Virtu Financial, Inc.
Form 10-Q
November 13, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-37352

Virtu Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware	32-0420206
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

900 Third Avenue, 29th Floor
New York, New York 10022-0100 10022
(Address of principal executive offices) (Zip Code)

(212) 418-0100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class of Stock	Shares Outstanding as of November 13, 2015
Class A common stock, par value $0.00001 per share	34,305,052
Class C common stock, par value $0.00001 per share	24,531,817
Class D common stock, par value $0.00001 per share	79,610,490

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VIRTU FINANCIAL, INC. AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Financial Statements Introductory Note

The unaudited condensed consolidated financial statements and other disclosures contained in this report include those of Virtu Financial, Inc. (“we”, the “Company” or the “Registrant”), which is the registrant, and those of Virtu Financial LLC (“Virtu Financial”), in which the registrant became the managing member and the owner of approximately 24.8% of the outstanding membership interests through a series of reorganization transactions that were completed on April 15, 2015 (the “Reorganization Transactions”) in connection with our initial public offering (“IPO”), which was completed on April 21, 2015. For more information regarding the transactions described above, see Note 13, “Capital Structure,” to our unaudited condensed consolidated financial statements contained in this quarterly report on Form 10-Q.

The unaudited condensed consolidated financial statements reflect the historical results of operations and financial position of the Company, including consolidation of its investment in Virtu Financial, since April 16, 2015. Prior to April 16, 2015, the date of the IPO, the unaudited condensed consolidated financial statements included herein represent the financial statements of Virtu Financial and subsidiaries (the “Group”). The historical unaudited condensed consolidated financial statements do not reflect what the financial position, results of operations or cash flows of the Company or the Group would have been had these companies been stand-alone public companies for the periods presented. Specifically, the historical financial statements of the Group do not give effect to the following matters:

- Reorganization Transactions;
- U.S. corporate federal income taxes; and
- Noncontrolling interest held by other members of Virtu Financial.

As a consequence, earnings per share information reported in the unaudited condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2015 reflect only the net income available for common stockholders for the period from April 16, 2015 through September 30, 2015, as detailed in Note 3, “Earnings per share”, to our unaudited condensed consolidated financial statements contained in this quarterly report on Form 10-Q.

Virtu Financial, Inc. and Subsidiaries
Condensed Consolidated Statements of Financial Condition
(Unaudited)

(in thousands, except share and interest data)	As of September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 161,538	$ 75,864
Securities borrowed	510,600	484,934
Securities purchased under agreements to resell	—	31,463
Receivables from broker dealers and clearing organizations	560,716	387,652
Trading assets, at fair value:		
Financial instruments owned	1,152,821	1,307,933
Financial instruments owned and pledged	301,737	236,375
Property, equipment and capitalized software (net of accumulated depreciation of $92,174 and $84,579 as of September 30, 2015 and December 31, 2014, respectively)	42,442	44,644
Goodwill	715,379	715,379
Intangibles (net of accumulated amortization)	1,255	1,414
Deferred tax asset	160,782	977
Other assets ($9,210 and $8,205, at fair value, as of September 30, 2015 and December 31, 2014, respectively)	34,676	32,823
Total assets	$ 3,641,946	$ 3,319,458
Liabilities, redeemable membership interest and equity		
Liabilities		
Short term borrowings	$ 28,000	$ —
Securities loaned	741,728	497,862
Securities sold under agreements to repurchase	9,000	2,006
Payables to broker dealers and clearing organizations	328,054	686,203
Trading liabilities, at fair value:		
Financial instruments sold, not yet purchased	1,198,881	1,037,634
Tax receivable agreement obligations	184,679	—
Accounts payable and accrued expenses and other liabilities	128,278	93,331
Senior secured credit facility	494,498	495,724
Total liabilities	$ 3,113,118	$ 2,812,760
Class A-1 redeemable membership interest	—	294,433
Stockholders' / Members' equity		
Class A-1 — Authorized and Issued — 0 and 1,964,826 interests, Outstanding — 0 and 1,964,826 interests, at September 30, 2015 and December 31, 2014, respectively	—	19,648
Class A-2 — Authorized and Issued — 0 and 101,381,332 interests, Outstanding — 0 and 99,855,666 interests, at September 30, 2015 and December 31, 2014,	—	287,705

respectively		
Class A common stock (par value $0.00001), Authorized — 1,000,000,000 and 0 shares, Issued and Outstanding — 34,305,052 and 0 shares at September 30, 2015 and December 31, 2014, respectively	—	—
Class B common stock (par value $0.00001), Authorized — 175,000,000 and 0 shares, Issued and Outstanding — 0 and 0 shares at September 30, 2015 and December 31, 2014, respectively	—	—
Class C common stock (par value $0.00001), Authorized — 90,000,000 and 0 shares, Issued and Outstanding — 24,531,817 and 0 shares at September 30, 2015 and December 31, 2014, respectively	—	—
Class D common stock (par value $0.00001), Authorized — 175,000,000 and 0 shares, Issued and Outstanding — 79,610,490 and 0 shares at September 30, 2015 and December 31, 2014, respectively	1	—
Additional paid-in capital	118,303	—
Retained Earnings (Accumulated deficit)	12,780	(91,383)
Accumulated other comprehensive income (loss)	1,310	(3,705)
Total stockholders' / members' equity	$ 132,394	$ 212,265
Non-controlling interest	396,434	—
Total equity	$ 528,828	$ 212,265
Total liabilities, redeemable membership interest and equity	$ 3,641,946	$ 3,319,458

See accompanying notes to the unaudited condensed consolidated financial statements.

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Virtu Financial Inc and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in thousands, except share and per share data)	For the Three Months Ended September 30, 2015	2014	For the Nine Months Ended September 30, 2015	2014
Revenues:				
Trading income, net	$ 206,832	$ 162,260	$ 590,554	$ 480,799
Interest and dividends income	6,425	8,518	21,022	21,287
Technology services	2,545	2,456	7,733	7,419
Total revenue	215,802	173,234	619,309	509,505
Operating Expenses:				
Brokerage, exchange and clearance fees, net	61,814	55,861	179,453	164,132
Communication and data processing	16,110	17,256	51,602	50,568
Employee compensation and payroll taxes	24,736	24,768	66,801	63,636
Interest and dividends expense	12,827	11,728	39,234	34,438
Operations and administrative	4,857	4,392	17,288	16,517
Depreciation and amortization	8,176	8,552	26,025	22,514
Amortization of purchased intangibles and acquired capitalized software	53	53	159	159
Acquisition related retention bonus	—	152	—	2,639
Termination of office leases	—	—	2,729	849
Initial public offering fees and expenses	—	60	—	8,961
Charges related to share-based compensation at IPO	1,107	—	45,301	—
Financing interest expense on senior secured credit facility	7,205	7,815	22,066	23,114
Total operating expenses	136,885	130,637	450,658	387,527
Income before income taxes and noncontrolling interest	78,917	42,597	168,651	121,978
Provision for income taxes	9,378	1,179	14,103	829
Net income	69,539	$ 41,418	154,548	$ 121,149
Noncontrolling interest	(57,233)		(141,768)	
Net income available for common stockholders	$ 12,306		$ 12,780	
Earnings per share				
Basic	$ 0.36		$ 0.37	
Diluted	$ 0.35		$ 0.37	
Weighted average common shares outstanding				

Basic	34,305,052		34,305,052	
Diluted	34,738,733		34,641,497	
Net income	$ 69,539	$ 41,418	$ 154,548	$ 121,149
Other comprehensive income (loss)				
Foreign exchange translation adjustment, net of taxes	3,596	(3,520)	595	(3,683)
Comprehensive income	73,135	$ 37,898	155,143	$ 117,466
Less: Comprehensive income attributable to non-controlling interests	(59,931)		(141,053)	
Comprehensive income attributable to common stockholders	$ 13,204		$ 14,090	

See accompanying notes to the unaudited condensed consolidated financial statements.

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Virtu Financial Inc and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
for the Nine Months Ended September 30, 2015
(Unaudited)

n Stock	Class C Common Stock		Class D Common Stock		Additional Paid-in Capital	Class A-1		Class A-2		Retained Earnings (Accumulated	Acc Oth Com Inc
nounts	Shares	Amounts	Shares	Amounts	Amounts	Interests	Amounts	Interests	Amounts	Deficit)	(Lo
—	—	$ —	—	$ —	$ —	1,964,826	$ 19,648	99,855,666	$ 287,705	$ (91,383)	$ (
—	—	—	—	—	—	—	—	6,418	438	—	-
—	—	—	—	—	—	—	—	(13,495)	(97)	—	-
—	—	—	—	—	—	—	—	—	—	(130,000)	-
—	—	—	—	—	—	—	—	—	—	83,147	-
—	—	—	—	—	—	—	—	—	—	—	(4
—	36,746,041	—	79,610,490	1	63,261	(1,964,826)	(19,648)	(99,848,589)	(288,046)	138,236	8
—	36,746,041	—	79,610,490	1	63,261	—	—	—	—	—	-
—	—	—	—	—	327,366	—	—	—	—	—	-
—	(12,214,224)	—	—	—	(277,153)	—	—	—	—	—	-
—	—	—	—	—	45,677	—	—	—	—	—	-
—	—	—	—	—	(22,513)	—	—	—	—	—	-
—	—	—	—	—	(23,041)	—	—	—	—	—	-
—	—	—	—	—	4,706	—	—	—	—	—	-
—	—	—	—	—	—	—	—	—	—	12,780	-
—	—	—	—	—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	—	—	—	—	-
—	24,531,817	$ —	79,610,490	$ 1	$ 118,303	—	$ —	—	$ —	$ 12,780	$ 1

See accompanying notes to the unaudited condensed consolidated financial statements.

