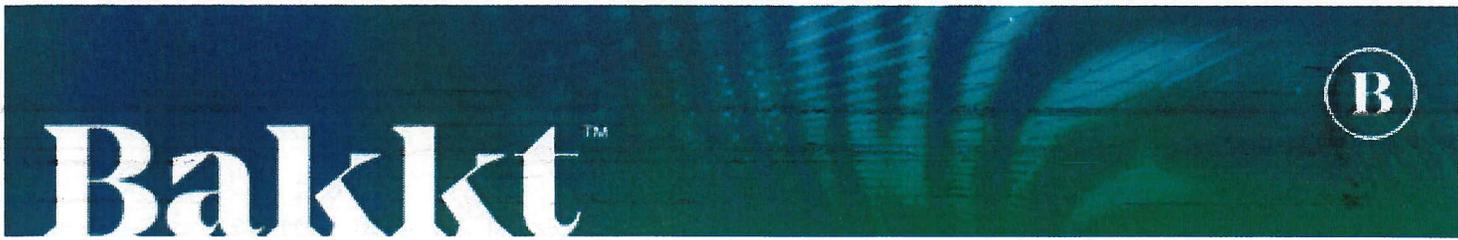


STATEMENT OF FINANCIAL CONDITION AND SUPPLEMENTAL INFORMATION

Bakkt Clearing, LLC (formerly known as Rosenthal Collins Group, L.L.C.)

December 31, 2019

With Report of Independent Registered Public Accounting Firm



February 28, 2020

Bakkt Clearing, LLC, a registered futures commission merchant, is submitting this audited annual report and its attachments as of and for the year ended December 31, 2019. The person whose signature appears below represents that, to the best of their knowledge, all information contained therein is true, correct and complete.

A handwritten signature in black ink, which appears to read "Keith E. Turner".

Keith E. Turner  
Chief Financial Officer  
Bakkt Clearing, LLC

[www.bakkt.com](http://www.bakkt.com)

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Bakkt Clearing, LLC (formerly known as Rosenthal Collins Group, L.L.C.)

Statement of Financial Condition and Supplemental Information

December 31, 2019

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## **Report of Independent Registered Public Accounting Firm**

To the Managing Member and Management of Bakkt Clearing, LLC

### **Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of Bakkt Clearing, LLC (formerly known as Rosenthal Collins Group, L.L.C.) (the Company) as of December 31, 2019 and the related notes (the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2019, in conformity with U.S. generally accepted accounting principles.

### **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 and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Supplemental Information**

The accompanying information contained in Schedules I, II, III, IV, V and VI has been subjected to audit procedures performed in conjunction with the audit of the Company’s financial statement. Such information is the responsibility of the Company’s management. Our audit procedures included determining whether the information reconciles to the financial statement or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether



such information, including its form and content, is presented in conformity with Regulation 1.10 under the Commodity Exchange Act. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statement as a whole.

*Ernst + Young LLP*

We have served as the Company's auditor since 2019.

Atlanta, GA

February 28, 2020

Bakkt Clearing, LLC (formerly known as Rosenthal Collins Group, L.L.C.)

Statement of Financial Condition

(In Thousands)

December 31, 2019

Assets

Cash and cash equivalents	\$	100
Deposits with clearing organizations		10,975
Securities owned		1,988
Receivables:		
Clearing organization		2,684
Interest		11
Other		115
Exchange membership, at cost (fair value \$ 1.463 million)		1,194
Other assets		<u>1,531</u>
Total assets	\$	<u><u>18,598</u></u>

Liabilities and Member's Equity

Liabilities:		
Accounts payable, accrued expenses and other liabilities		<u>1,265</u>
		1,265
Member's Equity		<u>17,333</u>
Total liabilities and member's equity	\$	<u><u>18,598</u></u>

*See accompanying notes to statement of financial condition*

Notes to Statement of Financial Condition

## 1. Description of Business

Bakkt Clearing LLC (BC or the Company) previously known as Rosenthal Collins Group, L.L.C (RCG) is registered as a futures commission merchant (FCM) with the Commodity Futures Trading Commission (CFTC) and a member of the National Futures Association (NFA). BC is a clearing member of ICE Clear US. BC has the capability to execute and/or clear Bakkt Bitcoin futures transactions for its customers. BC is a wholly-owned subsidiary of Bakkt Holdings, LLC (Holdings), which is BC's managing member.

