyzed any changes to its existing revenue recognition policies and, based on this analysis, the Company does not expect the adoption of this guidance to have a material impact on the Company's financial position or result of operations.

In February 2016, the FASB issued ASU 2016-2 – Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about lease arrangements. The amendments in this updates are effective for fiscal the year beginning after December 15, 2019. The Company does not expect the adoption of the guidance to have material impact on the Company's financial position or result of operations.

In November 2016, the FASB issued ASU No. 2016-18, "*Restricted Cash.*" ASU No. 2016-18 will amend the guidance in ASC Topic 230, Statement of Cash Flows, and is intended to reduce the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows. ASU No. 2016-18 will require that the reconciliation of the beginning-of-period and end-of-period cash and cash equivalents amounts shown on the statement of cash flows include restricted cash and restricted cash equivalents.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**2. Summary of Significant Accounting Policies (continued)**

If restricted cash and restricted cash equivalents are presented separately from cash and cash equivalents on the balance sheet, an entity will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the balance sheet. An entity will also be required to disclose information regarding the nature of the restrictions. ASU No. 2016-18 requires retrospective application and is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company plans to adopt ASU No. 2016-18 as of January 1, 2018. The Company does not expect the adoption of the guidance to have material impact on the Company's financial position or result of operations.

**3. Securities Segregated under Federal and Other Regulations**

At December 31, 2017, the Company had a security in the amount of \$41,480 (with a market value of \$41,942) segregated in a special reserve bank account for the exclusive benefit of customers pursuant to the SEC's Customer Protection Rule (Rule 15c3-3). The Company's PAB computation under Rule 15c3-3 did not require securities or cash to be segregated as of December 31, 2017.

**4. Collateralized Transactions**

The Company enters into securities purchased under agreements to resell, securities sold under agreements to repurchase, securities borrowed and securities loaned transactions to, among other things, acquire securities to covers short positions and settle other securities obligations, to accommodate customers' needs and to finance the Company's inventory positions. The Company manages credit exposure arising from such collateralized transactions by, in appropriate circumstances, entering into enforceable master netting agreement and collateral agreements with counterparties. Such agreements provide the Company, in the event of a counterparty default (such as bankruptcy or counterparty's failure to pay or perform), the right to set off a counterparty's rights and obligations under such agreement and liquidate and net collateral against the net amount owed by the counterparty.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**4. Collateralized Transactions (continued)**

The Company's policy is generally to take possession of securities purchased under agreements to resell and securities borrowed; although in certain cases the Company may agree for such collateral to be posted to a third party custodian under a tri-party arrangement that enables the Company to take control of such collateral in the event of a counterparty default.

*Offsetting of Certain Collateralized Transactions*

The following table presents information about the offsetting of these instruments and related collateral amounts.

	<b>Gross Amounts (i)</b>	<b>Amounts Offset in the Statement of Financial Condition<sup>(1)</sup> (ii)</b>	<b>Net Amounts Presented in the Statement of Financial Condition (iii) = (i) – (ii)</b>	<b>Financial Instruments Not Offset in the Statement of Financial Condition<sup>(2)</sup> (iv)</b>	<b>Net Exposure<sup>(3)</sup> (v) = (iii) – (iv)</b>
<b>Assets</b>					
Securities purchased under agreements to resell at fair value	\$ 24,894,684	\$ 2,160,968	\$ 22,733,696	\$ 22,732,525	\$ 1,171
Securities borrowed	8,693,428	–	8,693,428	8,474,044	219,384
<b>Liabilities</b>					
Securities sold under agreements to repurchase at fair value	\$ 28,489,518	\$ 2,160,968	\$ 26,328,550	\$ 26,389,331	\$ (60,781)
Securities loaned	3,537,819	–	3,537,819	3,458,361	79,458

<sup>(1)</sup> Represents amounts related to master netting agreements and collateral agreements which have been determined by the Company to be legally enforceable in the event of default and where applicable netting criteria are met in accordance with U.S. GAAP.

<sup>(2)</sup> Represents amounts related to master netting agreements and collateral agreements where certain criteria are not met in accordance with U.S. GAAP or management has made an election not to offset.