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Virtu Financial Inc and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	For the Nine Months Ended September 30, 2015	2014
Cash flows from operating activities		
Net Income	$ 154,548	$ 121,149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,025	22,514
Amortization of purchased intangibles and acquired capitalized software	159	159
Amortization of debt issuance costs and deferred financing fees	1,287	1,062
Termination of office leases	2,729	849
Share based compensation	59,237	11,047
Other	1,224	(1,817)
Changes in operating assets and liabilities:		
Securities borrowed	(25,666)	200,462
Securities purchased under agreements to resell	31,463	22,585
Receivables from broker dealers and clearing organizations	(173,064)	(186,477)
Trading assets, at fair value	89,750	(181,623)
Other assets ($9,210 and $8,205, at fair value, as of September 30, 2015 and December 31, 2014, respectively)	(1,109)	4,619
Securities loaned	243,866	(300,713)
Securities sold under agreements to repurchase	6,994	1,040
Payables to broker dealers and clearing organizations	(358,149)	48,931
Trading liabilities, at fair value	161,247	365,646
Accounts payable and accrued expenses and other liabilities	21,452	24,988
Net cash provided by operating activities	241,993	154,421
Cash flows from investing activities		
Development of capitalized software	(6,190)	(5,882)
Acquisition of property and equipment	(14,418)	(21,780)
Net cash used in investing activities	(20,608)	(27,662)
Cash flows from financing activities		
Distribution to members through April 15, 2015	(130,000)	(125,652)
Distribution from Virtu Financial to non-controlling interest, after April 15, 2015	(80,909)	—
Repurchase of Class A-2 interests	(1,097)	(682)
Proceeds from (repayments of) short term borrowings	28,000	(20,800)
Repayment of senior secured credit facility	(1,639)	(3,825)
Debt issuance costs	(874)	—
Issuance of Common Stock, net of offering costs	327,366	—
Repurchase of Virtu Financial Units and corresponding number of Class A and C Common Stock	(277,153)	—

Net cash used in financing activities	(136,306)	(150,959)
Effect of exchange rate changes on Cash and cash equivalents	595	(3,683)
Net increase (decrease) in Cash and cash equivalents	85,674	(27,883)
Cash and cash equivalents, beginning of period	75,864	66,010
Cash and cash equivalents, end of period	$ 161,538	$ 38,127
Supplementary disclosure of cash flow information		
Cash paid for interest	$ 47,642	$ 46,084
Cash paid for taxes	$ 7,366	$ 3,819
Non-cash investing activities		
Compensation to developers subject to capitalization of software (of which $11,240 and $1,311 were capitalized for nine months ended September 30, 2015 and 2014, respectively)	$ 25,420	$ 3,823
Non-cash financing activities		
Tax receivable agreement (Note 4)	—	—

See accompanying notes to the unaudited condensed consolidated financial statements.

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Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Organization

Virtu Financial, Inc. (“VFI” or, collectively with its wholly owned subsidiaries, the ‘‘Company’’) is a Delaware holding company whose primary asset is its ownership of approximately 24.8% of the membership interests of Virtu Financial LLC (“Virtu Financial”). The Company was formed on October 16, 2013 for the purpose of completing certain reorganization transactions (the “Reorganization Transactions”), in order to carry on the business of Virtu Financial LLC (“Virtu Financial”) and to conduct a public offering. The Company is the sole managing member of Virtu Financial and operates and controls all of the businesses and affairs of Virtu Financial and, through Virtu Financial and its subsidiaries (the “Group”), continues to conduct the business now conducted by such subsidiaries. Virtu Financial was formed as a Delaware limited liability company on April 8, 2011 in connection with a corporate reorganization and acquisition of the outstanding equity interests of Madison Tyler Holdings, LLC (“MTH”), an electronic trading firm and market maker. In connection with the reorganization, the members of Virtu Financial’s predecessor entity, Virtu Financial Operating LLC (“VFO”), a Delaware limited liability company formed on March 19, 2008, exchanged their interests in VFO for interests in Virtu Financial and the members of MTH exchanged their interests in MTH for cash and/or interests in Virtu Financial. Virtu Financial’s principal subsidiaries include Virtu Financial BD LLC (“VFBD”), a self-clearing U.S. broker-dealer, Virtu Financial Capital Markets LLC (“VFCM”), a self-clearing U.S. broker-dealer and designated market maker on the New York Stock Exchange (“NYSE”) and the NYSE MKT (formerly NYSE Amex), Virtu Financial Global Markets LLC (“VFGM”), a U.S. trading entity focused on futures and currencies, Virtu Financial Ireland Limited (“VFIL”), formed in Ireland, Virtu Financial Asia Pty Ltd (“VFAP”), formed in Australia, and Virtu Financial Singapore Pte. Ltd. (“VFSing”), formed in Singapore.

The Company is a technology-enabled market maker and liquidity provider. The Company has developed a single, proprietary, multi-asset, multi-currency technology platform through which it provides quotations to buyers and sellers in equities, commodities, currencies, options, fixed income and other securities on numerous exchanges, markets and liquidity pools in numerous countries around the world.

The Company is managed and operated as one business. Accordingly, the Company operates under one reportable segment.

Basis of Presentation

These condensed consolidated financial statements are presented in U.S. dollars and have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding financial reporting with respect to Form 10-Q and accounting standards generally accepted in the United States of America (“U.S. GAAP”) promulgated in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC” or the “Codification”). These condensed consolidated financial statements are unaudited and include all adjustments of a normal, recurring nature necessary to present fairly the financial condition as of September 30, 2015 and December 31, 2014, the results of operations and comprehensive income for the three and nine months ended September 30, 2015 and 2014 and cash flows for the nine months ended September 30, 2015 and 2014. The condensed consolidated financial statement information as of December 31, 2014 has been derived from the 2014 audited consolidated financial statements. The results of operations for interim periods are not necessarily indicative of results for the entire year. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s final prospectus filed with the SEC on April 16, 2015 (the “Prospectus”) for the offering of Class A common stock, par value $0.00001 per share (the “Class A common stock”). See Note 13 to the condensed consolidated financial statements for information regarding the Reorganization Transactions (as defined in Note 13) and the Company’s IPO.

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Principles of Consolidation, including Noncontrolling Interests

The unaudited condensed consolidated financial statements include the accounts of VFI and its majority and wholly owned subsidiaries. As sole managing member of Virtu Financial, VFI exerts control over the Group's operations. In accordance with ASC 810, Consolidation, the Company consolidates Virtu Financial and its subsidiaries' consolidated financial statements and records the interests in Virtu Financial that VFI does not own as noncontrolling interests. All intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The Company's condensed consolidated financial statements are prepared in conformity with US GAAP, which require management to make estimates and assumptions regarding fair value measurements including trading assets and liabilities, goodwill and intangibles, compensation accruals, capitalized software, and other matters that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.

Earnings Per Share

Earnings per share ("EPS") is computed in accordance with ASC 260, Earnings per Share. Basic EPS is computed by dividing the net income available for common stockholders by the weighted average number of shares outstanding for that period. Diluted EPS is calculated by dividing the net income available for common stockholders by the diluted weighted average shares outstanding for that period. Diluted EPS includes the determinants of the basic EPS and, in addition, reflects the dilutive effect of shares of common stock estimated to be distributed in the future under the Company's share based compensation plans, with no adjustments to net income available for common stockholders for dilutive potential common shares.

Cash and Cash Equivalents

The Company considers cash equivalents as highly liquid investments with original maturities of less than three months when acquired. The Company maintains cash in bank deposit accounts that, at times, may exceed federally insured limits.

Securities Borrowed and Securities Loaned

The Company conducts securities borrowing and lending activities with external counterparties. In connection with these transactions, the Company receives or posts collateral. These transactions are collateralized by cash or securities. In accordance with substantially all of its stock borrow agreements, the Company is permitted to sell or repledge the securities received. Securities borrowed or loaned are recorded based on the amount of cash collateral advanced or received. The initial collateral advanced or received generally approximates or is greater than 102% of the fair value of the underlying securities borrowed or loaned. The Company monitors the fair value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Receivables and payables with the same counterparty are not offset in the condensed consolidated statements of financial condition. For these transactions, the interest received or paid by the Company is recorded gross on an accrual basis under interest and dividends income or interest and dividends expense in the condensed consolidated statements of comprehensive income.

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

In a repurchase agreement, securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at contract value, plus accrued interest, which approximates fair value. It is the Company's policy that its custodian takes possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest. For reverse repurchase agreements, the

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Company typically requires delivery of collateral with a fair value approximately equal to the carrying value of the relevant assets in the condensed consolidated statements of financial condition. To ensure that the fair value of the underlying collateral remains sufficient, the collateral is valued daily with additional collateral obtained or excess collateral returned, as permitted under contractual provisions.

The Company does not net securities purchased under agreements to resell transactions with securities sold under agreements to repurchase transactions entered into with the same counterparty.

Receivables from/Payables to Broker-dealers and Clearing Organizations

Amounts receivable from broker-dealers and clearing organizations may be restricted to the extent that they serve as deposits for securities sold, not yet purchased. At September 30, 2015 and December 31, 2014, receivables from and payables to broker-dealers and clearing organizations primarily represent amounts due for unsettled trades, open equity in futures transactions, securities failed to deliver or failed to receive, deposits with clearing organizations or exchanges and balances due from or due to prime brokers in relation to the Company's trading. The Company also offsets the outstanding principal balances on all short term credit facilities against amounts receivable from and payable to broker-dealers and clearing organizations when the criteria for offsetting are met.

In the normal course of business, substantially all of the Company's securities transactions, money balances, and security positions are transacted with several brokers. The Company is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The Company's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

Financial Instruments Owned Including Those Pledged as Collateral and Financial Instruments Sold, Not Yet Purchased

The Company carries financial instruments owned, including those pledged as collateral, and financial instruments sold, not yet purchased at fair value. Gains and losses arising from financial instrument transactions are recorded net on a trade-date basis in trading income, net, on the condensed consolidated statements of comprehensive income.

Fair Value Measurements

At September 30, 2015 and December 31, 2014, substantially all of Company's financial assets and liabilities, except for long-term borrowings and certain exchange memberships, were carried at fair value based on published market prices and are marked to market daily or were short-term in nature and were carried at amounts that approximate fair value.