On February 1, 2019, RCG, through RCG Holdings LLC, sold substantially all of its assets and customers to Marex North America N.A. and withdrew as a clearing member of the Chicago Mercantile Exchange and Minneapolis Grain Exchange. The Company has had no customer activity since this transaction.

On February 8, 2019, Bakkt Holdings, LLC acquired RCG from RCG Holdings, LLC. The name of the Company was subsequently changed to Bakkt Clearing, LLC.

## 2. Significant Accounting Policies

**Accounting policies:** The Company follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure consistent reporting of financial condition, results of operations, and cash flows.

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Company considers all short-term, highly liquid investments with original maturities of three months or less to be cash and cash equivalents. As of December 31, 2019, the Company did not hold any cash equivalents.

**Securities:** Transactions in securities are recorded on trade date. Securities owned are carried at fair value with unrealized gains and losses reflected in member's equity.

**Exchange membership:** Exchange memberships include restricted shares of stock held for membership privileges, are carried at cost, and are evaluated periodically for impairment.

**Computer software, equipment and leasehold improvements:** Computer software, tested annually for impairment, is amortized on a straight-line basis over three years. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the improvement.

Notes to Statement of Financial Condition

**Foreign exchange translation:** Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange.

**Income taxes:** The Company is a disregarded entity for income tax purposes and therefore is treated as a division of Holdings. As such, BC is not subject to entity-level federal, state or local income tax taxation. Holdings is treated as a partnership for federal and state or local income tax purposes. As a partnership, Holdings is not subject to federal and state income tax as its earnings flow through to the partners. Holdings is subject to unincorporated business taxes in certain jurisdictions in which it operates. All items of income, expense, gain and loss of BC are included in the consolidated partnership tax returns of Holdings.

In December 2019, the FASB, issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*, or ASU 2019-12, which specified that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 with early adoption permitted. Holdings decided to early adopt the guidance in ASU2019-12 and did not allocate the consolidated amount of current and deferred tax expense of Holdings to BC. Therefore, no income tax provision is reported in the statement of financial condition and no disclosure on income tax provision in the accompanying footnotes.

Tax returns filed by RCG Holdings LLC and the company are generally not subject to examination by federal and state taxing authorities for years before 2016.

**Recently Adopted and New Accounting Pronouncements**

On January 1, 2019, we were required to adopt Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (ASC 606)*. ASC 606 provides guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. ASC 606 superseded prior revenue recognition guidance and requires us to recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 requires enhanced disclosures, including (i) revenue recognition policies used to identify performance obligations to customers and (ii) the use of significant judgments in measurement and recognition. The Company adopted the revenue recognition standard as of January 1, 2019 using the modified retrospective method of adoption. This adoption did not have a material impact on the Company's statement of financial condition, statement of income or cash flows as the satisfaction of performance obligations under the new guidance is materially consistent with the Company's previous revenue recognition policies.

The FASB has issued ASU No. 2016-02, *Leases*. ASU 2016-02 requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. A lessee should recognize in its balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. For non-public business entities, ASU 2016-02 is effective for annual periods beginning after December 15, 2020. We will not adopt

Bakkt Clearing, LLC (formerly known as Rosenthal Collins Group, L.L.C.)

Notes to Statement of Financial Condition

ASU 2016-02 early. We are currently evaluating this guidance to determine the potential impact on our financial statements.

**3. Deposits with Clearing Organizations**

Deposits with clearing organizations at December 31, 2019 consist of (In Thousands):

Margins	
Cash	8,881
Guarantee deposits	
U.S. government securities	994
Cash	1,100
	<u>\$ 10,975</u>

**4. Commitments and Contingencies**

The Company leases data center space and equipment under noncancelable operating lease agreements that expire at various dates through August 2021. At December 31, 2019, the aggregate minimum annual commitments under these leases, exclusive of additional payments that may be required for certain increases in operating expenses and taxes, are as follows (In Thousands):

2020	617
2021	411
	<u>\$ 1,028</u>

A lease agreement for office space expiring in December 2027 was surrendered in June 2019 for a payment of \$500,000.