<sup>(3)</sup> Represents exposure that is not collateralized



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**4. Collateralized Transactions (continued)**

*Secured Financing Transactions—Maturities and Collateral Pledged*

The following tables present gross obligations for repurchase agreements, securities loaned transactions and obligations to return securities received as collateral by remaining contractual maturity and class of collateral pledged as of December 31, 2017

	Remaining Contractual Maturity				Total
	Overnight and Open	Less than 30 days	30-90 days	Over 90 days	
Securities sold under agreements to repurchase at fair value <sup>(1)</sup>	\$ 3,071,667	\$ 16,959,415	\$ 7,673,436	\$ 785,000	\$ 28,489,518
Securities loaned	2,593,241	103,103	747,416	94,059	3,537,819
Obligation to return securities received as collateral	2,531,380	—	—	—	2,531,380
Total	\$ 8,196,287	\$ 17,062,518	\$ 8,420,852	\$ 879,059	\$ 34,558,717

	Securities Sold under Agreements to Repurchase at Fair Value	Securities Loaned	Obligation to Return Securities Received as Collateral	Total
Collateral Pledged:				
U.S. government and federal agency securities	\$ 17,828,397	\$ 2,811	\$ 1,883	\$ 17,833,091
Mortgage- and asset-backed securities	9,719,168	—	—	9,719,168
Corporate debt securities	433,176	651	20,878	454,705
Corporate equity securities	489,000	3,534,356	2,492,851	6,516,207
Sovereign obligations	—	—	—	—
Other	19,777	—	15,767	35,544
Total	\$ 28,489,518	\$ 3,537,818	\$ 2,531,379	\$ 34,558,715

<sup>(1)</sup> Amounts presented on a gross basis, prior to netting as shown on the Company's statement of financial condition.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**5. Securities Received and Pledged as Collateral**

The Company enters into secured borrowing and lending transactions as a part of its normal course of business. The Company receives collateral in connection with securities purchased under agreements to resell, securities borrowed transactions, and borrow/pledge transactions. The Company generally is permitted to sell or repledge these securities held as collateral and use them to secure securities sold under agreements to repurchase, enter into securities lending transactions or deliver to counterparties to cover short positions.

At December 31, 2017, the fair value of securities received as collateral that the Company was permitted to sell or repledge was \$37,725,807. The fair value of securities received as collateral that the Company sold or repledged was \$36,266,317 at December 31, 2017.

In addition, the Company receives securities as collateral in connection with certain securities for securities lending transactions in which the Company acts as a lender. In instances where the Company is permitted to sell or repledge these securities as collateral, the Company reports the fair value of the collateral received and the related obligation to return the collateral for the same amount in the statement of financial condition. At December 31, 2017, \$2,531,380 was reported as Securities received as collateral and an Obligation to return securities received as collateral in the statement of financial condition.

The Company also pledges assets that it owns to counterparties who have the right to repledge them. Trading assets, pledged in connection with securities sold under agreements to repurchase, securities lending agreements and other secured financings to counterparties, are included in Financial instruments owned, at fair value in the statement of financial condition and were \$0 at December 31, 2017.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**6. Receivable from and Payable to Customers**

Receivable from and payable to customers include amounts due to/from customers on cash transactions. These transactions are predominantly comprised of affiliate related transactions. For receivables, securities owned by customers are held as collateral. Such collateral is not reflected in the statement of financial condition. In the event of fails to deliver securities to or receive securities from the customer, the Company records corresponding receivables from customers or payables to customers, respectively, on a settlement-date basis on the consolidated statement of financial condition. Amounts receivable from and payable to customers at December 31, 2017 were \$3,731 and \$105,324, respectively.

	<u>Receivable</u>	<u>Payable</u>
Market value of customer accounts	\$ -	\$ 105,113
Securities fail-to-deliver/receive	3,731	211
Total	<u>\$ 3,731</u>	<u>\$ 105,324</u>

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

Amounts receivable from and payable to brokers, dealers, and clearing organizations at December 31, 2017 consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Securities failed to deliver/receive	\$ 83,473	\$ 111,210
Deposits with clearing organizations	26,141	-
Due to/from brokers, dealers, and clearing organizations	1,252	-
Net Unsettled Trades	310	-
Fees, interest, rebates, and other receivable/payable	54,742	29,666
Total	<u>\$ 165,918</u>	<u>\$ 140,876</u>