The Company's assets and liabilities have been categorized based upon a fair value hierarchy in accordance with ASC 820-10, Fair Value Measurements and Disclosures. ASC 820-10 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The recognition of ''block discounts'' for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market is prohibited. ASC 820-10 requires a three level hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy level assigned to each financial instrument is based on the assessment of the transparency and reliability of the inputs used in the valuation of such financial instruments at the measurement date based on the lowest level of input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Transfers in or out are recognized based on the beginning fair value of the period in which they occurred. There were no transfers of financial instruments between levels during the three and nine months ended September 30, 2015 and 2014.

Derivative Instruments

Derivative instruments used for trading purposes, including economic hedges of trading instruments, are carried at fair value. Fair values for exchange-traded derivatives, principally futures, are based on quoted market prices. Fair values for over-the-counter derivative instruments, principally forward contracts, are based on the values of the underlying financial instruments within the contract. The underlying derivative instruments are currencies which are actively traded.

Derivative instruments used for economic hedging purposes include futures, forward contracts, and options. Unrealized gains or losses on these derivative instruments are recognized currently in the condensed consolidated statements of comprehensive income as trading income, net. The Company does not apply hedge accounting as defined in ASC 815, Derivatives and Hedging, and accordingly unrealized gains or losses on these derivative instruments are recognized currently in the condensed consolidated statement of comprehensive income as trading income, net.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation, except for the assets acquired in connection with the acquisition of MTH which were recorded at fair value on the date of acquisition. Depreciation is provided using the straight-line method over estimated useful lives of the underlying asset. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that appreciably extend the useful life of the assets are capitalized. When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

The useful lives of furniture and fixtures are as follows:

Furniture, fixtures and equipment	3	to 7 years
Leasehold improvements	7	years or length of lease term, whichever is shorter

Capitalized Software

The Company accounts for the costs of computer software developed or obtained for internal use in accordance with ASC 350-40, Internal-Use Software. The Company capitalizes costs of materials, consultants, and payroll and payroll related costs for employees incurred in developing internal-use software. Costs incurred during the preliminary project and post-implementation stages are charged to expense.

Management's judgment is required in determining the point at which various projects enter the stages at which costs may be capitalized, in assessing the ongoing value of the capitalized costs, and in determining the estimated useful lives over which the costs are amortized.

The Company's capitalized software development costs were approximately $2.6 million and $2.2 million for the three months ended September 30, 2015 and 2014, respectively, and $8.1 million and $7.3 million for the nine months ended September 30, 2015 and 2014, respectively. The related amortization expense was approximately $2.4 million and $2.8 million for the three months ended September 30, 2015 and 2014, respectively, and $7.6 million and $7.8 million for the nine months ended September 30, 2015 and 2014, respectively. Additionally, in connection with charges related to share based compensation recognized upon the IPO (Note 13), the Company capitalized and amortized costs for employees in developing internal-use software, which were included within charges related to share based compensation at IPO in the condensed consolidated statements of comprehensive income. The Company capitalized charges related to share based compensation at IPO of approximately $0.1 million and $9.6 million for the three months ended and nine months ended September 30, 2015, respectively. The related amortization expense was approximately $0.5 million and $8.5 million for the three months ended and nine months ended September 30, 2015, respectively. Capitalized software development costs and related accumulated amortization are included in property, equipment and capitalized software on the accompanying condensed consolidated statements of financial condition and are amortized over a period of 1.4 to 2.5 years, which represents the estimated useful lives of the underlying software.

Goodwill

Goodwill represents the excess of the purchase price over the underlying net tangible and intangible assets of our acquisitions. Goodwill is not amortized but is tested for impairment on an annual basis and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. The Company operates as one operating segment, which is our only reporting unit.

The goodwill impairment test is a two-step process. The first step is used to identify potential impairment and compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed. The second step is used to measure the amount of impairment loss, if any, and compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to that excess.

The Company tests goodwill for impairment on an annual basis on July 1 and on an interim basis when certain events or circumstances exist. In the impairment test as of July 1, 2015, the primary valuation method used to estimate the fair value of the Company’s reporting unit was the market capitalization approach based on the market price of its Class A Common Stock, which the management believes to be an appropriate indicator of its fair value. In the impairment test as of July 1, 2014, the primary valuation methods used to estimate the fair value of the Company’s reporting unit were the income and market approaches. In applying the income approach, projected available cash flows and the terminal value were discounted to present value to derive an indication of fair value of the business enterprise. The market approach compared the reporting unit to selected reasonably similar publicly-traded companies.

Based on the results of the annual impairment tests performed, no goodwill impairment was recognized during the three and nine months ended September 30, 2015 and 2014, respectively.

Intangible Assets

The Company amortizes finite-lived intangible assets over their estimated useful lives. Finite-lived intangible assets are tested for impairment annually or when impairment indicators are present, and if impaired, written down to fair value.

Exchange Memberships and Stock

Exchange memberships are recorded at cost or, if any other than temporary impairment in value has occurred, at a value that reflects management's estimate of fair value, in accordance with ASC 940-340, Financial Services — Broker and Dealers. Exchange stock includes shares that entitles the Company to certain trading privileges. The shares are marked to market with the corresponding gain or loss recorded in the condensed consolidated statements of comprehensive income. The Company's exchange memberships and stock are included in other assets on the condensed

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consolidated statements of financial condition.

Trading Income

Trading income is comprised of changes in the fair value of trading assets and liabilities (i.e., unrealized gains and losses) and realized gains and losses on trading assets and liabilities. Trading gains and losses on financial instruments owned and financial instruments sold, not yet purchased are recorded on the trade date and reported on a net basis in the condensed consolidated statements of comprehensive income.

Interest and Dividends Income/Interest and Dividends Expense

Interest income and interest expense are accrued in accordance with contractual rates. Interest income consists of interest earned on collateralized financing arrangements and on cash held by brokers. Interest expense includes interest expense from collateralized transactions, margin and related lines of credit. Dividends on financial instruments owned including those pledged as collateral and financial instruments sold, not yet purchased are recorded on the ex-dividend date and interest is recognized on the accrual basis.

Technology Services

Technology services revenues consist of fees paid by third parties for licensing of our proprietary risk management and trading infrastructure technology and provision of associated management and hosting services. These fees include both upfront and annual recurring fees. Revenue from technology services is recognized once persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. Revenue is recognized ratably over the contractual service period.

Rebates

Rebates consist of volume discounts, credits or payments received from exchanges or other market places related to the placement and/or removal of liquidity from the order flow in the marketplace. Rebates are recorded on an accrual basis and included net within brokerage, exchange and clearance fees in the accompanying condensed consolidated statements of comprehensive income.

Income Taxes

Virtu Financial is a limited liability company and is treated as a pass-through entity for United States federal, state, and local income tax purposes. Accordingly, no provision for United States federal, state, and local income tax was required prior to the consummation of the Reorganization Transactions and the IPO. Subsequent to consummation of the Reorganization Transactions and the IPO, the Company is subject to U.S. federal, state and local income taxes on its taxable income, which is proportional to the percentage of Virtu Financial owned by the Company. The Company's subsidiaries are subject to income taxes in the respective jurisdictions (including foreign jurisdictions) in which they operate.

The provision for income tax is comprised of current tax and deferred tax. Current tax represents the tax on current year tax returns, using tax rates enacted at the balance sheet date. The deferred tax assets are recognized in full and then reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax assets will not be recognized.

The Company recognizes the tax benefit from an uncertain tax position, in accordance with ASC 740, Income Taxes only if it is more likely than not that the tax position will be sustained on examination by the applicable taxing authority, including resolution of the appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized in the condensed consolidated financial statements from such a position are measured based on the largest benefit for each such position that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Many factors are considered when evaluating and estimating the tax positions and tax benefits. Such estimates involve interpretations of regulations, rulings, case law, etc. and are inherently complex. The Company’s estimates may require periodic adjustments and may not accurately anticipate actual outcomes as resolution of income tax treatments in individual jurisdictions typically would not be known for several years after completion of any fiscal year. The Company has determined that there are no uncertain tax positions that would have a material impact on the Company's financial position as of September 30, 2015 and December 31, 2014 or the results of operations for the three and nine months ended September 30, 2015 and 2014.

Comprehensive Income and Foreign Currency Translation

The Company's operating results are reported in the condensed consolidated statements of comprehensive income pursuant to Accounting Standards Update 2011-05, Comprehensive Income.

Comprehensive income consists of two components: net income and other comprehensive income ("OCI"). OCI is comprised of revenues, expenses, gains and losses that are reported in the comprehensive income section of the consolidated statements of comprehensive income, but are excluded from reported net income. The Company's OCI is comprised of foreign currency translation adjustments. Assets and liabilities of operations having non-U.S. dollar functional currencies are translated at period-end exchange rates, and income statement accounts are translated at weighted average exchange rates for the period. Gains and losses resulting from translating foreign currency financial statements, net of related tax effects, are reflected in other comprehensive income, a separate component of members' equity.

Share-Based Compensation

The Company accounts for share-based compensation transactions with employees under the provisions of ASC 718, Compensation: Stock Compensation. Share-based compensation transactions with employees are measured based on the fair value of equity instruments issued. The fair value of awards issued for compensation prior to the Reorganization Transactions and the IPO was determined by management, with the assistance of an independent third party valuation firm, using a projected annual forfeiture rate, where applicable, on the date of grant. With respect to equity awards issued for compensation in connection with or subsequent to the Reorganization Transaction and the IPO pursuant to the Virtu Financial 2015 Management Incentive Plan (the "2015 Management Incentive Plan"), the fair value of the stock option grants are determined through the application of the Black-Scholes-Merton model. Similarly, the fair value of the restricted stock units is determined based on the market price at the time of grant. The fair value of share based awards granted to employees is expensed based on the vesting conditions.

Recent Accounting Pronouncements

Revenue - In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. ASU No. 2015-14 defers the effective date of ASU No. 2014-09 by one year for public companies. ASU 2015-14 applies to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company has not yet determined the potential effects of the adoption of ASU 2014-09 and ASU 2015-14 on its condensed consolidated financial statements.

