



STATEMENT OF FINANCIAL CONDITION AND
SUPPLEMENTAL INFORMATION

MFI Funding LLC
As of December 31, 2023

With Report of Independent Registered Public Accounting Firm

Oath or Affirmation

The futures commission merchant submitting this financial statement and the person whose signature appears below represent that, to the best of their knowledge, all information contained therein is true, correct and complete. It is understood that all required items, statements and schedules are integral parts of this financial statement and that the submission of any amendments represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted. It is further understood that any intentional misstatements or omissions of facts shall be unlawful.

By: Linda Huang
Linda Huang
Chief Financial Officer

Date: February 23, 2024

MFI Funding LLC

Statement of Financial Condition and Supplemental Information

As of December 31, 2023

Contents

Report of Independent Registered Public Accounting Firm.....1

Statement of Financial Condition3

Notes to Financial Statement4

Supplemental Information

Reconciliation of Statement of Financial Condition to Net Capital Computation12

Statement of the Computation of the Minimum Capital Requirements13

Information on Other Statements.....14



Ernst & Young LLP
One Manhattan West
New York, NY 10001

Tel: +1 212 773 3000
Fax: +1 212 773 6350
ey.com

Report of Independent Registered Public Accounting Firm

The Manager of
MFI Funding LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of MFI Funding LLC (the Company) as of December 31, 2023 and the related notes (the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

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



Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statement that were communicated or required to be communicated to those charged with governance and that: (1) relate to accounts or disclosures that are material to the financial statement and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Supplemental Information

The accompanying information contained in the Statement of the Computation of the Minimum Capital Requirements and the Reconciliation of Statement of Financial Condition to Net Capital Computation has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statement. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statement or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Regulation 1.10 under the Commodity Exchange Act. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statement as a whole.

Ernst & Young LLP

We have served as the Company's auditor since 2020.

New York, New York

February 23, 2024

MFI Funding LLC

Statement of Financial Condition

December 31, 2023

(In Thousands)

Assets

Cash	\$	50,001
Receivables from financial institutions, net		84,735
Securities purchased under agreements to resell, net		259,595
Securities owned, at fair value		<u>2,742</u>
Total assets	\$	<u>397,073</u>

Liabilities and member's capital

Securities sold under agreements to repurchase, net	\$	259,595
Due to affiliate		28,240
Accounts payable		<u>100</u>
Total liabilities		287,935

Member's capital		<u>109,138</u>
Total liabilities and member's capital	\$	<u>397,073</u>

The accompanying notes are an integral part of this financial statement and should be read in conjunction therewith.

MFI Funding LLC

Notes to Financial Statement

December 31, 2023

(In Thousands)

1. Organization

MFI Funding LLC (“MFIF” or the “Company”), a Delaware limited liability company, was formed on July 24, 2020 and commenced operations on August 26, 2020. MFIF is a wholly-owned subsidiary of Millennium Fixed Income Ltd. (“MFI”), a Cayman Islands exempted limited company and wholly-owned subsidiary of Millennium Partners, L.P. (“MLP”), a Cayman Islands exempted limited partnership. MFIF is primarily engaged in proprietary securities financing transactions associated with MFI’s fixed income trading business. Millennium International Management LP, a Delaware limited partnership, (the “Manager”) is the manager of MFIF and has the power and authority to manage the Company.

MFIF is registered as a futures commission merchant (“FCM”) with the Commodity Futures Trading Commission (“CFTC”), a member of the National Futures Association (“NFA”) and a netting member of the Government Securities Division of the Fixed Income Clearing Corporation (“FICC”).

SS&C Financial Services LLC provides certain accounting, operational and other administrative services to MFIF.

2. Significant Accounting Policies

MFIF’s financial statement has been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and is stated in U.S. Dollars. The preparation of the financial statement requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Management believes that the estimates utilized in preparing its financial statement are reasonable and prudent. Actual results could differ from those estimates.

Cash consists of deposits with banks.

