



ADM Investor  
Services, Inc.

50  
YEARS STRONG

2016  
Consolidated  
Statement  
of Financial  
Condition

A large graphic of a globe with a complex network of glowing green and yellow lines connecting various points across the continents, symbolizing global connectivity and trading. The background is a dark blue gradient.

**50 Years of Trading.  
Around the globe,  
around the clock.**

## PRESIDENT'S MESSAGE

In 2016, we proudly celebrated the 50th anniversary of ADM Investor Services (ADMIS). We began operations in 1966 as a small Midwestern firm that specialized in agricultural hedging, and grew steadily over the past 5 decades into the diversified global Futures Commission Merchant we are today.

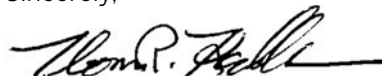
Although technology and new opportunities changed our operations and our size significantly over the years, they have not changed the core principles upon which our firm was built; strength, stability and service. ADMIS employees have worked daily for the past 50 years to earn our customer's business by providing exemplary service designed to promote their success, a strong balance sheet structured to protect their assets, and a stable firm that values high quality, long-term relationships with clients.

I am pleased to report that our assets, volume and revenue are at or near all-time highs, and for the third year in a row, ADMIS is the largest U.S. non-bank FCM as measured by customer segregated assets.

Specific highlights of our 2016 financial statement are equity capital of \$341 million, excess regulatory capital of \$120 million, and customer assets of \$4.8 billion. In 2016, we provided a dividend to our parent company, Archer Daniels Midland (NYSE: ADM), and continued to benefit from their support and strong commitment to our mission.

From our offices in Chicago, New York, London, Hong Kong, Taiwan and Singapore, the employees of ADM Investor Services join me in thanking you for your business and loyalty, and for helping to make our firm what it is today. We look forward to the future with you and to the great opportunities that await us all.

Sincerely,



Thomas R. Kadlec  
President  
ADM Investor Services, Inc.

# STABILITY | STRENGTH | SERVICE

## WHO WE ARE

For 50 years, ADM Investor Services, Inc. (ADMIS) has earned its position as a leader in the futures brokerage industry by maintaining a strong capital base, following responsible business practices and providing clients around the globe with superior service. The firm does not engage in proprietary trading; rather it remains fully focused on its clients and operating a firm well known for its integrity and fair and ethical business practices.

## FUTURES TRADING. AROUND THE GLOBE, AROUND THE CLOCK

ADMIS is the largest US non-bank FCM in the industry, and provides an array of futures clearing and execution services to commercial, institutional and retail customers around the globe. Our network of ADMIS Introducing Brokers operates from over 330 locations across the United States. ADMIS subsidiaries, affiliates and branch offices are strategically located in Chicago, New York, London, Hong Kong, Shanghai, Singapore and Taiwan.

## HISTORY OF ADMIS

ADMIS traces its roots back to the 1930's with the founding of the Tabor Grain and Feed Company, an independently owned grain merchandising operation in Central Illinois. Tabor expanded in 1956 to provide customers with investment banking and stock trading services. In 1966, the company became a clearing member of the Chicago Board of Trade and began clearing and executing futures trades. In 1975, the Archer Daniels Midland Company (ADM) acquired Tabor & Company and in 1985 adopted the name we continue to use today. ADMIS is headquartered in the Chicago Board of Trade Building in Chicago, Illinois.

## ABOUT ADM

For more than a century, the people of Archer Daniels Midland Company (NYSE: ADM) have transformed crops into products that serve the vital needs of a growing world. Today, ADM is one of the world's largest agricultural processors and food ingredient providers, with approximately 32,000 employees serving customers in more than 160 countries. With a global value chain that includes 500 crop procurement locations, 250 ingredient manufacturing facilities, 38 innovation centers and

the world's premier crop transportation network, we connect the harvest to the home, making products for food, animal feed, industrial and energy uses. ADM is headquartered in Chicago, Illinois.

ADM has been a member of the CME Group since 1927 and has been listed on the NYSE for 92 years. Net sales for the fiscal year ended December 31, 2016 were \$62.3 billion. Go to [www.adm.com](http://www.adm.com) to learn more about ADM and its products.

## CAPITAL

ADMIS is a full-service Futures Commission Merchant with \$341 million in equity capital.