Repurchase Agreements - In June 2014, the FASB released ASU No. 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The amendment changes the accounting for repurchase financing transactions and for repurchase-to-maturity transactions to secured borrowing accounting. The accounting changes were effective for the Company beginning in the first quarter of 2015. The effect of the accounting changes on transactions outstanding as of the effective date is required to be presented as a cumulative effect adjustment to retained earnings as of January 1, 2015. The amendment also requires additional disclosures for repurchase agreements and securities lending transactions regarding the class of collateral pledged and the remaining contractual maturity of the agreements, as well as a discussion on the potential risks associated with the agreements and the related collateral pledged, as well as how those risks are managed. Additional disclosures are required for repurchase agreements, securities lending transactions, sales with a total return swap, and other similar transfers of financial assets that are accounted for as a sale. Refer to Note 9 for additional information regarding the impact of ASU 2014-11 on the Company's condensed consolidated financial statements.

Compensation - In June 2014, the Emerging Issues Task Force (the ''EITF'') of the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The amendment requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015 (fiscal year 2016 for the Company). Earlier adoption is permitted. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

Going Concern — In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The guidance will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. The new standard will be effective in the first annual period ending after December 15, 2016 (fiscal year 2017 for the Company). Earlier adoption is permitted. The Company will implement this new standard on the required effective date.

Hybrid Financial Instruments — In November 2014, the EITF of the FASB issued ASU 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity. The ASU requires that for hybrid financial instruments issued in the form of a share, an entity should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. An entity should use judgment based on an evaluation of all the relevant terms and features, and should consider the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2015 (fiscal year 2016 for the Company) and interim periods within fiscal years beginning after December 15, 2016. Early adoption, including adoption in an interim period, is permitted. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

Debt Issuance Costs — In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as a deferred charge asset. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015 (fiscal year 2016 for the Company), and interim periods within those fiscal years. Early adoption of the amendment is permitted and the Company has elected to early adopt this ASU effective as of March 31, 2015.

The new guidance has been applied on a retrospective basis, wherein the accompanying condensed consolidated statements of financial condition have been adjusted to reflect the period-specific effects of applying the new guidance. In August 2015, the FASB issued ASU 2015-15, Interest – Presentation and Subsequent Measurement of Debit Issuance Costs Associated with Line-of-Credit Arrangement. The ASU stated that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company reports debt issuance cost related to line-of-credit as a direct deduction from the carrying amount of debt liability. Refer to Note 8 for additional information regarding the impact of ASU 2015-03 and ASU 2015-15 on the Company's condensed consolidated financial statements.

3. Earnings per Share

Historical earnings per share information is not applicable for reporting periods prior to the consummation of the Reorganization Transactions and the IPO. Net income available for common stockholders is based on the Company's

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approximate 24.8% interest in Virtu Financial. The net income earned by VFI, net of the provision for income taxes for the period, is $12.3 million and $12.8 million, for the three months and nine months ended September 30, 2015, respectively.

The below table contains a reconciliation of net income before noncontrolling interest to net income available for common stockholders:

(in thousands)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Income before income taxes and noncontrolling interest	$ 78,917	$ 168,651
Provision for income taxes	9,378	14,103
Net income	69,539	154,548
Net income allocable to members of Virtu Financial LLC (for the period January 1, 2015 through April 15, 2015)	—	(83,147)
Noncontrolling interest subsequent to April 15, 2015	(57,233)	(58,621)
Net income available for common stockholders	$ 12,306	$ 12,780

The calculation of basic and diluted earnings per share is described below:

Basic earnings per share are calculated utilizing net income available for common stockholders from the three months and nine months ended September 30, 2015 divided by the weighted average number of shares of common stock outstanding during the same period:

(in thousands, except for share or per share data)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Basic earnings per share:		
Net income available for common stockholders	$ 12,306	$ 12,780
Weighted average shares of common stock outstanding:		
Class A	34,305,052	34,305,052
Basic Earnings per share	$ 0.36	$ 0.37

Diluted earnings per share are calculated utilizing net income available for common stockholders commencing on April 16, 2015, divided by the weighted average total number of shares of common stock outstanding during the three months and nine months ended, September 30, 2015 plus additional shares of common stock issued and issuable pursuant to the 2015 Management Incentive Plan (Note 13).

(in thousands, except for share or per share data)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Diluted earnings per share:		
Net income available for common stockholders	$ 12,306	$ 12,780
Weighted average shares of common stock outstanding:		
Class A		
Issued and outstanding	34,305,052	34,305,052
Issuable pursuant to 2015 Management Incentive Plan	433,681	336,445
	34,738,733	34,641,497
Diluted Earnings per share	$ 0.35	$ 0.37

4. Tax Receivable Agreements

In connection with the IPO, on April 15, 2015, the Company entered into Tax Receivable Agreements

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(“TRAs”) to make payments to the Virtu Post-IPO Members, as defined in Note 13, and the Investor Post-IPO Stockholders, as defined in Note 13, that are generally equal to 85% of the applicable cash tax savings, if any, realized as a result of favorable tax attributes that will be available to the Company as a result of the Reorganization Transactions, exchanges of Virtu Financial interests for Class A common stock or Class B common stock and payments made under the TRAs. Payments will occur only after the filing of the U.S. federal and state income tax returns and realization of the cash tax savings from the favorable tax attributes. The first payment is due 120 days after the filing of the Company’s tax return for the year ended December 31, 2015, which is due March 15, 2016, but the due date can be extended until September 15, 2016. Future payments under the TRAs in respect of subsequent exchanges would be in addition to these amounts.

As a result of the exchange of units of Virtu Financial, the Company recorded a deferred tax asset of $161.6 million associated with the increase in tax basis. Payments to the Virtu Post-IPO Members and the Investor Post-IPO Stockholders in respect of the purchases, the exchanges and the Mergers described in Note 13 aggregated to approximately $184.7 million, ranging from approximately $7.9 million to $13.6 million per year over the next 15 years. The Company recorded a corresponding reduction to paid-in capital for the difference between the TRA liability and the related deferred tax asset. At September 30, 2015, the Company’s remaining deferred tax asset and the payment liability pursuant to the TRAs were approximately $155.6 million and $184.7 million, respectively. The amounts recorded as of September 30, 2015 approximates the current estimate of expected tax savings and are subject to change after the filing of the Company’s U.S. federal and state income tax returns for the year ended December 31, 2015.

For the TRA discussed above, the cash savings realized by the Company are computed by comparing the actual income tax liability of the Company to the amount of such taxes the Company would have been required to pay had there been no increase to the tax basis of the assets of Virtu Financial as a result of the purchase or exchange of Virtu Financial units, had there been no tax benefit from the tax basis in the intangible assets of Virtu Financial on the date of the IPO and had there been no tax benefit as a result of the Net Operating Losses (“NOLs”) and other tax attributes at Virtu Financial. Subsequent adjustments of the TRA obligations due to certain events (e.g., changes to the expected realization of NOLs or changes in tax rates) will be recognized within operating expenses in the condensed consolidated statement of comprehensive income.

5. Goodwill and Intangible Assets

There were no changes in the carrying amount of goodwill for the three and nine months ended September 30, 2015 and 2014.

No goodwill impairment was recognized in the three and nine months ended September 30, 2015 and 2014.

Acquired intangible assets consisted of the following as of September 30, 2015 and December 31, 2014:

	As of September 30, 2015			
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Lives (Years)
Purchased technology	$ 110,000	$ 110,000	$ —	1.4 to 2.5
ETF issuer relationships	950	322	628	9
ETF buyer relationships	950	323	627	9
	$ 111,900	$ 110,645	$ 1,255	

	As of December 31, 2014			
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Lives (Years)
Purchased technology	$ 110,000	$ 110,000	$ —	1.4 to 2.5
ETF issuer relationships	950	243	707	9
ETF buyer relationships	950	243	707	9
	$ 111,900	$ 110,486	$ 1,414	

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Amortization expense relating to finite-lived intangible assets was approximately $0.05 million and $0.05 million for the three months ended September 30, 2015 and 2014, respectively, and approximately $0.16 million and $0.16 million for the nine months ended September 30, 2015 and 2014, respectively. This is included in amortization of purchased intangibles and acquired capitalized software in the accompanying condensed consolidated statements of comprehensive income.

6. Receivables from/Payables to Broker-Dealers and Clearing Organizations

The following is a summary of receivables from and payables to brokers-dealers and clearing organizations at September 30, 2015 and December 31, 2014:

(in thousands)	September 30, 2015	December 31, 2014
Assets		
Due from prime brokers	$ 172,579	$ 67,556
Deposits with clearing organizations	39,966	29,595
Net equity with futures commission merchants	189,353	155,060
Unsettled trades	20,458	55,929
Securities failed to deliver	138,360	79,512
Total receivables from broker-dealers and clearing organizations	$ 560,716	$ 387,652
Liabilities		
Due to prime brokers	$ 76,497	$ 313,623
Net equity with futures commission merchants	211,425	60,973
Unsettled trades	32,364	311,322
Securities failed to receive	7,768	285
Total payables to broker-dealers and clearing organizations	$ 328,054	$ 686,203

Included as a deduction from “Due from prime brokers” and “Net equity with futures commission merchants” is the outstanding principal balance on all of the Company’s short-term credit facilities of approximately $245.0 million and $183.0 million as of September 30, 2015 and December 31, 2014, respectively. The loan proceeds from the credit facilities are available only to meet the initial margin requirements associated with the Company’s ordinary course futures and other trading positions, which are held in the Company’s trading accounts with an affiliate of the respective financial institutions. The credit facilities are fully collateralized by the Company’s trading accounts and deposit accounts with these financial institutions. “Securities failed to deliver” and “Securities failed to receive” include amounts with a clearing organization and other broker-dealers.

7. Collateralized Transactions

The Company is permitted to sell or repledge securities received as collateral and use these securities to secure repurchase agreements, enter into securities lending transactions or deliver these securities to counterparties or clearing organizations to cover short positions. At September 30, 2015 and December 31, 2014, substantially all of the securities received as collateral have been repledged. Amounts relating to collateralized transactions at September 30, 2015 and December 31, 2014 are summarized as follows:

(in thousands)	September 30, 2015	December 31, 2014
Securities received as collateral:		
Securities borrowed	$ 503,037	$ 470,553
Securities purchased under agreements to resell	—	31,472
	$ 503,037	$ 502,025

In the normal course of business, the Company pledges qualified securities with clearing organizations to satisfy daily margin and clearing fund requirements.