Securities failed to deliver and receive represent the contract value of securities which have not been delivered or received by the Company on settlement date.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**8. Financial Instruments Owned and Financial Instruments Sold, Not Yet Purchased, at Fair Value**

Financial instruments owned and financial instruments sold, not yet purchased, as of December 31, 2017 consist of equity securities valued at quoted market prices. At December 31, 2017, these amounts were as follows:

	<b>Financial Instruments Owned</b>	<b>Financial Instruments Sold, Not Yet Purchased</b>
Equities	\$ 164	\$ —
US Treasury Bills	20,883	—
Total	<u>\$ 21,047</u>	<u>\$ —</u>

Financial instruments sold, not yet purchased at fair value, include an obligation to purchase securities at a future date. Such securities have market risk to the extent subsequent market fluctuations may require the Company to repurchase the securities at prices in excess of the market value reflected in the statement of financial condition.

**9. Related-Party Transactions**

The Company is involved in secured financing and other transactions with affiliates and has significant related-party balances with affiliates.

The Company is subject to a tax sharing agreement with the Parent where by the Company's tax provision is calculated on a separate entity basis and then allocated on a pro rata basis amongst the Parent group. The Company pays taxes to the Parent periodically during the year based on an estimated effective tax rate. At December 31, 2017, the Company has a tax payable to its Parent included in Accounts payable, accrued expenses, and other liabilities of \$1,107.

The Company maintains a funding agreement with its affiliate, ING Capital LLC, which is used to satisfy funding requirements in the normal course of business. Any funding provided matures on an overnight basis and the Company pays an interest rate of three month LIBOR.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**9. Related-Party Transactions (continued)**

The following table sets forth the Company's related party assets and liabilities as of December 31, 2017:

<b>Statement of Financial Condition Items</b>	
<b>Assets</b>	
Receivable from affiliates	3,386
Receivable from brokers, dealers, and clearing organizations	7,035
Securities borrowed	4,019,336
Securities purchased under agreements to resell at fair value	196,554
Total Assets	<u>\$ 4,226,311</u>
<b>Liabilities</b>	
Short-term loan from affiliate	\$ 630,000
Payable to brokers, dealers, and clearing organization	1,617
Payable to customers	105,161
Securities loaned	42,689
Securities sold under agreements to repurchase at fair value	327,389
Accounts payable, accrued expenses, and other liabilities	13,826
Total Liabilities	<u>\$ 1,120,682</u>

The Company earned sales revenue and underwriting fees from affiliates, and paid brokerage fees to affiliates associated with the execution of certain foreign securities trades. In addition, the Company was paid for providing origination and facilitation services acting in an agency role for an affiliate which is included in Commissions and other fee income in the statement of income.

The Company has a management agreement with an affiliate, whereby the affiliate provides certain trading, sales, accounting, operations, and other administrative support to the Company. Under the management agreement, employee costs including benefits, the cost of fixed assets and related depreciation and lease expense for occupancy and equipment are allocated to the Company. The Company provides certain custodial and related services to affiliates.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**9. Related-Party Transactions (continued)**

The following table sets forth the Company's related party revenues and expenses for the year ended December 31, 2017:

<b>Statement of Income Items</b>	
<b>Revenues</b>	
Interest and dividend income	\$ 170,991
Commissions and other fee income	9,443
Underwriting income	2,302
Total Revenues	<u>\$ 182,736</u>
<b>Expenses</b>	
Interest and dividend expense	\$ 28,394
Employee compensation and benefits	28,611
Occupancy and equipment	2,379
Communications	930
Other	9,697
Total Expenses	<u>\$ 70,011</u>

**10. Financial Instruments with Off-Balance Sheet Risk**

Throughout the year, the Company entered into futures contracts with off-balance sheet risk for trading purposes. These contracts are carried at fair value.