## CLEARING MEMBERSHIPS

ADMIS is exchange members of the CME Group, Inc.; the Minneapolis Grain Exchange; ICE Futures US; ICE Futures Canada; ICE Futures Europe; CBOE Futures Exchange LLC; OneChicago; Dubai Mercantile Exchange; Montreal Exchange; Nodal Exchange; and NYSE Euronext. ADMIS is also clearing members of the CME Group, Inc.; MGEX; Options Clearing Corp; ICE Clear US and ICE Clear Europe. ADMIS is also a Derivatives Trading & Advising Participant and a General Clearing Participant for the NZX Dairy Derivatives Market.

## ORDER ENTRY AND EXECUTION

ADMIS provides clearing and execution services & support to our Commercial, Institutional, Introducing Broker, FCM, CTA and Retail customers across the United States and around the globe. Clients can choose from a range of cutting-edge trading platforms tailored to their specific trading needs. The firm is further supported by the professional staff at the ADMIS 24-Hour Trading Center and is always available to answer questions, resolve issues and provide access to GLOBEX and ICE electronic markets as well as all International exchanges and EFP markets.

### **ADMIS MEMBERS 1ST WEBSITE**

The ADMIS Members 1st web portal and the MY ADMIS mobile app offers brokers and customers alike easy access to their daily and monthly account trading statements as well as real-time position tracking, cash transactions and daily commission recaps in a secure online setting. Customers can open a new account online by simply clicking on the ADMIS Online Account Application and following the user-friendly steps. The interactive MAP (Margin Analysis Platform) feature allows users to determine margin requirements or individual 'what if' scenarios for their entire portfolio. Quotes, charts, daily market research and other industry-related news are all accessible on Members 1st at any time for our users. To learn more, go to [www.admis.com](http://www.admis.com)

### **PROPRIETARY MARKET ANALYSIS**

ADMIS provides in-depth analysis of all actively traded futures markets for its worldwide customers. Its in-house research department employs some of the most respected and well-known professionals in the industry. They create unique intra-day, weekly and monthly market commentaries on a range of commodities as well as hosting market video and audio presentations on a daily, weekly and monthly basis. The ADMIS research team is available to discuss specific trading strategies by request and to personally update customers on market conditions in real time. The firm's analysts work closely with other top independent research consultants to provide ADMIS clients with the most extensive and timely market information available in the futures and options industry today.

**ADM Investor Services, Inc.**

# **Consolidated Statement of Financial Condition**

**Year Ended December 31, 2016**

**With Reports of Independent Registered Public Accounting Firm**



**Commodity Futures Trading Commission  
Annual Audited Report**

**ADM Investor Services, Inc.**  
**Consolidated Statement of**  
**Financial Condition**

December 31, 2016

**ASSETS**

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Cash and cash equivalents .....	\$18,807,473
Funds segregated for customers, including U.S. and foreign government securities and short-term investments of \$3,998,344,000 .....	4,664,127,758
Receivable from and deposits with clearing organizations and broker-dealers, including U.S. government securities and short-term investments of \$129,355,000 .....	215,558,767
Securities owned .....	3,722,375
Receivable from customers .....	13,793,927
Receivable from affiliates .....	2,479,506
Net deferred tax assets .....	5,592,135
Exchange memberships, at cost (fair value: \$10,644,300) .....	638,744
Other assets .....	3,653,395
<b>TOTAL ASSETS .....</b>	<b>\$4,928,374,080</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

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Payable to:	
Customers .....	\$4,421,724,510
Affiliates .....	110,549,326
Introducing brokers .....	13,750,754
Current taxes payable .....	20,765,362
Other liabilities .....	20,662,738
<b>TOTAL LIABILITIES .....</b>	<b>\$4,587,452,690</b>

**STOCKHOLDER'S EQUITY:**

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Common stock, no par value; 20,000 shares authorized and outstanding .....	3,000,000
Retained earnings .....	337,921,390
<b>Total stockholder's equity .....</b>	<b>340,921,390</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY .....</b>	<b>\$4,928,374,080</b>

See accompanying notes.



## 1. ORGANIZATION AND NATURE OF THE BUSINESS

ADM Investor Services, Inc. (ADMIS or the Company) is a wholly owned subsidiary of Archer Daniels Midland Company (ADM or the Parent). ADMIS is a registered futures commission merchant and a clearing member of all principal U.S. commodities exchanges. The Company is primarily and substantially in the business of clearing regulated, exchange-traded derivative contracts. The consolidated statement of financial condition include the accounts of ADMIS, its wholly-owned subsidiary, Archer Financial Services, Inc., and the results of ADM Derivatives, a division of ADMIS that specializes in foreign currency trading on behalf of foreign currency customers (i.e., eligible contract participants). The company has prepared the statement of financial condition in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase, including money market funds, to be cash equivalents. All cash and cash equivalents are held with major financial institutions.