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Financial instruments owned and pledged, where the counterparty has the right to repledge, at September 30, 2015 and December 31, 2014 consisted of the following:

(in thousands)	September 30, 2015	December 31, 2014
Equities	$ 259,829	$ 219,159
Exchange traded notes	41,908	17,216
	$ 301,737	$ 236,375

8. Borrowings

Broker-Dealer Credit Facilities

The Company is a party to two secured credit facilities with the same financial institution to finance overnight securities positions purchased as part of its ordinary course broker-dealer market making activities. One of the facilities (the “Uncommitted Facility"), is provided on an uncommitted basis and is available for borrowings by the Company's broker-dealer subsidiaries up to a maximum amount of $100.0 million. In connection with this credit facility, the Company has entered into demand promissory notes dated February 20, 2013. The loans provided under the Uncommitted Facility are collateralized by the Company's broker-dealer trading and deposit accounts with the same financial institution and, bear interest at a rate set by the financial institution on a daily basis (1.05% at September 30, 2015 and 1.12% at December 31, 2014). The Uncommitted Facility has a 364-day term. The Company is party to another facility (the "Committed Facility") with the same financial institution dated July 22, 2013 and subsequently amended on March 26, 2014, July 21, 2014 and April 24, 2015, which is provided on a committed basis and is available for borrowings by one of the Company's broker-dealer subsidiaries up to a maximum of the lesser of $75.0 million or an amount determined based on agreed advance rates for pledged securities. The Committed Facility is subject to certain financial covenants, including a minimum tangible net worth, a maximum total assets to equity ratio, and a minimum excess net capital, each as defined. The Committed Facility bears interest at a rate per annum at the Company's election equal to either an adjusted LIBOR rate or base rate, plus a margin of 1.25% per annum, and has a term of 364 days. As of September 30, 2015 and December 31, 2014, the Company had $28.0 million and $0 outstanding principal balance on the Uncommitted Facility or the Committed Facility, respectively. Interest expense for the three months ended September 30, 2015 and 2014 was approximately $0.3 million and $0.1 million, and for the nine months ended September 30, 2015 and 2014 was approximately $0.6 million and $0.3 million, respectively. Interest expense is included within interest and dividends expense in the accompanying condensed consolidated statements of comprehensive income.

Short-Term Credit Facilities

The Company maintains short term credit facilities with various prime brokers and other financial institutions from which it receives execution or clearing services. The proceeds of these facilities are used to meet margin requirements associated with the products traded by the Company in the ordinary course, and amounts borrowed are collateralized by the Company's trading accounts with the applicable financial institution. The aggregate amount available for borrowing under these facilities was $477.0 million and $440.0 million, the outstanding principal was $245.0 million and $183.0 million, and borrowings bore interest at a weighted average interest rate of 2.23% and 1.80% per annum, as September 30, 2015 and December 31, 2014, respectively. Interest expense in relation to the facilities for the three months ended September 30, 2015 and 2014 was approximately $1.2 million and $0.9 million, respectively. Interest expense in relation to the facilities for the nine months ended September 30, 2015 and 2014 was approximately $3.9 million and $2.5 million, respectively. Interest expense is recorded within interest and dividends expense in the accompanying condensed consolidated statements of comprehensive income.

Senior Secured Credit Facility

On July 8, 2011, Virtu Financial, its wholly owned subsidiary, VFH Parent LLC ("VFH" or, the "Borrower"), and each of its unregulated domestic subsidiaries entered into the credit agreement (the "Credit Agreement") among the Borrower, Virtu Financial, Credit Suisse AG, as administrative agent, and the other parties thereto. The credit facility

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funded a portion of the MTH acquisition with a term loan in the amount of $320.0 million to VFH. The credit facility was issued at a discount of 2.0% or $313.6 million, net of $6.4 million discount. The credit facility was initially subject to quarterly principal payments beginning on December 31, 2011 with the unpaid principal payable on maturity on July 8, 2016. Under the terms of the loan, VFH is subject to certain financial covenants, including a total net leverage ratio and an interest coverage ratio, as defined in the Credit Agreement. VFH is also subject to contingent principal payments based on excess cash flow, as defined in the Credit Agreement, and certain other triggering events. Borrowings are collateralized by substantially all the assets of the Company, other than the equity interests in and assets of its registered broker-dealer, regulated and foreign subsidiaries, but including 100% of the non-voting stock and 65% of the voting stock of Virtu Financial's or its domestic subsidiaries' direct foreign subsidiaries.

The Credit Agreement was amended on February 5, 2013, May 1, 2013 and November 8, 2013. The amendments resulted in a decreased interest rate, changes in certain operating covenants, and an increase in principal amount outstanding by $150.0 million on May 1, 2013 and $106.7 million on November 8, 2013, respectively. Additionally, the amendments reduced the annual amortization obligation from 15% of the original principal amount to approximately 1% of the outstanding principal amount as of November 8, 2013, which was $510.0 million. The terms of the amended credit facility are otherwise substantially similar to the original credit facility, except as set forth below.

Term loans outstanding under the Credit Agreement bear interest at a rate per annum at the Company's election equal to either (i) the greatest of (a) the prime rate in effect, (b) the federal funds effective rate (as defined in the Credit Agreement) plus 0.5% (c) the adjusted LIBOR rate (as defined in the Credit Agreement) for a Eurodollar borrowing with an interest period of one month plus 1%, and (d) 2.25% plus, in each case, 3.0%, or (ii) the greater of (x) the adjusted LIBOR rate for the interest period in effect and (y) 1.25%, plus 4.0%. Pursuant to the Amendment (as defined below), each incremental spread was reduced by 0.50% upon the consummation of the Company's IPO. The rate at September 30, 2015 was 5.25%.

Aggregate future required minimum principal payments based on the terms of this loan at September 30, 2015 were as follows:

(in thousands)	
2015	$ 1,275
2016	5,100
2017	5,100
2018 and thereafter	489,600
Total maturities of long-term debt	$ 501,075

Net carrying amount of deferred financing fees capitalized in connection with the financing were approximately $4.3 million and $5.1 million, respectively, as of September 30, 2015 and December 31, 2014, which are included as a deduction to senior secured credit facility in the accompanying condensed consolidated statements of financial condition. The Company retrospectively adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, wherein the accompanying condensed consolidated statements of financial condition have been adjusted to reflect the period specific effects of applying the new guidance. After retrospectively applying the new guidance, the Company reclassified approximately $5.1 million in deferred financing fees as of December 31, 2014 previously included within other assets to senior secured credit facility in the accompanying condensed consolidated statements of financial condition. Amortization expense related to the deferred financing fees was approximately $0.3 million and $0.3 million for the three months ended September 30, 2015 and 2014, respectively, and for the nine months ended September 30, 2015 and 2014 was approximately $0.9 million and $0.8 million, respectively. Amortization expense is included within financing interest expense on senior secured credit facility in the accompanying condensed consolidated statements of comprehensive income.

Accretion related to the net carrying amount of debt discount of $1.6 million and $1.9 million, respectively, as of September 30, 2015 and December 31, 2014, was approximately $0.1 million and $0.1 million for the three months ended September 30, 2015 and 2014, and for the nine months ended September 30, 2015 and 2014 were approximately $0.3 million and $0.3 million, respectively. The accretion is included within financing interest expense on senior secured credit facility in the accompanying condensed consolidated statements of comprehensive income.

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On April 15, 2015, the Company, Virtu Financial, and each unregulated domestic subsidiary of Virtu Financial, entered into an amendment agreement (the “Amendment”) to the Credit Agreement. The Amendment provided for a revolving credit facility with aggregate commitments by revolving lenders of $100.0 million, available upon the consummation of the IPO and the payment of relevant fees and expenses. The revolving credit facility is secured pari passu with the term loans outstanding under the Credit Agreement and is subject to the same financial covenants and negative covenants. Borrowings under the revolving facility bear interest, at our election, at either (i) the greatest of (a) the prime rate in effect, (b) the federal funds effective rate plus 0.5% (c) an adjusted LIBOR rate for a Eurodollar borrowing with an interest period of one month plus 1% and (d) 2.25%, plus, in each case, 2.0%, or (ii) the greater of (x) an adjusted LIBOR rate for the interest period in effect and (y) 1.25%, plus, in each case, 3.0%. The Company will also pay a commitment fee of 0.50% per annum on the average daily unused portion of the facility.

As of September 30, 2015, the Company did not have any outstanding principal balance on the revolving credit facility. Interest expense in relation to the facilities for the three months and nine months ended September 30, 2015 was $0.2 million and $0.2 million, respectively. The net carrying amounts for the deferred financing fees capitalized in connection with the revolving credit facility were approximately $0.7 million as of September 30, 2015, which was included as a deduction to senior secured credit facility in the accompanying condensed consolidated statements of financial condition. Amortization expenses related to the deferred financing fees in connection with the revolving credit facility were approximately $0.2 million and $0.1 million for the three months and nine months ended September 30, 2015, respectively.

9. Financial Assets and Liabilities

At September 30, 2015 and December 31, 2014, substantially all of Company's financial assets and liabilities, except for the senior secured credit facility and certain exchange memberships, were carried at fair value based on published market prices and are marked to market daily or were short-term in nature and were carried at amounts that approximate fair value. The Company determined that the carrying value of the Company's senior secured credit facility approximates fair value as of September 30, 2015 and December 31, 2014 based on the quoted over-the-counter market prices provided by the issuer of the senior secured credit facility, which was categorized as Level 2.

The fair value of equities, U.S. government obligations and exchange traded notes is estimated using recently executed transactions and market price quotations in active markets and are categorized as Level 1 with the exception of inactively traded equities which are categorized as Level 2. Fair value of the Company's derivative contracts is based on the indicative prices obtained from the banks that are counterparties to these contracts, as well as management's own analyses. The indicative prices have been independently validated through the Company's risk management systems, which are designed to check prices with information independently obtained from exchanges and venues where such financial instruments are listed or to compare prices of similar instruments with similar maturities for listed financial futures in foreign exchange. At September 30, 2015 and December 31, 2014, the Company's derivative contracts and non-U.S. government obligations have been categorized as Level 2.