Futures contracts are for delayed delivery of a financial instrument in which the seller agrees to make delivery at a specified future date at a specified price or yield. Futures contracts are exchange traded contractual commitments to either receive (purchase) or deliver (sell) a standard amount or value of a financial instrument or commodity. Maintaining a futures contract requires the Company to deposit with the exchange an amount of cash or other specified asset as security for its obligation. The credit risk of futures contracts is limited since futures exchanges generally require the daily cash settlement of unrealized gains/losses on open contracts with the futures exchange. Futures contracts may be settled by physical delivery of the underlying asset or cash settlement on the settlement date or by entering into an offsetting futures contract with the futures exchange prior to the settlement date.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**10. Financial Instruments with Off-Balance Sheet Risk (continued)**

The notional amounts of futures reflect the contractual basis upon which daily mark to market calculations are computed and do not reflect the amount at risk. Unrealized gains or losses, rather than notional amounts, represents the fair value of future cash flows. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market volatility.

Unrealized gains and losses on these derivative contracts are recognized in the statement of income as Principal trading gains and losses, net. The Company does not apply hedge accounting as defined in ASC 815-10-15, *Derivatives and Hedging*, as all financial instruments are recorded at fair value with changes reflected in earnings.

The Company had Financial Instruments with Off-Balance Sheet Risk during year ended December 31, 2017. However, the Company had no Financial Instruments with Off-Balance Sheet Risk at December 31, 2017.

**11. Fair Value of Financial Instruments**

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market or, in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
*(In Thousands)*

**11. Fair Value of Financial Instruments (continued)**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure value into three broad levels:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**11. Fair Value of Financial Instruments (continued)**

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2017:

<b>Financial Instruments Measured at Fair Value on a Recurring Basis</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Securities segregated under Federal and other regulations	\$ —	\$ 41,480	\$ —	\$ 41,480
Securities purchased under agreements to resell at fair value	—	22,733,696	—	22,733,696
Securities received as collateral	2,488,123	43,257	—	2,531,380
Financial instruments owned, at fair value:				
Equities	164	—	—	164
US Government Treasury	20,883	—	—	20,883
<b>Total</b>	<b>\$ 2,509,170</b>	<b>\$ 22,818,434</b>	<b>\$ —</b>	<b>\$ 25,327,603</b>
<b>Liabilities</b>				
Securities sold under agreements to repurchase at fair value	\$ —	\$ 26,328,550	\$ —	\$ 26,328,550
Obligation to return securities received as collateral	2,488,123	43,257	—	2,531,380
<b>Total</b>	<b>\$ 2,488,123</b>	<b>\$ 26,371,807</b>	<b>\$ —</b>	<b>\$ 28,859,930</b>

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**11. Fair Value of Financial Instruments (continued)**

Securities received as collateral and Obligation to return securities received as collateral consist of U.S. listed equities, and Sovereign Obligations, Mutual Funds and Unit Investment Trusts. These equities and exchange traded funds are valued based on quoted prices from the applicable U.S. exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized in Level 1 of the fair value hierarchy. Sovereign Obligations, and Unit Investment Trusts have been designated as Level 2, whose value have been determined via broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

There were no transfers in and out among the fair value hierarchy levels during the year ended December 31, 2017.

**Financial Instruments Not Measured at Fair Value on a Recurring Basis**

Some of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: Cash, Securities borrowed, Securities loaned, Receivable from brokers, dealers, and clearing organizations, Receivable from customers, Payable to brokers, dealers, and clearing organizations, Payable to customers, and Short-term loan from affiliate.

Financial instruments owned, not readily marketable are Level 3 financial assets pertaining to the Company's investment in Depository Trust & Clearing Corporation (DTCC) preferred and common shares. These securities are valued based on information provided by DTCC.

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value in the statement of financial condition.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**11. Fair Value of Financial Instruments (continued)**

**Financial Instruments Not Measured at Fair Value on a Recurring Basis**

	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>					
Cash	\$ 427,970	\$ 427,970	\$ 427,970	\$ –	\$ –
Securities borrowed	8,693,428	8,693,428	–	8,693,428	–
Receivable from brokers, dealers, and clearing organizations	165,917	165,917	26,141	139,776	–
Receivable from customers	3,731	3,731	–	3,731	–
Financial instruments owned, not readily marketable	1,373	1,373	–	–	1,373
<b>Total</b>	<b>\$ 9,292,419</b>	<b>\$ 9,292,419</b>	<b>\$ 454,111</b>	<b>\$ 8,836,935</b>	<b>\$ 1,373</b>
<b>Liabilities</b>					
Short-term loan from affiliate	\$ 630,005	\$ 630,005	\$ –	\$ 630,005	\$ –
Securities loaned	3,537,819	3,537,819	–	3,537,819	–
Payables to brokers, dealers, and clearing organizations	140,877	140,877	–	140,877	–
Payables to customers	105,324	105,324	–	105,324	–
<b>Total</b>	<b>\$ 4,414,025</b>	<b>\$ 4,414,025</b>	<b>\$ –</b>	<b>\$ 4,414,025</b>	<b>\$ –</b>

