DARBY SWAP TRADING, LLC

(a limited liability company)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2022

DARBY SWAP TRADING, LLC

Statement of Financial Condition
December 31, 2022
(dollars in thousands)

Assets		
Cash	$	2,347
Receivable from clearing broker		299,646
Securities owned - at fair value		100,417
Receivable from counterparty		460
Accrued trading receivables		274
Other assets		261
Total assets	$	403,405
Liabilities and member's equity		
Payable to clearing broker	$	25,765
Securities sold, not yet purchased - at fair value		19,910
Accrued trading payables		161
Payable to affiliates		447
Accrued compensation		2,542
Accrued expenses and other liabilities		158
Total liabilities		48,983
Member's equity		354,422
Total liabilities and member's equity	$	403,405

Notes to Statement of Financial Condition
December 31, 2022
(dollars in thousands)

NOTE A - ORGANIZATION

Darby Swap Trading, LLC (the "Entity") is a swap-dealer registered with the Commodity Futures Trading Commission (the "CFTC"). The Entity’s designated examining authority is the National Futures Association. The Entity trades currency options which, in accordance with the Dodd-Frank Act, meet the regulatory definition of a swap. As such, the CFTC regulates these options. The Entity is wholly owned by Darby Swap Holdings Inc.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The Entity records purchases and sales of securities and related revenues and expenses on a trade-date basis.

Interest income and expense are recorded on the accrual basis.

The Entity manages its investments on a fair value basis, therefore management elects to carry all of its investments at fair value.

The Entity maintains cash in an account which, at times, may exceed federally insured limits.

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Purchases and sales of financial instruments that are denominated in foreign currencies are translated into United States dollar amounts at the prevailing rates of exchange on the transaction date.

The Entity assessed certain financial assets measured at amortized cost for credit losses using a current expected credit loss (“CECL”) methodology to estimate expected credit losses over the life of the financial asset, as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts.

Receivable from clearing broker; the Entity has concluded that there are currently no expected credit losses based on the nature and contractual life or expected life of the financial assets held at each of the Entity’s clearing brokers and clearing organizations. Certain contracts are cleared through a centralized clearing organization and settled daily between the clearing organization and the Entity's prime broker, therefore limiting the amount of unsettled credit exposure. The Entity monitors the capital adequacy of such organizations.

This statement of financial condition has been prepared in conformity with accounting principles generally accepted in the United States of America, which require the use of estimates by management. Actual results could differ from those estimates.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Entity measures its financial instruments in accordance with the Financial Accounting Standards Board Accounting Standards Codification Section for Fair Value Measurements. This codification section clarifies the definition of fair value financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. Fair Value Measurements establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

DARBY SWAP TRADING, LLC

Notes to Statement of Financial Condition
December 31, 2022
(dollars in thousands)

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The three levels of the fair value hierarchy under Fair Value Measurements are described below:

Level 1: Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Entity has the ability to access at the measurement date;

Level 2: Inputs that are observable for substantially the full term of the asset or liability (other than quoted prices for the specific asset or liability in an active market), including quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in a nonactive market, inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or otherwise; and

Level 3: Prices, inputs or exotic modeling techniques which are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As required by the Codification Section for Fair Value Measurements, financial instruments are classified within the level of the lowest significant input considered in determining fair value. Financial instruments classified within Level 3 whose fair value measurement considers several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

The tables that follow set forth information about the level within the fair value hierarchy at which the Entity's financial instruments are measured at December 31, 2022.

Assets measured at fair value:

Description	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equities/Options:			
Arbitrage	$ 165,633	$ 59,903	$ 105,730
Position Netting*	(65,216)	—	(65,216)

Liabilities measured at fair value:

Description	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Options:			
Arbitrage	$ 85,126	$ —	$ 85,126
Position Netting*	(65,216)	—	(65,216)

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

* The Entity has a netting agreement and collateral agreement with its counterparty. These agreements provide the Entity with the right, in the event of a default by the counterparty (such as bankruptcy or a failure to pay or perform), to net a counterparty's rights and obligations under the agreement and to liquidate and set off collateral against any net amount owed by the counterparty. The enforceability of the netting agreements is taken into account in the Entity's risk management practices and application of counterparty credit limits. The "Position Netting" amount set forth in each table above adjusts for instances where the Entity holds long and short positions for the same cross currency position.

Options are priced using a standard option pricing model with inputs sourced from observed market activity on the last business day of the year. Equity securities owned are valued at the last published net asset value price on the the last business day of the year.

NOTE D - SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED

Securities owned and securities sold, not yet purchased, are summarized as follows:

	Securities Owned	Securities Sold, Not Yet Purchased
Equity securities	$ 59,903	$ —
Options	40,514	19,910
	$ 100,417	$ 19,910

NOTE E - RECEIVABLE FROM AND PAYABLE TO CLEARING BROKER/COUNTERPARTY

The clearing and depository operations for the Entity's transactions are provided by Merrill Lynch Professional Clearing Corp, Bank of America NA., and The Bank of New York Mellon.

At December 31, 2022, the amounts receivable from and payable to clearing broker and amounts receivable from counterparty, which is cash collateral amounting to $460, reflected on the statement of financial condition, are amounts due from and to these financial institutions.

NOTE F - RELATED PARTY TRANSACTIONS

The Entity is affiliated through common ownership with Susquehanna International Group, LLP ("SIG"), Susquehanna Technology Management, Inc. ("STMI") and Susquehanna Israel Technologies Ltd ("SITLTD").