Short-term investments are recorded on a trade-date basis and consist primarily of U.S. government securities obligations, Canadian government securities obligations and short-term investments, such as money market funds and overnight repurchase agreements with financial institutions. All securities are carried at fair value based on quoted market prices at the date of the consolidated statement of financial condition. Repurchase agreements are accounted for as collateralized financing and carried at their contracted value, which approximates fair value. The Company's policy is to obtain possession of the collateral and to monitor the value daily. The Company's reverse repurchase agreements generally have a maturity of one day. At December 31, 2016, the Company had \$2,108,106,000 in reverse repurchase agreement collateralized by \$2,123,678,000 of U.S. Government Securities. Customer-owned and affiliate-owned securities, including options on futures, held by the Company are excluded from the consolidated statement of financial condition

Exchange memberships include stock of exchanges required to be held for membership privileges. Exchange memberships and stock of exchanges held for operating purposes are carried at cost and assessed annually for other than temporary impairment.

Receivables from and payables to customers, affiliates, and clearing organizations and broker-dealers, arise primarily in connection with futures transactions and include gains and losses on those trades. Unrealized gains and losses arising from forward transactions are netted by counterparty, where appropriate, and are recorded as receivables from and payables to customers, affiliates, and clearing organizations and broker-dealers, as applicable.

Other assets include furniture, equipment, leasehold improvements, prepayment and intangible assets. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the economic useful life of the improvement. At December 31, 2016, ADMIS has accumulated depreciation of \$2,879,000. Intangible assets are amortized on a straight-line basis over their estimated useful lives.

The Company is included in the federal and state income tax returns filed by ADM. Federal income taxes are calculated as if the Company filed a separate return, and the amount of current tax or benefit calculated is either remitted to or received from ADM. The amount of current and deferred taxes payable is recognized as of the date of the consolidated statement of financial condition utilizing currently enacted tax laws and rates. Deferred income taxes arise from the effects of timing differences in the book and tax bases of assets and liabilities. The Company recognizes those income tax positions determined more likely than not to be sustained upon examination, based on the technical merits of the position. The Parent has evaluated tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not to be sustained by the applicable tax authority.

Assets and liabilities denominated in foreign currencies are translated at fiscal year-end rates of exchange.

The preparation of consolidated financial condition in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial condition and accompanying notes. Actual results may differ from those estimates.

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU supersedes the revenue

recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact this will have on its consolidated statement of financial condition.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), that requires lessees to recognize assets and liabilities on their balance sheets for many leases and recognize expenses on their income statements similar to today's accounting; it does not materially change lessor accounting. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods within that year.

In June 2016 FASB issued ASU No. 2016 – 13, Financial Instruments – Credit Losses (Topic 326) that changes the impairment model for most financial assets and certain other instruments. Entities will be required to use a new forward-looking “expected loss” model for trade and other receivables that generally will result in earlier measurement of credit losses than under today's incurred loss model. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020. The Company has not determined the potential effects on its consolidated statement of financial condition.

### 3. RELATED-PARTY TRANSACTIONS

Payable to affiliates is a net payable to Parent of approximately \$110,549,000, which includes amounts arising from trading activities in the ordinary course of business and transactions paid by the Parent on behalf of the Company or paid by the Company on behalf of the Parent. The total trading-related payable to the Parent is approximately \$107,059,000. These balances are periodically settled on an offsetting basis.

U.S. government securities obligations owned by affiliates that are pledged to the Company as collateral for trading activities of approximately \$135,787,000 are not reflected in the consolidated statement of financial condition. In addition, the net short option value of the affiliates' options on futures positions of approximately \$8,758,000 are not reflected in the consolidated statement of financial condition.

Employees of the Company participate in various benefit plans sponsored by ADM.

ADM Investor Services International (ADMISI), an affiliate of the Company, has omnibus accounts with the Company that are utilized for trading activities in the ordinary course of business for ADMISI customers. Any related balance at period end is reported as receivable from or payable to customers within the consolidated statement of financial condition.