Transfers in or out of levels are recognized based on the beginning fair value of the period in which they occurred. There were no transfers of financial instruments between levels during the nine months ended September 30, 2015 and 2014.

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Fair value measurements for those items measured on a recurring basis are summarized below as of September 30, 2015:

(in thousands)	September 30, 2015 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counter-Party Netting	Total Fair Value
Assets					
Financial instruments owned, at fair value:					
Equity securities	$ 1,041,891	$ 50,982	$ —	$ —	$ 1,092,873
U.S. and Non-U.S. government obligations	—	8,894	—	—	8,894
Exchange traded notes	48,574	—	—	—	48,574
Interest rate swaps	—	453	—	—	453
Currency forwards	—	194,272	—	(193,446)	826
Options	—	1,201	—	—	1,201
	$ 1,090,465	$ 255,802	$ —	$ (193,446)	$ 1,152,821
Financial instruments owned, pledged as collateral:					
Equity securities	$ 259,829	$ —	$ —	$ —	$ 259,829
Exchange traded notes	41,908	—	—	—	41,908
	$ 301,737	$ —	$ —	$ —	$ 301,737
Other Assets					
Exchange stock	$ 9,210	$ —	$ —	$ —	$ 9,210
	$ 9,210	$ —	$ —	$ —	$ 9,210
Liabilities					
Financial instruments sold, not yet purchased, at fair value:					
Equity securities	$ 1,111,392	$ 9,057	$ —	$ —	$ 1,120,449
U.S. and Non-U.S. government obligations	2,000	—	—	—	2,000
Exchange traded notes	11,687	—	—	—	11,687
Interest rate swaps	—	461	—	—	461
Currency forwards	—	256,507	—	(193,446)	63,061
Options	—	1,223	—	—	1,223
	$ 1,125,079	$ 267,248	$ —	$ (193,446)	$ 1,198,881

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Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2014:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counter-Party Netting	Total Fair Value
Assets					
Financial instruments owned, at fair value:					
Equity securities	$ 1,216,532	$ 17,166	$ —	$ —	$ 1,233,698
U.S. and non-U.S. government obligations	—	8,222	—	—	8,222
Exchange traded notes	65,684	—	—	—	65,684
Currency forwards	—	1,629,637	—	(1,629,629)	8
Options	—	321	—	—	321
	$ 1,282,216	$ 1,655,346	$ —	$ (1,629,629)	$ 1,307,933
Financial instruments owned, pledged as collateral:					
Equity securities	$ 219,159	$ —	$ —	$ —	$ 219,159
Exchange traded notes	17,216	—	—	—	17,216
	$ 236,375	$ —	$ —	$ —	$ 236,375
Other Assets					
Exchange stock	$ 8,205	$ —	$ —	$ —	$ 8,205
	$ 8,205	$ —	$ —	$ —	$ 8,205
Liabilities					
Financial instruments sold, not yet purchased, at fair value:					
Equity securities	$ 859,836	$ 47,896	$ —	$ —	$ 907,732
U.S. and non-U.S. government obligations	21,107	—	—	—	21,107
Exchange traded notes	92,513	—	—	—	92,513
Currency forwards	—	1,645,820	—	(1,629,629)	16,191
Options	—	79	—	—	79
Interest rate swaps	—	12	—	—	12
	$ 973,456	$ 1,693,807	$ —	$ (1,629,629)	$ 1,037,634

The Company does not net securities borrowed and securities loaned, or securities purchased under agreements to resell and securities sold under agreements to repurchase. These financial instruments are presented on a gross basis in the condensed consolidated statements of financial condition. In the tables below, the amounts of financial instruments owned that are not offset in the condensed consolidated statements of financial condition, but could be netted against financial liabilities with specific counterparties under legally enforceable master netting agreements in the event of default, are presented to provide financial statement readers with the Company's estimate of its net exposure to counterparties for these financial instruments.

The following tables set forth the netting of certain financial assets and financial liabilities as of September 30, 2015 and December 31, 2014, pursuant to the requirements of ASU 2011-11 and ASU 2013-01.

	September 30, 2015					
(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Condensed Consolidated Statement of Financial Condition	Gross Amounts Not Offset In the Condensed Consolidated Statement of Financial Condition: Financial Instruments	Cash Collateral Received	Net Amount
Offsetting of Financial Assets:						
Securities borrowed	$ 510,600	$ —	$ 510,600	$ (508,017)	$ —	$ 2,583
Securities purchased under agreements to resell	—	—	—	—	—	—
Trading assets, at fair value:						
Currency forwards	194,272	(193,446)	826	—	(826)	—
Options	1,201	—	1,201	(1,201)	—	—
Interest rate swaps	453	—	453	(453)	—	—
Total	$ 706,526	$ (193,446)	$ 513,080	$ (509,671)	$ (826)	$ 2,583

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	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Condensed Consolidated Statement of Financial Condition	Gross Amounts Not Offset In the Condensed Consolidated Statement of Financial Condition: Financial Instruments	Cash Collateral Received	Net Amount
Offsetting of Financial Liabilities:						
Securities loaned	$ 741,728	$ —	$ 741,728	$ (734,358)	$ —	$ 7,370
Securities sold under agreements to repurchase	9,000	—	9,000	(9,000)	—	—
Trading liabilities, at fair value:						
Currency forwards	256,507	(193,446)	63,061	—	(62,439)	622
Options	1,223	—	1,223	(1,223)	—	—
Interest rate swaps	461	—	461	(453)	(8)	—
Total	$ 1,008,919	$ (193,446)	$ 815,473	$ (745,034)	$ (62,447)	$ 7,992

	December 31, 2014					
(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Condensed Consolidated Statement of Financial Condition	Gross Amounts Not Offset In the Condensed Consolidated Statement of Financial Condition: Financial Instruments	Cash Collateral Received	Net Amount
Offsetting of Financial Assets:						
Securities borrowed	$ 484,934	$ —	$ 484,934	$ (477,559)	$ —	$ 7,375
Securities purchased under agreements to resell	31,463	—	31,463	(31,463)	—	—

Trading assets, at fair value:						
Currency forwards	1,629,637	(1,629,629)	8	—	—	8
Options	321	—	321	(76)	—	245
Total	$ 2,146,355	$ (1,629,629)	$ 516,726	$ (509,098)	$ —	$ 7,628

(in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Liabilities Presented in the Condensed Consolidated Statement of Financial Condition	Gross Amounts Not Offset In the Condensed Consolidated Statement of Financial Condition: Financial Instruments	Cash Collateral Pledged	Net Amount
Offsetting of Financial Liabilities:						
Securities loaned	$ 497,862	—	$ 497,862	$ (490,768)	$ (2,812)	$ 4,282
Securities sold under agreements to repurchase	2,006	—	2,006	(2,006)	—	—
Trading liabilities, at fair value:						
Currency forwards	1,645,820	(1,629,629)	16,191	—	(16,191)	—
Options	79	—	79	(79)	—	—
Interest rate swaps	12	—	12	—	(12)	—
Total	$ 2,145,779	$ (1,629,629)	$ 516,150	$ (492,853)	$ (19,015)	$ 4,282

Excluded from the fair value and offsetting tables above is net variation margin on long and short futures contracts in the amounts of $(44.9) million and $46.4 million, which are included within receivables from broker-dealers and clearing organizations as of September 30, 2015 and December 31, 2014, respectively, and $(72.7) million and $(3.6) million, which are included within payables to broker-dealers and clearing organizations as of September 30, 2015 and December 31, 2014, respectively.

The following table presents gross obligations for repurchase agreements and securities lending transactions by remaining contractual maturity and the class of collateral pledged.

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(in thousands)	September 30, 2015 Remaining Contractual Maturity Overnight and Continuous	Less than 30 days	30 - 90 days	Over 90 Days	Total
Repurchase agreements:					
U.S. and Non-U.S. government obligations	$ 9,000	$ —	$ —	$ —	$ 9,000
Total	$ 9,000	$ —	$ —	$ —	$ 9,000
Securities lending transactions:					
Equity securities	$ 741,728	$ —	$ —	$ —	$ 741,728
Total	$ 741,728	$ —	$ —	$ —	$ 741,728

10. Derivative Instruments

The fair value of the Company's derivative instruments on a gross basis consisted of the following at September 30, 2015 and December 31, 2014:

(in thousands)		September 30, 2015		December 31, 2014	
Derivatives Assets	Balance Sheet Classification	Fair Value	Notional	Fair Value	Notional
Equities futures	Receivables from broker dealers and clearing organizations	$ 1,875	$ 933,948	$ 241	$ 561,029
Commodity futures	Receivables from broker dealers and clearing organizations	(71,433)	5,170,009	42,489	28,823,081
Currency futures	Receivables from broker dealers and clearing organizations	24,683	2,375,193	3,180	2,916,222
Treasury futures	Receivables from broker dealers and clearing organizations	(28)	731,114	504	857,363
Options	Financial instruments owned	1,201	17,153	321	39,802
Currency forwards	Financial instruments owned	194,272	22,576,627	1,629,637	127,021,198
Interest rate swaps	Financial instruments owned	453	82,010	—	—

Derivatives Liabilities	Balance Sheet Classification	Fair Value	Notional	Fair Value	Notional
Equities futures	Payables to broker dealers and clearing organizations	$ 32	$ 46,084	$ (268)	$ 122,948
Commodity futures	Payables to broker dealers and clearing organizations	(76,847)	14,809,230	(295)	15,727
Currency futures	Payables to broker dealers and clearing organizations	4,073	1,364,351	(3,077)	2,123,341
Options	Financial instruments sold, not yet purchased	1,223	17,909	79	12,913
Currency forwards	Financial instruments sold, not yet purchased	256,507	24,557,934	1,645,820	125,152,639
Interest rate swaps	Financial instruments sold, not yet purchased	461	82,010	12	164,020

Amounts included in receivables from and payables to broker-dealers and clearing organizations represent variation margin on long and short futures contracts.