**Fair Value Option**

The Company accounts for Securities purchased under agreements to resell and Securities sold under agreements to repurchase at fair value under the fair value option election. The primary reason for electing fair value option is to reflect economic events in earnings on a timely basis. The fair value is computed using a standard cash flow discounting methodology. The inputs to the valuation include contractual cash flows and collateral funding spreads, which are estimated using various benchmarks and interest yield curves. Securities purchased under agreements to resell and Securities sold under agreements to repurchase are generally classified as level 2 because the inputs are observable. The fair value of Securities purchased under agreements to resell and Securities sold under agreements to repurchase at December 31, 2017 is included in the table of Financial Instruments Measured at Fair Value on a Recurring Basis. Net loss resulting from the change in fair value during the year was \$334 and is recognized as part of Principal transactions, net.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**12. Income Taxes**

The Company is a single member limited liability company for federal, state, and local tax purposes, and accordingly, for the year ended December 31, 2017, it was not subject to federal, state and local corporate income taxes directly, but is included in the consolidated and combined returns filed by the Parent.

The Company is subject to a tax sharing agreement with the Parent whereby the Company's tax provision is calculated on a modified separate company basis. At December 31, 2017, the expense to the Company was \$31,465 and the Company has a payable to the Parent of \$13,826 related to income taxes. The provision for income taxes for the year ended December 31, 2017 consists of the following:

<b>Tax Expense*</b>	
Federal	\$ 28,310
State and local	3,157
Total income tax expense	<u>\$ 31,467</u>

\*All tax expense was current tax expense, and there were no deferred tax balances as of December 31, 2017. .

The difference between the expected statutory federal rate of 35% and the effective income tax rate of 37.44% for the year ended December 31, 2017 is due to state and local income taxes.

As of and for the year ended December 31, 2017, the Company was not required to establish a liability for uncertain tax positions. As of December 31, 2017, the Company has no accrued liabilities for interest or penalties in its statement of financial condition. The Parent's federal, state and local tax returns are open to examination beginning with the 2014 tax year.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**13. Other Expenses**

The Company incurred \$15,443 of other expenses included in the statement of income as of December 31, 2017, which consists of:

Data processing	\$ 5,205
Professional services	2,973
Travel and entertainment	1,197
Other	6,068
Total	<u>\$ 15,443</u>

**14. Concentrations of Credit Risk**

As a securities broker-dealer, the Company is engaged in various securities trading and brokerage activities servicing a diverse group of domestic and foreign entities. The Company's transactions are collateralized and are executed with and on behalf of institutional investors, including other broker-dealers, commercial banks, insurance companies, pension plans, mutual funds, and other financial institutions. The Company's exposure to credit risk associated with the nonperformance of these counterparties in fulfilling their contractual obligations can be directly impacted by volatile trading markets, which may impair the counterparties' ability to satisfy their obligations to the Company. The Company's principal activities are also subject to the risk of counterparty nonperformance.

The Company attempts to minimize credit risk associated with securities lending and borrowing transactions, and repurchase and reverse repurchase transactions, by monitoring counterparty credit exposure and creditworthiness and limiting such transactions with certain counterparties. The Company mitigates credit exposure arising from such transactions by entering into collateral and netting agreements. The Company reviews the market value of securities and collateral held on a daily basis and requires additional collateral to be delivered or returned to the Company pursuant to the terms of such collateral agreements.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**15. Guarantees**

In accordance with ASC 460, *Guarantees*, the Company is required to disclose information about obligations under certain guarantee arrangements. It defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability, or equity security of a guaranteed party.