Securities owned are recorded at fair value. Transactions in securities are recorded on a trade date basis. At December 31, 2023, all securities owned were posted as collateral to a clearing agent in connection with MFIF’s trading activities.

Securities purchased under agreements to resell (“reverse repurchase agreements”) and securities sold under agreements to repurchase (“repurchase agreements”) primarily represent short-term financings and are collateralized by negotiable U.S. government securities. These agreements are reported on a net basis to the extent that the netting criteria under US GAAP have been met and are recorded at their contracted amounts plus accrued interest.

MFI Funding LLC

Notes to Financial Statement (continued)

2. Significant Accounting Policies (continued)

Receivables from financial institutions, net, primarily represents net cash and margin balances held at the Company's clearing agent and with the FICC in connection with MFIF's repurchase and reverse repurchase transactions. Amounts are reported on a net basis to the extent that the netting criteria under US GAAP have been met.

3. Fair Value of Financial Instruments

The fair value of a financial instrument is the amount 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). The transaction to sell an asset or transfer a liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant. A fair value measurement also assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for assets and liabilities either directly or indirectly at the measurement date; and
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable at the measurement date.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such circumstances, the level of the financial instrument in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and involves considering a number of factors specific to the financial instrument.

The Manager's valuation committee (the "Valuation Committee") is responsible for providing guidance relating to, and oversight and monitoring of, the valuation of the Company's financial instruments in accordance with US GAAP and the classification of assets and liabilities in

MFI Funding LLC

Notes to Financial Statement (continued)

3. Fair Value of Financial Instruments (continued)

accordance with the fair value hierarchy therein. Portfolio managers may not be members of the Valuation Committee.

U.S. government securities are valued using market prices obtained from independent pricing services and are categorized in Level 1 of the fair value hierarchy.

The following tables summarize the Company's assets measured at fair value within the fair value hierarchy as of December 31, 2023:

<u>Description</u>	<u>Assets at Fair Value as of December 31, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities Owned				
U.S. government securities	\$ 2,742	\$ -	\$ -	\$ 2,742

For financial instruments that are not held at fair value in the statement of financial condition, the carrying value approximates fair value.

4. Collateralized Transactions

The Company's policy is to obtain possession or control of securities collateralizing reverse repurchase agreements, on terms which permit the Company to repledge or resell the securities to others. The Company is required to provide securities to counterparties in order to collateralize repurchase agreements. The fair value of the securities received or pledged as collateral is monitored daily.

Reverse repurchase and repurchase transactions that are subject to an enforceable master netting arrangement and meet other criteria under US GAAP are offset on the statement of financial condition. During 2023, the Company entered into repurchase and reverse repurchase agreements with MFI, and certain third party counterparties whereby those transactions were novated to the FICC and the FICC became the Company's counterparty. The tables below present gross and net assets and liabilities by counterparty for all such transactions at December 31, 2023.

	<u>Securities Purchased Under Agreements to Resell</u>		
	<u>MFI</u>	<u>FICC</u>	<u>Total</u>
Amounts included on the Statement of Financial Condition			
Gross carrying value	\$ 3,620,034	\$ 3,360,439	\$ 6,980,473
Counterparty netting ⁽¹⁾	(3,360,439)	(3,360,439)	(6,720,878)
Total Net Carrying Value	\$ 259,595	\$ -	\$ 259,595
Collateral received/pledged ⁽²⁾	(259,595)	-	(259,595)
Total Net Exposure	\$ -	\$ -	\$ -

MFI Funding LLC

Notes to Financial Statement (continued)

4. Collateralized Transactions (continued)

	Securities Sold Under Agreements to Repurchase		
	MFI	FICC	Total
Amounts included on the Statement of Financial Condition			
Gross carrying value	\$ 3,360,439	\$ 3,620,034	\$ 6,980,473
Counterparty netting ⁽¹⁾	(3,360,439)	(3,360,439)	(6,720,878)
Total Net Carrying Value	\$ -	\$ 259,595	\$ 259,595
Collateral received/pledged ⁽²⁾	-	(259,595)	(259,595)
Total Net Exposure	\$ -	\$ -	\$ -

(1) Amounts offset on the statement of financial condition as they relate to transactions under master netting agreements which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance.