The Company participates in a 50% joint venture arrangement with an external third party, who operates a similar business as the Company. The Company has a net receivable of approximately \$2,480,000 at December 31, 2016. This includes its equity investment and is reported in receivable from affiliates on the consolidated statement of financial condition.

### 4. FAIR VALUE MEASUREMENTS

Substantially all of the Company's assets and liabilities, other than fixed assets, exchange memberships and stock in exchanges held for operating purposes, are considered financial instruments and are reflected at fair value or at carrying amounts that approximate fair value because of the short maturity of the instruments. The Company defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Company's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company's policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability and are to be developed based on the best information available in the circumstances. The three levels within the hierarchy used to measure fair value include:

Level 1 – Inputs may include quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded derivative contracts, U.S. and Canadian government securities obligations.

Level 2 – Inputs may include quoted prices for similar assets and liabilities in active markets or quoted prices in markets that are less active than traded exchanges or other observable inputs (other than quoted prices included in Level 1) for the asset or liability that can be corroborated by observable market data, such as interest rates and yield curves that are observable at commonly quoted intervals. This includes foreign currency forwards.

(NEXT PAGE)

Level 3 – Inputs may include unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the asset or liability.

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

The following table presents information about the Company's financial instruments measured at fair value on a recurring basis as of December 31, 2016, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>ASSETS</b>				
Funds segregated for customers:				
U.S. government securities	\$ 1,830,074,000	\$ –	\$ –	\$ 1,830,074,000
Money market funds	60,161,000	–	–	60,161,000
Receivables from and deposits with clearing organizations and broker dealers:				
U.S. & Canadian government securities	102,355,000	–	–	102,355,000
Money market funds	26,999,000	–	–	26,999,000
Foreign currency forwards	–	1,294,000	–	1,294,000
Receivable from customers:				
Foreign currency forwards	–	11,037,000	–	11,037,000
Receivable from affiliates:				
Foreign currency forwards	–	16,677,000	–	16,677,000
Securities owned:				
U.S. government securities	1,882,000	–	–	1,882,000
<b>Total assets at fair value</b>	<b>\$2,021,471,000</b>	<b>\$17,971,000</b>	<b>\$ –</b>	<b>\$ 2,039,442,000</b>
<b>LIABILITIES</b>				
Payable to customers:				
Foreign currency forwards	\$ –	\$1,410,000	\$ –	\$ 1,410,000
Payable to clearing organizations and broker dealers:				
Foreign currency forwards	–	16,261,000	–	16,261,000
<b>Total liabilities at fair value</b>	<b>\$ –</b>	<b>\$17,671,000</b>	<b>\$ –</b>	<b>\$ 17,671,000</b>

The Company assesses its financial instruments on an annual basis to determine the appropriate classification within the fair value hierarchy. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels are deemed to occur at the end of the reporting period. There were no transfers between the Company's Level 1, Level 2, or Level 3 classified instruments during the year ended December 31, 2016.

## 5. SEGREGATED FUNDS

ADMIS is required under the Commodity Exchange Act ("CEA") to segregate assets representing deposits received from customers trading on U.S. exchanges, foreign-regulated futures and options on futures contracts and customer cleared swaps under 4D(F) of the CEA. At December 31, 2016, the Company had segregated funds for U.S. exchanges, foreign-regulated customers trading on foreign exchanges and customer cleared swaps in the amounts of approximately \$4,751,454,000, \$370,199,000 and \$10,323,000 respectively, which were \$228,287,000, \$53,839,000 and \$9,040,000, respectively, in excess of CEA requirements. Securities owned by customers, consisting primarily of U.S. government securities obligations, are held by ADMIS as collateral. Securities owned by customers held by ADMIS of \$524,308,000 and the net long value of customers' options on futures positions of approximately \$45,215,000 are not reflected on the consolidated statement of financial condition.

## 6. MINIMUM CAPITAL REQUIREMENTS

The Company is subject to the minimum capital requirements of several commodities regulatory organizations. Under these requirements, the Company is required to maintain adjusted net capital equal to the greater of \$20,000,000 or the sum of 8% of customer and noncustomer risk maintenance margin requirements on all positions, as defined. Adjusted net capital changes from day to day, but at December 31, 2016, the Company had adjusted net capital and excess net capital of approximately \$309,139,000 and \$119,938,000, respectively.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company executes customer and affiliated customer (collectively, customers) transactions for the purchase and sale of futures contracts and options on futures contracts, substantially all of which are transacted on a margin basis subject to exchange regulations. Such transactions may expose the Company to credit risk in the event the collateral is not sufficient to fully cover losses that customers may incur. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell the collateral at then-prevailing market prices. The Company seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory guidelines. The Company monitors margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.