SIG acts as a common payment agent for the Entity and various affiliates for various direct and indirect operating expenses. The Entity pays for the indirect costs at an amount agreed upon between the Entity and SIG based on allocations determined at SIG's discretion. Included in payable to affiliates is $434 related to these direct and indirect operating costs.

SIG also provides infrastructure support services to the Entity and various affiliates. The Entity pays a monthly fee for these services based on allocations determined at SIG's discretion. Included in payable to affiliates is $1 related to these services.

NOTE F - RELATED PARTY TRANSACTIONS (CONTINUED)

STMI and SITLTD provide administrative and technology services to the Entity and various affiliates. The Entity pays a monthly management fee for these services based on allocations determined at STMI's or SITLTD's discretion, as applicable. Included in payable to affiliates are $10 and $2, respectively, related to these services.

The Entity has a sublicensing agreement with SIG. The agreement allows the Entity to utilize intellectual property and research and development, licensed by SIG from Wide Wing Financing LLC ("Wide Wing"), an entity affiliated through common ownership. Wide Wing is the exclusive owner of the intellectual property and all research and development related thereto. As consideration for the sublicense, the Entity pays SIG an annual sublicensing fee equal to a percentage of the Entity's net trading profits, if any, as defined in the sublicensing agreement. No payable exists as of December 31, 2022.

Because of its short-term nature, the fair value of the payable to affiliate approximates its carrying amount.

The Entity and various other entities are under common ownership and control. As a result, management can exercise its discretion when determining which entity will engage in new or current business activities and/or trade new products. Therefore, the financial position presented herein may not necessarily be indicative of that which would be obtained had these entities operated autonomously.

NOTE G - FINANCIAL INSTRUMENTS AND RISK

In the normal course of its business, the Entity trades various financial instruments and enters into various financial transactions where the risk of potential loss due to market risk, currency risk, credit risk, liquidity risk and other risks could exceed the related amounts recorded. In general, the Entity hedges its positions to mitigate these risks based on certain models. These models take into consideration the types of risks mentioned above in an attempt to identify arbitrage opportunities associated with various types of financial instruments held by the Entity. Losses may occur when the underlying assumptions on which the Entity's trading is based are not completely representative of actual market conditions. The success of any trading activity is influenced by general economic conditions that may affect the level and volatility of equity prices, credit spreads and interest rates for both equity and interest rate sensitive instruments. Unexpected volatility or illiquidity in relevant markets could adversely affect the Entity's operating results.

Market risk represents the potential loss that can be caused by increases or decreases in the fair value of financial instruments resulting from market fluctuations.

Currency risk is the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. Financial instruments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Credit risk represents the potential loss that would occur if counterparties fail to perform pursuant to the terms of their obligations. In addition to its financial instruments and related transactions, the Entity is subject to credit risk to the extent a custodian or broker with whom it conducts business is unable to fulfill contractual obligations.

Liquidity risk is the risk stemming from the lack of marketability of a position that cannot be bought or sold quickly enough to prevent or minimize a loss.

NOTE G - FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

While the use of certain forms of leverage, including margin borrowing and derivative instruments, can substantially improve the return on invested capital; such use may also increase the adverse impact to which the portfolio of the Entity may be subject.

The seller of a call option which is covered (e.g., the seller has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value of the underlying instrument, less the premium received, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying instrument, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying instrument.

The seller of a put option which is covered (e.g., the seller has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying instrument, the loss on the put will be offset, in whole or in part, by any gain on the underlying instrument.

NOTE H - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments may be used to manage market risk and to take an active long or short position in the market. Should interest rates or credit spreads move unexpectedly, anticipated benefits may not be achieved and a loss realized. Furthermore, the use of derivative financial instruments involves the risk of imperfect correlation in movements in the price of the instruments, interest rates and the underlying assets.

Derivatives used for risk management include currency options.

The following table sets forth the absolute notional of the Entity's derivative financial instruments by major product type for the year ended December 31, 2022:

	Absolute	Fair Value		Statement of Financial Condition
	Notional*	**Assets**	**Liabilities**	**Location**
Options	$ 195,322,275	$ 40,514	$ 19,910	Securities owned; Securities sold, not yet purchased

* Amount shown represents the absolute notional of the currency options traded during the year shown in thousands.

DARBY SWAP TRADING, LLC

Notes to Statement of Financial Condition
December 31, 2022
(dollars in thousands)

NOTE I - INCOME TAXES

No provision for federal income taxes has been made because the Entity is a single-member LLC and, therefore, is not subject to federal income taxes. The Entity is currently not subject to state or local income taxes.

At December 31, 2022, management has determined that there are no material uncertain income tax positions.

NOTE J – NET CAPITAL REQUIREMENT

As a registered swap-dealer, the Entity is subject to the CFTC's net capital requirement pursuant to Regulation 240.18a-1. The Entity computes its net capital using a non-model based approach, which requires it to maintain minimum net capital, as defined, of $20,000. At December 31, 2022, the Entity had net capital of $309,531, which exceeded its requirement of $20,000 by $289,531.

NOTE K - SUBSEQUENT EVENTS

The Entity evaluated subsequent events to consider if the impact of such events needed to be reflected or disclosed in the statement of financial condition. Such evaluation was performed through February 28, 2023, the date that this financial statement was available to be issued.

Subsequent to year end, the member made capital contributions of $906.