The Company is subject to litigation, arbitration and regulatory matters in the normal course of business. The Company vigorously defends against these claims and, in the opinion of management the resolution of these matters will not result in any material adverse effect upon the Company's financial position.

**5. Related-Party Transactions**

Prior to the sale of its assets and customers to Marex North America N.A., the Company provided clearing services to members of RCG Holdings. There are no amounts due to or from related to these services at December 31, 2019.

Subsequent to the acquisition by Bakkt Holdings, LLC, the Company provides services to affiliates of Bakkt Holdings.

BC also receives office space, information technology, communication, accounts payable, administrative services and participation in a 401(k) plan from these affiliates. Accounts payable at December 31, 2019 includes a net of \$792,000 due to affiliates for these activities. Deposits with clearing organizations are with an affiliate. The purchase of required shares for exchange membership is with an affiliate.

Notes to Statement of Financial Condition

## **6. Guarantees and Indemnifications**

The Company is a clearing member of the Intercontinental Exchange. Related to this 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 these exchanges. In general, the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among all nondefaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated and the risk of loss is remote.

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligations under these indemnifications to be remote.

## **7. Assets and Liabilities Reported at Fair Value**

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. Fair value guidance requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3).

The Company's assets and liabilities measured at fair value are reported using quoted market prices. Securities that trade in active markets and are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency are classified within Level 1. U.S. government securities are valued based on the quoted market yield, and are classified within Level 1. There are no Level 2 or Level 3 instruments during the year or as of December 31, 2019.

## Notes to Statement of Financial Condition

**7. Assets and Liabilities Reported at Fair Value (continued)**

The following summarizes the Company's assets and liabilities measured at fair value at December 31, 2019 (In Thousands).

	Level 1
Assets:	
Deposits with exchange clearing organizations:	
Guarantee deposits:	
U.S. government securities	994
Total deposits with exchange clearing organizations	994
Securities owned:	
U.S. government securities	1,988
Total assets	\$ 2,982

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

Pursuant to regulatory and internal guidelines, the Company requires customers to deposit additional collateral, or reduce or liquidate positions, when necessary. There was no customer collateral held at December 31, 2019.

**Financial instruments used for purposes other than trading:** The Company may be exposed to foreign currency fluctuations due to customer and principal trading activities. The Company enters into futures contracts to hedge against net exposure denominated in foreign currencies. Gains and losses on these contracts are recognized as adjustments to currency translation gains or losses. There were no foreign currencies exposure as of December 31, 2019.

**Market risk:** Derivative financial instruments, such as futures and options on futures, involve varying degrees of market risk whereby changes in the market values of the underlying financial instruments may result in changes in the value of the derivative financial instruments in excess of the amounts reflected in the statement of financial condition. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the Company's positions, and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Company's overall exposure to market risk. The Company attempts to control its exposure to market risk arising from the use of these financial instruments through various analytical monitoring techniques. There were no such instruments as of December 31, 2019.

**Credit risk:** The Company enters into transactions with clearing brokers, banks and other financial institutions. In the event these counterparties do not fulfill their obligations, the Company may be exposed to risk. Exchange-traded financial instruments, such as futures and options on futures,

Notes to Statement of Financial Condition

generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements or the margin requirements of the individual exchanges. It is the Company's policy to monitor the creditworthiness of each party with which it conducts business.

**9. Net Capital Requirements**

BC is subject to the net capital requirements of CFTC Regulation 1.17, and the NFA. Under these requirements, BC is generally required to maintain "adjusted net capital" equivalent to the greater of \$1,000,000 or the sum of 8 percent of customer and noncustomer risk maintenance margin requirements on all positions, as these terms are defined. Adjusted net capital and risk maintenance margin requirements change from day to day, but at December 31, 2019, the Company had adjusted net capital of \$11,794,000, which was \$10,794,000 in excess of its required net capital of \$1,000,000. The minimum capital requirements may effectively restrict the repayment of subordinated borrowings and the withdrawal of member's equity.