The Company enters into foreign currency forward contracts primarily to facilitate customer transactions. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from unfavorable changes in the underlying instrument, foreign currency exchange rates, interest rates, and other factors. The Company's exposure to credit risk arises from the possibility that a counterparty to a transaction might fail to perform under its contractual commitment, resulting in the Company incurring a loss. For futures contracts, the clearing organization acts as the counterparty to specific transactions and, therefore, bears the risk of delivery to and from counterparties.

To further mitigate counterparty risk for foreign currency forward contracts, The Company generally matches a contract (either long or short) entered into with one customer with an opposing contract entered into with another counterparty such that the notional and duration of the contracts are the same. Finally, the Company limits counterparty exposure through the use of reputable institutions.

The Company has established controls to monitor the creditworthiness of its counterparties, as well as the quality of pledged collateral, and uses master netting agreements whenever possible to mitigate the Company's exposure to counterparty credit risk. The credit risk associated with forward contracts is typically limited to the cost of replacing all contracts on which the Company has an unrealized gain. The Company executes these transactions with affiliates and a limited number of commercial customers and broker-dealers.

The Company records its derivative activities at fair value (as described in Notes 2 and 4). The following table sets forth the fair value of the Company's derivative contracts by primary risk exposure as of December 31, 2016. The values in the table below exclude the effects of cash received or posted pursuant to derivative contracts and therefore are not representative of the Company's net exposure:

Primary Risk Exposure	ASSET DERIVATIVES		LIABILITY DERIVATIVES	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Commodity futures	Receivable from clearing organizations and broker-dealers	\$ -	Payable to clearing organizations and broker-dealers	\$ -
Foreign currency	Receivable from clearing organizations and broker-dealers, receivable from customers, and receivable from affiliates	17,971,000	Payable to customers, payable to affiliates, and payable to clearing organizations and broker-dealers	17,671,000
<b>Total</b>		<b>\$ 17,971,000</b>		<b>\$ 17,671,000</b>

During the year ended December 31, 2016, the month-end average notional value of foreign exchange forward contracts for the year ended December 31, 2016, was \$4,138,645,000.

## 8. OFFSETTING ARRANGEMENTS

The Company manages credit and counterparty risk by entering into enforceable netting agreements and other collateral arrangement with counterparties to derivative financial instruments. These netting agreements mitigate the Company's counterparty risk by providing for a single net settlement with a counterparty of all financial transactions covered by the agreement in an event of default as defined under such agreement. In limited cases, a netting agreement may also provide for the periodic netting of settlement payments with respect to multiple transaction types in the normal course of business.

The derivative contracts are executed under standardized netting agreements or, for exchange-traded derivatives, the relevant contracts for a particular exchange that contain enforceable netting provisions. A derivative netting arrangement creates an enforceable right of setoff that becomes effective, and impacts the realization or settlement of individual financial assets and liabilities, only following a specified event of default. A collateral requirement is associated with the derivative contracts, and is generally in the form of cash.

Derivative assets and liabilities are recorded as offset in the consolidated statement of financial condition that are executed under legally enforceable netting arrangements with the derivative counterparties.

The following tables present information about the offsetting of derivative financial instruments as of December 31, 2016:

	Gross Amounts of Recognized Assets/Liabilities <sup>(1)</sup>	Gross Amounts Offset in the Consolidated Statement of Financial Condition <sup>(2)</sup>	Collateral Offsetting Position in the Consolidated Statement of Financial Condition	Net Amounts Presented in the Consolidated Statement of Financial Condition
<b>ASSETS</b>				
Foreign currency forwards	\$36,342,000	18,371,000	\$16,658,000	\$1,313,000
<b>Total derivatives</b>	<b>\$36,342,000</b>	<b>\$18,371,000</b>	<b>\$16,658,000</b>	<b>\$1,313,000</b>
<b>LIABILITIES</b>				
Foreign currency forwards	\$17,245,000	\$34,916,000	-	\$17,671,000
<b>Total derivatives</b>	<b>\$17,245,000</b>	<b>\$34,916,000</b>	<b>-</b>	<b>\$17,671,000</b>

<sup>(1)</sup> Amounts include all transactions regardless of whether they are subject to an enforceable netting arrangement.