**Indemnifications/Other Guarantees**

In the normal course of business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of these representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**15. Guarantees (continued)**

**Exchange/Clearinghouse Membership Guarantees**

The Company is a member of various exchanges and clearinghouses that trade and clear securities and/or futures contracts. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange or clearinghouse. While the rules governing different exchange and clearinghouse memberships vary, in general the Company's guarantee obligations would arise only if the exchange or clearinghouse had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange or clearinghouse. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

**16. Commitments and Contingencies**

The Company operates in a legal and regulatory business environment that exposes it to various legal and regulatory compliance risks. As a result, the Company is involved in certain types of litigation and regulatory proceedings in the ordinary course of investment banking and securities brokerage businesses that it operates in.

In accordance with ASC 450, "Loss Contingencies", the Company will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits and regulatory proceedings, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the matter is close to resolution. In view of the inherent difficulty of predicting the outcome of such matters, the Company cannot determine the probability or estimate what the eventual loss or range of loss related to such matters will be. Subject to the foregoing, the Company continues to assess these matters and believes, in conjunction with consultation with outside counsel that based on information available to it, that the resolution of these matters will not have a material adverse effect on its statements of income and financial condition of the Company for the year ended December 31, 2017.

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to Financial Statements (continued)

December 31, 2017  
(In Thousands)

**16. Commitments and Contingencies (continued)**

The Company maintained a credit facility from its affiliate, ING Capital LLC, which satisfies the funding requirement in a liquidity event in the amount of \$100,000. No amounts have been drawn on the credit facility during the year ended December 31, 2017.

The Company enters into forward starting reverse purchase and repurchase agreements that are primarily secured by fixed income securities. At December 31, 2017, the Company had commitments of \$808,778 and \$321,314 respectively, associated with these instruments.

In the normal course of business, the Company enters into underwriting commitments. There were no outstanding underwriting commitments at December 31, 2017.

**17. Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the Rule's alternative method, which requires maintaining net capital, as defined, equal to the greater of \$1,500 or 2% of aggregate debit items arising from customer transactions, as defined.

SEC Rule 15c3-1 and the rules of the Financial Industry Regulatory Authority also provide that equity capital may not be withdrawn or cash dividends paid if resulting net capital is less than the greater of 2% of aggregate debit items or \$1,500. At December 31, 2017, the Company had net capital of \$1,251,559 of which \$1,249,804 was in excess of the required net capital of \$1,755.

The Company has entered into a written agreement with an unaffiliated clearing firm which requires the clearing firm to perform a "PAB reserve computation" with regard to all the assets of the Company held by the respective clearing firm. Consequently, the assets of the Company held at the clearing firm are treated as allowable assets for purposes of the Company's net capital computation.

**18. Subsequent Events**

The Company evaluated subsequent events through February 28, 2018, the date the financial statements were issued. The Company did not note any subsequent events requiring disclosure or adjustment to the financial statements.

## Supplemental Information



**ING Financial Markets LLC**  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

**Computation of Net Capital Under Securities Exchange Commission Rule 15c3-1**

December 31, 2017  
*(In Thousands)*

Total member's equity	\$ 1,345,046
Non-allowable assets and deductions and charges:	
Securities owned not readily marketable	1,373
Dividends and interest receivable	1
Receivable from brokers, dealers, and clearing organizations	6,415
Receivable from affiliates	3,386
Other	10,565
Total non-allowable assets	<u>21,740</u>
Fail charges	1,188
Securities borrowed and loaned deficits	32,325
Reverse repurchase and repurchase deficits	29,467
Other charges	308
Total deductions and charges	<u>63,288</u>
Total non-allowable assets and deductions and charges	<u>85,028</u>
Net capital before haircuts on securities	1,260,017
Haircuts on securities (computed where applicable, pursuant to Rule 15c3-1(c)(2)(vi))	
Stocks and warrants	8,024
Currency	434
Total haircut on securities	<u>8,458</u>
Net capital	<u>1,251,559</u>
<b>Computation of Alternative Net Capital Requirement</b>	
2% of combined aggregate debit items as shown in the Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation	1,755
Reverse Repo Excess Collateral	<u>—</u>
Net capital requirement – the greater of the minimum net capital requirement (\$1,500) or 2% aggregate debit items under rule 15c3-3 plus reverse repo excess	<u>1,755</u>
Excess net capital	<u><u>\$ 1,249,804</u></u>