(2) Collateral amounts shown above are limited to the total net carrying value.

As part of the Company's FICC membership and related repurchase and reverse repurchase transactions, the Company is required to post margin to the FICC. As of December 31, 2023, the Company posted cash of \$71,200 to the FICC, which is included in receivable from financial institutions, net, on the statement of financial condition.

On an ongoing basis, in connection with the repurchase and reverse repurchase transactions with MFI, the Company receives collateral from MFI equal to the required amount the Company has to post with the FICC. At December 31, 2023, the Company received cash collateral of \$28,354, which is included in cash on the statement of financial condition, with a corresponding payable to MFI recorded in due to affiliate.

The Company minimizes credit risk associated with these activities by monitoring credit exposure and collateral values, and requiring collateral to be obtained or returned when deemed appropriate.

The table below presents the gross carrying value of repurchase transactions, by collateral type and by the remaining contractual maturity of those transactions at December 31, 2023:

Securities sold under agreements to repurchase ⁽¹⁾	Overnight and Continuous	Up to 30 Days	30-90 Days	Greater than 90 Days	Total
U.S. government securities	\$ 6,980,473	\$ -	\$ -	\$ -	\$ 6,980,473

⁽¹⁾ The amounts presented in this table are on a gross basis while the amounts shown on the statement of financial condition are after applying master netting provisions.

5. Related Party Transactions

MFIF entered into a services and expense agreement with MPG Operations LLC ("MPG"), a wholly-owned subsidiary of Millennium International Management LP, and MFI. Pursuant to the

MFI Funding LLC

Notes to Financial Statement (continued)

5. Related Party Transactions (continued)

agreement, MPG provides certain administrative and support services to MFIF and charges MFIF an agreed upon amount.

In addition, in accordance with the agreement, MFIF provides MFI with services associated with MFI's fixed income trading business and charges MFI a fee equal to MFIF's total expenses, excluding interest expense, plus an agreed upon markup. As of December 31, 2023, the Company had a receivable from MFI in relation to this agreement, which is reported net against other payables to MFI in due to affiliate on the statement of financial condition.

Refer to note 4 for a discussion on related party repurchase and reverse repurchase transactions with MFI.

6. Member's Capital

The Company's membership interests are held solely by MFI, which generally may contribute to and withdraw from the Company at any time with the approval of the Manager, and gain or loss is allocated to the member. There were no contributions or withdrawals during the year ended December 31, 2023.

7. Net Capital Requirements

The Company is subject to the net capital requirements of the CFTC and NFA. Under CFTC Regulation 1.17, Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers, the Company is required to maintain adjusted net capital greater than \$1,000. At December 31, 2023, the Company had adjusted net capital and excess net capital of \$109,138 and \$108,138, respectively.

In addition, the Company is subject to minimum capital requirements of the FICC which exceeds the minimum net capital requirements of the CFTC and NFA.

At December 31, 2023, the Company was in compliance with all of its net capital requirements.

8. Risk Management

Credit risk is the risk that counterparties may fail to fulfill their obligations, or that the collateral value becomes inadequate. The Company attempts to minimize its credit risk by monitoring the credit exposure and the creditworthiness of counterparties, requiring additional collateral where appropriate, and using master netting agreements and the right of setoff whenever possible. The Company clears its securities transactions through major financial institutions pursuant to clearance, custody and prime brokerage arrangements. Trades pending at December 31, 2023 were settled without an adverse effect on the Company's statement of financial condition.

MFI Funding LLC

Notes to Financial Statement (continued)

8. Risk Management (continued)

Market risk is the potential loss the Company may incur as a result of adverse changes in the fair value of a particular instrument. The Company manages market risk by establishing guidelines for portfolio managers as to the types and degrees of risk that may be undertaken. In addition, the Company monitors position concentration, exposure to crises and significant historical market events.