**10. Subsequent Events**

The Company has evaluated subsequent events for potential recognition and/or disclosure through February 28, 2020, the date this financial statement was available to be issued, and determined that no events of transactions met the definition of a subsequent event for purposes of recognition or disclosure in this financial statement.

## Supplemental Information

**Bakkt Clearing, LLC****Statement of the Computation of the Minimum Capital Requirements  
December 31, 2019  
(In Thousands)****Schedule I**

Current assets		\$	13,074
Total liabilities			<u>1,265</u>
<b>Net capital</b>			<b>11,809</b>
Charges against net capital:			
Charge against securities owned by firm			<u>15</u>
<b>Adjusted net capital</b>			<b><u>11,794</u></b>
Net capital required using the risk-based requirement:			
Amount of customer risk maintenance margin	\$	-	
8% of customer risk maintenance margin		\$	-
Amount of noncustomer risk maintenance margin		-	
8% of noncustomer risk maintenance margin			<u>-</u>
<b>Minimum requirement Amount required</b>			<b><u>1,000</u></b>
<b>Excess net capital</b>			<b><u><u>\$ 10,794</u></u></b>

**NOTE:** There are no material differences between the above computation and the Company's corresponding unaudited Form 1-FR-FCM filing.

**Bakkt Clearing, LLC**

**Reconciliation of the Statement of Financial Condition to the  
Statement of the Computation of the Minimum Capital Requirements  
December 31, 2019  
(In Thousands)**

**Schedule II**

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**Current Assets**

Total assets reflected in statement of financial condition \$ 18,598

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18,598

Less noncurrent assets included in total assets:

Receivables:

Clearing Organization (2,684)

Other (115)

Exchange memberships (1,194)

Other assets (1,531)

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(5,524)

**Total current assets**

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**\$ 13,074**

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**Total Liabilities**

Total liabilities reflected in statement of financial condition \$ 1,265

**Total liabilities**

---

**\$ 1,265**

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**NOTE:** There are no material differences between the above computation and the Company's corresponding unaudited Form 1-FR-FCM filing.

**Bakkt Clearing, LLC**

**Statement of Segregation Requirements and Funds in Segregation for  
Customers Trading on U.S. Commodity Exchanges  
December 31, 2019  
(In Thousands)**

**Schedule III**

Segregation requirements:

Net ledger balance:		
Cash	\$	-
Securities, at market		-
Net unrealized gain in open futures contracts traded on a contract market		-
Exchange-traded options:		
Market value of open option contracts purchased on a contract market		-
Market value of open option contracts granted (sold) on a contract market		-
<b>Net equity</b>		<u>-</u>
Accounts liquidating to a deficit and accounts with debit balances, gross amount		-
Less amount offset by customer-owned securities		<u>-</u>
<b>Amount required to be segregated</b>		<u><u>-</u></u>

Funds on deposit in segregation:

Deposited in segregated funds bank accounts:		
Cash		-
Securities representing investments of customers' funds (at market)		-
Securities held for particular customer or option customers in lieu of cash (at market)		-
Margins on deposit with clearing organizations of contract markets:		
Cash		-
Securities representing investments of customers' funds (at market)		-
Securities held for particular customers or option customers in lieu of cash (at market)		-
Net settlement due from (to) clearing organizations of contract market		-
Exchange-traded options:		
Unrealized receivables for open option contracts purchased on a contract market		-
Unrealized obligations for open option contracts sold on a contract market		-
Net equities with other futures commission merchants:		
Net liquidating equity		-
Securities representing investments of customers' funds (at market)		-
Segregated funds on hand		<u>-</u>
<b>Total amount in segregation</b>		<u><u>-</u></u>
<b>Excess funds in segregation</b>	\$	<u><u>-</u></u>
<b>Management Target Amount Excess funds in segregation</b>	\$	<u><u>-</u></u>
<b>Excess funds in segregation over Target Amount</b>	\$	<u><u>-</u></u>

**NOTE:** There are no material differences between the above computation and the Company's corresponding unaudited Form 1-FR-FCM filing.