The following table summarizes the gain from derivative instruments not designated as hedging instruments under ASC 815, which are recorded in trading income, net in the accompanying condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2015 and 2014.

(in thousands)	For the Three Months Ended September 30, 2015	2014	For the Nine Months Ended September 30, 2015	2014
Futures	$ 274,510	$ (93,125)	$ 915,383	$ (11,067)
Currency forwards	(100,752)	80,633	(111,010)	135,340
Options	(1,111)	251	(1,484)	1,056
Interest rate swaps	2	—	4	—
	$ 172,649	$ (12,241)	$ 802,893	$ 125,329

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11. Income Taxes

Income tax expense for the three and nine months ended September 30, 2015 and 2014 differs from the U.S. federal statutory rate primarily due to the taxation treatment of income attributable to noncontrolling interests in Virtu Financial. These noncontrolling interests are subject to U.S. taxation as partnerships. Accordingly, the income attributable to these noncontrolling interests is reported in the condensed consolidated statements of comprehensive income, but the related U.S. income tax expense attributable to these noncontrolling interests is not reported by the Company as it is the obligation of the individual partners. Income tax expense is also affected by the differing effective tax rates in foreign, state and local jurisdictions where certain of the Company's subsidiaries are subject to corporate taxation.

Deferred income taxes arise primarily due to the amortization of the deferred tax assets recognized in connection with the IPO (Note 13), differences in the valuation of financial assets and liabilities, and for other temporary differences arising from the deductibility of compensation and depreciation expenses in different time periods for book and income tax return purposes.

There are no expiration dates on the deferred tax assets. The provisions of ASC 740 require that carrying amounts of deferred tax assets be reduced by a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. A valuation allowance against deferred tax assets at the balance sheet date is not considered necessary because it is more likely than not the deferred tax asset will be fully realized. There are no unrecognized tax benefits as of September 30, 2015 and December 31, 2014.

12. Commitments, Contingencies and Guarantees

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. The Company has also been, is currently, and may in the future be, the subject of one or more regulatory or self-regulatory organization enforcement actions, including but not limited to targeted and routine regulatory inquiries and investigations involving Regulation NMS, Regulation SHO, capital requirements and other domestic and foreign securities rules and regulations which may from time to time result in the imposition of penalties or fines. In addition, the Autorité des marchés financiers ("AMF") has brought an enforcement action in connection with the trading activities of a subsidiary of MTH in certain French listed equity securities on or around 2009. The AMF board referred the matter to the AMF enforcement committee, which conducted a hearing on November 4, 2015 at which the board sought a penalty of at least €5,000,000 based on its allegations that the subsidiary of MTH engaged in price manipulation and violations of the AMF General Regulation and Euronext Market Rules. The enforcement committee's decision is pending, and it could impose administrative sanctions or monetary penalties on the

Company. At this time, it is not possible to estimate the effect or possible range of loss relating to this matter. The Company has also been the subject of requests for information and documents from the SEC and the State of New York Office of the Attorney General (''NYAG''). Certain of these matters may result in adverse judgments, settlements, fines, penalties, injunctions or other relief, and the Company's business or reputation could be negatively impacted if it were determined that disciplinary or other enforcement actions were required. The ultimate effect on the Company from the pending proceedings and claims, if any, is presently unknown. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to income. Subject to the foregoing, based on information currently available, management believes it is not probable that the resolution of any known matters will result in a material adverse effect on the Company's financial position, results of operations or cash flows although they might be material for any particular reporting period.

Indemnification Arrangements

Consistent with standard business practices in the normal course of business, the Company has provided general

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indemnifications to its managers, officers, employees, and agents against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by such persons under certain circumstances as more fully disclosed in its operating agreement. The overall maximum amount of the obligations (if any) cannot reasonably be estimated as it will depend on the facts and circumstances that give rise to any future claims.

13. Capital Structure

Capital Structure prior to the Company's Reorganization Completed on April 15, 2015 and IPO Completed on April 16, 2015:

Virtu Financial had three classes of members interests: Class A-1 members interests; Class A-2 members interests; and Class B members interests. Class A-2 members interests included both Class A-2 capital interests and Class A-2 profits interests.

Class A-1 Interests

On July 8, 2011, 25,000,000 Class A-1 redeemable interests were issued to an affiliate of Silver Lake ("the Silver Lake Member") and 1,964,826 Class A-1 interests were issued to an affiliate of Vincent Viola, which Class A-1 interests had an aggregate capital balance of approximately $270 million. On December 31, 2014, through a series of transactions, 5,376,603 and 12,242,173 of the Class A-1 redeemable interests previously held by the Silver Lake Member were transferred to Wilbur Investments LLC (the ''Temasek Member''), an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited, (''Temasek''), and an affiliate of Silver Lake and Temasek, 57.9% of which is indirectly owned by affiliates of Silver Lake Partners and 42.1% of which is indirectly owned by an affiliate of Temasek (the "SLT Member" and together with the Silver Lake Member and the Temasek Member, the "Investor Members"), respectively, with the Silver Lake Member retaining 7,381,224 Class A-1 redeemable interests. Class A-1 interests that the holder thereof has the right to call for redemption were held by three members: (i) the Silver Lake Member, (ii) the Temasek Member and (iii) the SLT Member. The Silver Lake Member had the right to appoint one member on Virtu Financial's board of directors and the Temasek Member had the right to either appoint one member on Virtu Financial's board of directors (subject to obtaining certain regulatory approvals) or elect that the other members of the board of directors designate one member of Virtu Financial's board of directors in consultation with the Temasek Member. The Silver Lake Member and the Temasek Member also possessed approval rights with respect to certain board actions and corporate events. Additionally, as part of the transaction consideration, a contingent payment agreement was entered into among Temasek, Silver Lake Partners, the Employee Holdco and the Company whereby additional payments will be made from Temasek to Silver Lake Partners and the selling members of management in the aggregate maximum amount of $3.9 million if the value of the interests acquired exceeds 1.7 times the transaction price prior to December 31, 2018, or December 31, 2019, the date depending on whether certain liquidity events occur.

There were no additional Class A-1 interests granted, forfeited, distributed or redeemed during the three and nine months ended September 30, 2015 and 2014.

Class A-2 Interests

Class A-2 interests included both Class A-2 capital interests and Class A-2 profits interests. No Class A-2 capital interests were issued and outstanding as of September 30, 2015, and approximately 93,786,659 were issued and outstanding as of December 31, 2014. On December 31, 2014, through a series of transactions, 1,614,322 of the Class A-2 capital interests previously held by certain members of the Company's management were transferred to the Temasek Member, and 214,433 new Class A-2 capital interests were issued to the Temasek Member, with the proceeds of such issuance being used to redeem the same number of Class A-2 profits interests held by Employee Holdco LLC ("Employee Holdco"). Class A-2 profits interests were issued to Employee Holdco, a holding company which held the interests on behalf of certain key employees or stakeholders. Employee Holdco issued Class A-2 profits interests of Employee Holdco to such employees and stakeholders which corresponded to the underlying Class A-2 profits interests held by Employee Holdco. There were no Class A-2 profits interests issued and outstanding as of September 30, 2015 and 6,069,007 Class A-2 profits interests issued and outstanding as of December 31, 2014. There were no Class A-2 profits interests issued during the three months ended September 30, 2015 and 2014 and 6,418 and 0 Class A-2 profits

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interests were issued during the nine months ended September 30, 2015 and 2014, respectively. There were no Class A-2 profits interests redeemed during the three months ended September 30, 2015 and 2014 and 13,495 and 6,795 Class A-2 profits interests were redeemed during the nine months ended September 30, 2015 and 2014, respectively. Holders of Class A-2 profits interests shared in distributions of available cash flow based on the ratio of interests held to the total number of Class A-1 and Class A-2 interests outstanding, and also shared on a pro rata basis in the proceeds of a liquidity event, subject to a valuation hurdle determined by Virtu Financial at the time of the grant based on a valuation performed by a third party valuation firm. Holders of the Class A-2 profits interests shared in the proceeds of a liquidity event above such valuation hurdle, and received a preference on such distributions above such valuation threshold until all holders of Class A-2 profits interests subject to such valuation threshold had been allocated capital proceeds equal to the deemed capital contribution attributable to such Class A-2 profits interests as determined by the Company at the time of the grant.

Class B Interests

Virtu Financial previously approved the Virtu Financial LLC Management Incentive Plan (the “MIP”). Participants of the MIP were entitled to receive either Class B interests of Virtu Financial or Class B interests of Employee Holdco, which holds directly the corresponding Class B interests in Virtu Financial. Upon a liquidity event, Class B interests under the MIP were entitled to share proportionately in distributions in excess of the applicable profits interest valuation hurdle, which was determined by Virtu Financial based on a valuation at the time of the grant performed by a third party valuation firm. Class B interests were non-voting interests which vested over a four year period and upon a sale, IPO or certain other capital transactions of Virtu Financial. Class B interests were subject to forfeiture and repurchase provisions upon certain termination events. There were no Class B interests outstanding as of September 30, 2015 and Class B interests representing a right to share in 12.915% of capital proceeds (on a fully diluted basis) were issued and outstanding as of December 31, 2014. No Class B interests were issued during the three and nine months ended September 30, 2015 and 2014.

Distribution and Liquidation Rights

Holders of Class A-1 and Class A-2 interests shared in distributions of available cash flow based on the ratio of interests held to the total number of Class A-1 and Class A-2 interests outstanding. Holders of Class B interests were not entitled to share in such distributions.

As of December 31, 2014, unless and until converted to Class A-2 members’ interests, upon occurrence of a capital transaction, Class A-1 interests were entitled to distributions of capital proceeds until Class A-1 members’ unrecovered capital balance (as defined) was reduced to zero. After distributions to Class A-1 members, capital proceeds would have been provided to Class A-2 capital members until Class A-2 capital members’ unrecovered capital balance (as defined) were reduced to zero. After distributions to Class A-1 and Class A-2 members, distributions of capital proceeds would have been provided to members in respect to their respective capital proceeds percentages (as defined), subject to the valuation hurdles and distribution preferences applicable to holders of Class A-2 profits interests. Holders of vested Class B interests would have shared in distributions of capital proceeds above the applicable valuation hurdle proportionately based on their capital proceeds percentages.