*There are no material differences between the amounts presented above and the amounts presented in the Company's amended December 31, 2017 unaudited FOCUS Part II Report filed on February 28, 2018.*

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Computation of Determination of Customer Account Reserve Requirements  
Under Securities Exchange Commission Rule 15c3-3

December 31, 2017  
(In Thousands)

## Credit balances:

1. Free credit balances and other credit balances in customers' security accounts	\$ 105,330
2. Monies borrowed collateralized by securities carried for the account of customer	—
3. Monies payable against customers' securities loaned	—
4. Customers' securities failed to receive	3,373
5. Credit balances in firm accounts, which are attributable to principal sales to customers	3
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days	—
7. Market value of short security count differences over 30 business days old	—
8. Market value of short securities and credits (not to be offset by longs or debits) in all suspense accounts over 30 business days old	311
9. Market value of securities, which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days	—
10. Other	322
11. Total credits	<u>109,339</u>

## Debit balances:

12. Debit balances in customers' cash and margin accounts, excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Rule 15c3-3	3,731
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' failed to deliver	82,213
14. Failed to deliver of customers' securities not older than 30 calendar days	1,800
15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts	—
16. Other	—
17. Aggregate debit items	87,744
18. Less 3% (for alternative method only – see Rule 15c3-3 (f)(5)(i))	(2,632)
19. Total debits	<u>85,112</u>

## Reserve computation:

Excess of total credits (line 11 less line 19)	<u>\$ 24,587</u>
--	------------------

Amount held on deposit in "Reserve Bank Account" at end of reporting period	\$ 41,637
Amount of withdrawal on January 3, 2018	(6,913)
New amount in "Reserve Bank Account" after deposit	<u>\$ 34,724</u>

*There are no material differences between the amounts presented above and the amounts presented in the Company's amended December 31, 2017 unaudited FOCUS Part II Report filed on February 28, 2018.*

ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Computation of Determination of PAB Account Reserve Requirements  
Under Securities Exchange Commission Rule 15c3-3

December 31, 2017  
(In Thousands)

## Credit balances:

1. Free credit balances and other credit balances in PAB security accounts	\$	—
2. Monies borrowed collateralized by securities carried for the account of PAB		—
3. Monies payable against PAB securities loaned		—
4. PAB securities failed to receive		—
5. Credit balances in firm accounts, which are attributable to principal sales to PAB		—
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days		—
7. Market value of short security count differences over 30 business days old		—
8. Market value of short securities and credits (not to be offset by longs or debits) in all suspense accounts over 30 business days old		—
9. Market value of securities, which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days		—
10. Other		—
11. Total PAB credits		<u>—</u>

## Debit balances:

12. Debit balances in PAB cash and margin accounts, excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Rule 15c3-3		—
13. Securities borrowed to effectuate short sales by PAB and securities borrowed to make delivery on PAB securities failed to deliver		—
14. Failed to deliver of PAB securities not older than 30 calendar days		—
15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in PAB accounts		—
16. Other		—
17. Aggregate PAB debit items		<u>—</u>
18. Less 3% (for alternative method only – see Rule 15c3-3 (f)(5)(i))		—
19. Total debits		<u>—</u>

## Reserve computation:

Excess of total credits (line 11 less line 19)	\$	<u>—</u>
--	----	----------

Amount held on deposit in “Reserve Bank Account” at end of reporting period	\$	—
Amount of deposit		<u>—</u>
New amount in “Reserve Bank Account” after deposit	\$	<u>—</u>

*There are no material differences between the amounts presented above and the amounts presented in the Company’s amended December 31, 2017 unaudited FOCUS Part II Report filed on February 28, 2018.*



ING Financial Markets LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Information Relating to Possession or Control Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2017

- |  |      |
|--|------|
| <p>1. Customers' fully paid and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3).</p> | None |
| <p>A. Number of items</p>  | None |
| <p>2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.</p>  | None |
| <p>A. Number of items</p>  | None |

*There are no material differences between the amounts presented above and the amounts presented in the Company's amended December 31, 2017 unaudited FOCUS Part II Report filed on February 28, 2018.*