<sup>(2)</sup> Amounts subject to legally enforceable netting arrangements.

## 9. LEASE COMMITMENTS

The Company leases office space and equipment under noncancelable leases that expire on various dates through fiscal year 2030. The leases for office space contain escalation clauses that provide for an annual adjustment of the base rent based upon changes in the consumer price index. In addition, the Company is subject to annual charges for common maintenance costs of the buildings. Annual rental commitments for the fiscal years ending December 31 approximate \$1,464,000 in 2017, \$1,523,000 in 2018, \$1,544,000 in 2019, \$1,506,000 in 2020, \$1,444,000 in 2021 and \$10,624,000 thereafter.

## 10. EXCHANGE MEMBER CONTINGENT OBLIGATIONS

The Company is a member of various U.S. exchanges that trade and clear futures and options on futures contracts. Associated with its memberships, the Company may be required to pay a proportionate share of the financial obligations of another member that may default on its obligations to the exchanges or clearing corporations. While the rules governing different exchange memberships vary, in general, the Company's obligations would arise only if the exchange had previously exhausted its resources. In addition, any such obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has made no specific guarantee and has not recorded any contingent liability in its consolidated financial statements for these agreements, and management believes that any potential requirement to make payments under these agreements is remote.

## 11. OTHER MATTERS

In the normal course of business, the Company is subject to litigation and arbitration matters. Management of the Company believes that there are no outstanding matters that will result in a material adverse effect on the Company's consolidated statement of financial condition.

## 12. INCOME TAXES

The Company is subject to income taxation in multiple jurisdictions. Resolution of the related tax positions, through negotiations with relevant tax authorities or through litigation, may take years to complete. Therefore, it is difficult to predict the timing for resolution of tax positions. However, the Company does not anticipate that the total amount of unrecognized tax benefits will increase or decrease significantly in

the next twelve months. The Company's tax positions, through their inclusion in the ADM U.S. federal tax return, remain subject to examination for the calendar tax years 2014, 2015 and 2016.

For the year ended December 31, 2016, net deferred tax assets are primarily attributable to differences in the timing of deductibility of deferred compensation and amortization of intangible assets for book and tax purposes. As of December 31, 2016, deferred tax assets and liabilities amounted to \$6,200,405 and \$608,270, respectively. The effective tax rate differs from the current federal statutory rate due to state income taxes and nondeductible expenses.

The following table sets forth a rollforward of activity of unrecognized tax benefits for the year ended December 31, 2016 (in millions) as follows:

Beginning balance	\$ 0.8
Additions related to current year's tax positions	–
Additions related to prior years' tax positions	1.3
Reductions related to prior years' tax positions	–
Reductions related to lapse of statute of limitations	–
Settlements with tax authorities	–
<b>Ending balance</b>	<b>\$2.1</b>

At December 31, 2016 the Company had accrued interest and penalties on unrecognized tax benefits of \$1.2 million. At December 31, 2016, the gross deferred asset for unrecognized tax benefits was \$2.1 million, of which \$1.4 million, if recognized, would impact income tax expense. In 2016, The Company was under audit in the jurisdiction of New York City for the tax years 2007 through 2012.

## 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 28, 2017, which is the date the consolidated financial statements were available to be issued. The Company had no subsequent events to be disclosed.

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholder  
ADM Investor Services, Inc.

We have audited the accompanying consolidated statement of financial condition of ADM Investor Services, Inc. (the Company) as of December 31, 2016. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the consolidated financial position of ADM Investor Services, Inc. at December 31, 2016, in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*  
February 28, 2017  
Chicago, IL

**50 Years of Trading.  
Around the globe,  
around the clock.**



**ADM Investor  
Services, Inc.**

**HEADQUARTERS**

ADM Investor Services, Inc. | Chicago

**BRANCHES AND AFFILIATES**

ADM Investor Services, Inc. | New York

ADM Investor Services, Inc. | Taipei

ADM Investor Services, Inc. | Shanghai

Archer Financial Services, Inc. | Chicago

ADM Derivatives | Chicago

ADM Investor Services International Limited | London

ADMIS Hong Kong Limited | Hong Kong

ADMIS Singapore Pte. Limited | Singapore



## ADM Investor Services, Inc.

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