In the event of any voluntary or involuntary liquidation, dissolution, winding up, merger or company sale, distributions would have been made, first, to Class A-1 members' unrecovered capital balance (as defined) until they have been reduced to zero. Second, to Class A-2 capital members, in proportion to their unrecovered capital balance (as defined) until reduced to zero and then to members in respect to their capital proceeds percentages (as defined), subject to the valuation hurdles and distribution preferences applicable to holders of Class A-2 profits interests.

Conversion Rights

As of December 31, 2014, the Class A-1 interests were convertible into Class A-2 interests at any time at the option of the Class A-1 member on a one-for-one basis. The Class A-1 interests automatically converted upon a qualified IPO or qualified sale. Qualified IPO was defined as an initial public offering on the New York Stock Exchange or NASDAQ National Market in which the gross proceeds raised equal or exceed $100.0 million and the valuation of the

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Company implies a return to the Silver Lake Member equal to at least (after taking into account previous distributions) 1.75 times the invested amount. Qualified sale was defined as a sale of all or a majority of the assets of the Company or all or a majority of the limited liability company interests of the Company to a third party that is not an affiliate or other permitted transferee of any member as long as the sale (i) is for consideration consisting entirely of cash and/or marketable securities and would satisfy certain minimum return requirements applicable to Silver Lake Partners and Temasek or (ii) was approved by the Silver Lake Member or, in certain circumstances, the Temasek Member.

Redemption Rights

Unless and until conversion occurred, the Investor Members were entitled to a number of rights and benefits, including the right to call for redemption of their Class A-1 interests. Any time on or after November 24, 2016, the Silver Lake Member could have exercised such redemption right in order to cause the Company to purchase all of the Class A-1 interests owned directly or indirectly by affiliates of Silver Lake Partners. Any time on or after May 16, 2020, the Temasek Member could have exercised such redemption right in order to cause the Company to purchase all of the Class A-1 interests owned directly or indirectly by affiliates of Temasek.

As of December 31, 2014, the redemption price for each unit of Class A-1 interests owned by the Investor Members was the greater of (i) a minimum purchase price and (ii) the fair market value of the Class A-1 interests on the date of redemption. The minimum purchase price with respect to the Class A-1 interests owned directly or indirectly by affiliates of Silver Lake Partners was equal to the purchase price paid by affiliates of Silver Lake Partners for such Class A-1 interests and the minimum purchase price with respect to the Class A-1 interests owned directly or indirectly by affiliates (as defined in the Second Amended and Restated Limited Liability Company Agreement of Virtu Financial) of Temasek was equal to the purchase price paid by affiliates (as defined in the Second Amended and Restated Limited Liability Company Agreement of Virtu Financial) of Temasek for such Class A-1 interests (in each case, less distributions received in respect of such Class A-1 interests). The Company could have redeemed the Class A-1 interests using redemption notes provided that all available cash flow and all capital proceeds were used to pay down the redemption note.

In lieu of redemption, the Silver Lake Member or the Temasek Member could require the Company to purchase all of the equity securities of the affiliated entity or entities that directly or indirectly owned their Class A-1 interests on behalf of affiliates of Silver Lake Partners or Temasek, respectively, provided that any such entity had not conducted any business or operations since inception other than the direct or indirect ownership of the interests of the Company.

The redeemable equity instrument is classified outside of permanent equity on the condensed consolidated statements of financial condition.

East Management Incentive Plan

On July 8, 2011, 2,625,000 Class A-2 capital interests were contributed by Class A-2 members to Virtu East MIP LLC ("East MIP"). East MIP issued Class A interests to the members who contributed the Class A-2 capital interests, and Class B interests ("East MIP Class B interests") to certain key employees. East MIP Class B interests were non-voting interests which vested over the four year period ending July 8, 2015, but in any event no earlier than upon the occurrence of a sale, IPO or certain other capital transactions of Virtu Financial. Vested East MIP Class B interests were entitled to participate in distributions of the proceeds received in respect of the Class A-2 capital interests held by East MIP upon a sale or certain other capital transactions of Virtu Financial. East MIP Class B interests were subject to forfeiture and repurchase provisions upon certain termination events.

Capital structure after the Company's Reorganization Completed on April 15, 2015 and IPO Completed on April 16, 2015:

Initial Public Offering

On April 21, 2015, the Company completed its IPO of 19,012,112 shares of its Class A common stock, par value $0.00001 per share, including 2,479,840 shares of Class A common stock sold in connection with the full exercise

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of the option to purchase additional shares granted to the underwriters, at a price to the public of $19.00 per share. The shares began trading on NASDAQ on April 16, 2015 under the ticker symbol “VIRT.” As a result of the completion of the Reorganization Transactions and the IPO, VFI holds approximately 24.8% interest in Virtu Financial.

Reorganization Transactions

In connection with the IPO, a series of reorganization transactions was completed on April 15, 2015 (the “Reorganization Transactions”) among the Company, subsidiaries of Virtu Financial and equityholders of Virtu Financial which include the following persons (the ‘‘Virtu Pre-IPO Members’’):

· three affiliates of the founding member, (collectively the ‘‘Founder Pre-IPO Members’’);

· the Silver Lake Member;

· the Temasek Member;

· the SLT Member;

· two entities, one of which was and the other of which is managed by the founding member, whose equityholders include certain members of the management of Virtu Financial, (the ‘‘Management Vehicles’’); and

· certain current and former members of the management of the Company. and Madison Tyler Holdings and their affiliates, (the ‘‘Management Members’’)

The Reorganization Transactions are further described in the Company’s Registration Statement filed on Form S-1 (File No. 333-194473) (as amended the “Registration Statement”).

In the Reorganization Transactions:

· the Company. became the sole managing member of Virtu Financial;

·

in a series of transactions, one of the Management Vehicles liquidated, with its equity interests in Virtu Financial either being distributed to its members, including certain members of management, or contributed to the other Management Vehicle (‘‘Virtu Employee Holdco’’) and certain employees of Virtu Financial based outside the United States were distributed equity interests in Virtu Financial held by Virtu Employee Holdco on behalf of such employees and such equity interests were contributed to a trust (the ‘‘Employee Trust’’), whose trustee is one of Virtu Financial’s subsidiaries;

- two of the Founder Pre-IPO Members liquidated and distributed their equity interests in Virtu Financial to their equityholders, one of whom is TJMT Holdings LLC, the third Founder Pre-IPO Member;

- the SLT Member distributed its equity interests in Virtu Financial to its equityholders, which consist of investment funds and other entities affiliated with Silver Lake Partners and Temasek;

- following a series of transactions, the Company acquired equity interests in Virtu Financial as a result of certain mergers involving wholly owned subsidiaries of Virtu Financial, an affiliate of Silver Lake Partners and Temasek, and the Temasek Member (the ‘‘Mergers’’), and in exchange the Company issued to an affiliate of Silver Lake Partners (the ‘‘Silver Lake Post-IPO Stockholder’’) and an affiliate of Temasek (the ‘‘Temasek Post-IPO Stockholder’’, collectively with the Silver Lake Post-IPO Stockholder, the ‘‘Investor Post-IPO Stockholders’’) shares of Class A common stock and rights to receive payments under a tax receivable agreement described below. The number of shares of Class A common stock issued to the Investor Post-IPO Stockholders was based on the value of the Virtu Financial equity interests that we acquired, which was determined based on a hypothetical liquidation of Virtu Financial and the initial public offering price per share of the Company’s Class A common stock in the IPO;

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· all of the existing equity interests in Virtu Financial were reclassified into non-voting common interest units (‘‘Virtu Financial Units’’). The number of Virtu Financial Units issued to each member of Virtu Financial was determined based on a hypothetical liquidation of Virtu Financial and the IPO price of $19 per share of the Company’s Class A common stock in this offering. The Virtu Financial Units received by Virtu Employee Holdco, the Employee Trust and the Management Members have the same vesting restrictions as the equity interests which were reclassified. Vested Virtu Financial Units will be entitled to receive distributions, if any, from Virtu Financial. Subject to certain exceptions, unvested Virtu Financial Units are not entitled to receive such distributions (other than tax distributions). If any unvested Virtu Financial Units are forfeited, they will be cancelled by Virtu Financial for no consideration (and the Company will cancel the related shares of Class C common stock (described below) for no consideration);

· the Company amended and restated its certificate of incorporation and issued four classes of common stock: Class A common stock, Class B common stock, Class C common stock and Class D common stock (‘‘common stock’’). The Class A common stock and Class C common stock each provide holders with one vote on all matters submitted to a vote of stockholders, and the Class B common stock and Class D common stock each provide holders with 10 votes on all matters submitted to a vote of stockholders. The holders of Class C common stock and Class D common stock do not have any of the economic rights (including rights to dividends and distributions upon liquidation) provided to holders of Class A common stock and Class B common stock. Shares of the Company’s common stock will generally vote together as a single class on all matters submitted to a vote of stockholders. The remaining members of Virtu Financial after giving effect to the Reorganization Transactions, other than the Company, (collectively as the ‘‘Virtu Post-IPO Members’’), subscribed for and purchased shares of the Company’s common stock as follows, in each case at a purchase price of $0.00001 per share and in an amount equal to the number of Virtu Financial Units held by each such Virtu Post-IPO Member;

· TJMT Holdings LLC (‘‘Founder Post-IPO Member’’), purchased 79,610,490 shares of the Company’s Class D common stock; and

· affiliates of Silver Lake Partners (the ‘‘Silver Lake Post-IPO Members’’), Virtu Employee Holdco, the Employee Trust, the Management Members and the other Virtu Post-IPO Members purchased 36,746,041 shares of the Company’s Class C common stock; and the Founder Post-IPO Member was granted the right to exchange its Virtu Financial Units, together with a corresponding number of shares of the Company’s Class D common stock, for shares of the Company's Class B common stock, and the other Virtu Post-IPO Members was granted th