**Bakkt Clearing, LLC**

**Statement of Segregation Requirements and Funds  
In Segregation for Customers' Dealer Options Accounts  
December 31, 2019  
(In Thousands)**

**Schedule IV**

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Amount required to be segregated in accordance with Commission Regulation 32.6	<u>\$ -</u>
Funds in segregated accounts	
Cash	-
Securities (at market)	-
Total	<u>-</u>
<b>Excess (deficiency) funds in segregation</b>	<u><u>\$ -</u></u>

**NOTE:** There are no material differences between the above computation and the Company's corresponding unaudited Form 1-FR-FCM filing.

**Bakkt Clearing, LLC**

**Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign  
Futures and Foreign Options Customers Pursuant to Commission Regulation 30.7  
December 31, 2019  
(In Thousands)**

**Schedule V**

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Net ledger balance - Foreign Futures and Foreign Option Trading - All Customers	\$ -
Net unrealized profit (loss) in open futures contracts on a foreign board of trade	-
<b>Net equity</b>	-
Accounts liquidating to a deficit and accounts with debit balances-gross amount	-
<b>Amount required to be set aside in separate Section 30.7 accounts</b>	-
Funds on deposit in separate Section 30.7 accounts:	
Cash in banks located in the United States	-
Other banks designated by the CFTC	-
Securities in safekeeping with other banks qualified under Regulation 30.7	-
Equities with registered futures commission merchants	-
<b>Total funds in separate Section 30.7 accounts</b>	-
<b>Excess funds in separate Section 30.7 accounts</b>	\$ -
<b>Management Target Amount Excess funds in 30.7 accounts</b>	\$ -
<b>Excess funds in segregation over Target Amount</b>	\$ -

**NOTE:** There are no material differences between the above computation and the Company's corresponding unaudited Form 1-FR-FCM filing.

**Bakkt Clearing, LLC**

**Statement of Cleared Swaps Segregation Requirements and  
Funds in Cleared Swaps Customer Accounts under 4D(F) of the CEAct  
December 31, 2019  
(In Thousands)**

**Schedule VI**

Cleared Swaps Customer Requirements:	
Net ledger balance:	
Cash	\$ -
Securities, at market	-
Net unrealized profit (loss) in open swaps	-
Cleared swaps options:	
Market value of open cleared swaps option contracts purchased	-
Market value of open cleared swaps granted (sold)	-
<b>Net equity (deficit)</b>	<u>-</u>
Accounts liquidating to a deficit and accounts with debit balances, gross amount	-
Less amount offset by customer-owned securities	<u>-</u>
<b>Amount required to be segregated for cleared swaps customers</b>	<u>-</u>
Funds in Cleared Swaps Customer Segregation Accounts:	
Deposited in cleared swaps customer segregated accounts at banks:	
Cash	-
Securities representing investments of customers' funds (at market)	-
Securities held for particular customer or option customers in lieu of cash (at market)	-
Margins on deposit with derivatives clearing organizations in cleared swaps	-
Customer Segregated Accounts	
Cash	-
Securities representing investments of customers' funds (at market)	-
Securities held for particular cleared swaps customers in lieu of cash (at market)	-
Net settlement due from (to) clearing organizations of contract market	-
Cleared swaps options:	
Value of open cleared swaps long and short option contracts-net	-
Net equities with other futures commission merchants	-
Net liquidating equity	-
Securities representing investments of cleared swaps customers' funds (at market)	-
Securities held for particular cleared swaps customers in lieu of cash (at market)	-
Cleared swaps customer funds on hand	<u>-</u>
<b>Total amount in cleared swaps customer segregation</b>	<u>-</u>
<b>Excess funds in segregation</b>	<u>\$ -</u>
<b>Management Target Amount Excess funds in cleared swaps segregated accounts</b>	<u>\$ -</u>
<b>Excess funds in cleared swaps customer segregation over Target Amount</b>	<u>\$ -</u>

**NOTE:** There are no material differences between the above computation and the Company's corresponding unaudited Form 1-FR-FCM filing.