The Company may also be affected by international economic or political events (including wars, terrorist acts or security operations), developments or trends in any particular industry, natural disasters, pandemics or health crises. The Company has devoted resources to prepare for a variety of potential disruptions and continues to operate normally in the current global climate, without material disruption. The Company continues to closely monitor related developments and any such impact they may have on its operations.

In the normal course of business, MFIF may enter into contracts which provide a variety of general indemnifications. Such contracts may include those with certain service providers, brokers and trading counterparties. The maximum exposure under these contracts is not known. Any exposure to MFIF under these arrangements would involve future claims that may be made against MFIF. No such claims have occurred and the risk of loss is expected to be remote. Therefore, MFIF has not accrued any liability in connection with such indemnifications.

9. Commitments and Contingencies

The Company may enter into forward starting repurchase and reverse repurchase transactions that settle at a future date. The forward starting repurchase and reverse repurchase agreements at December 31, 2023 were settled without an adverse effect on the Company's statement of financial condition.

From time to time, MFIF may be involved in litigation matters arising in connection with the conduct of its business. Based on available information and consultation with legal counsel, MFIF does not believe that there are currently such matters that would have a material effect on MFIF's financial condition.

As part of the Company's FICC membership, the Company is required to maintain sufficient liquidity to satisfy its obligation to fund its portion of the FICC's Capped Contingency Liquidity Facility ("CCLF"). The Company's portion of the CCLF is calculated periodically by the FICC based on its trading activity, and its obligation to fund the CCLF is triggered in the event of a default by the FICC's netting members and the FICC does not have sufficient liquidity to satisfy its defaulting member's obligations. At December 31, 2023, the Company had sufficient funds to meet its obligations under the CCLF.

MFI Funding LLC

Notes to Financial Statement (continued)

10. Subsequent Events

MFIF has evaluated subsequent events through February 23, 2024 which is the date its financial statement was available to be issued. There are no subsequent events that require disclosure under US GAAP.

Supplemental Information

MFI Funding LLC

Reconciliation of Statement of Financial Condition to Net Capital Computation

December 31, 2023

(In Thousands)

Total Assets

Total assets reflected in the statement of financial condition \$ 397,073

Less non-current assets -

Net current assets \$ 397,073

Total Liabilities

Total liabilities reflected in the statement of financial condition \$ 287,935

Add items not reflected in the statement of financial condition -

Total liabilities \$ 287,935

MFI Funding LLC

Statement of the Computation of the Minimum Capital Requirements

December 31, 2023

(In Thousands)

Net Capital Calculation:

Net current assets		\$ 397,073
Less: Total liabilities		287,935
Net capital before deductions		109,138
Less: Deductions		-
Adjusted net capital		\$ 109,138

Net Capital Required:

A.	Risk-based requirement:		
	Amount of customer risk maintenance margin	\$ -	
	8% of customer risk maintenance margin	\$ -	-
	Amount of non-customer risk maintenance margin	-	
	8% of non-customer risk maintenance margin	-	-
	Total risk-based requirement		-
B.	Minimum dollar amount required		1,000
	Amount required		1,000
	Excess net capital		\$ 108,138
	<u>Computation of Early Warning Level:</u>		
	150% of minimum dollar amount required		\$ 1,500

There are no differences between this statement of the computation of the minimum capital requirements and as reported on the unaudited Form 1-FR-FCM filing as of December 31, 2023.

MFI Funding LLC

Information on Other Statements

The following statements specified in CFTC Regulation 1.10(d), Contents of Financial Reports, are not included in this report because MFIF does not hold or invest customer funds and these statements are not applicable for MFIF:

- Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges
- Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts
- Statement of Secured Amounts and Funds Held in Separate Accounts Pursuant to Commission Regulation 30.7
- Statement of Cleared Swaps Segregation Requirements and Funds in Cleared Swaps Customer Accounts Under 4D(F) of the CEA