



## **CFTC Rule 1.55: FCM-Specific Disclosure Document**

The Commodity Futures Trading Commission (“CFTC”) requires each futures commission merchant (“FCM”) including Daiwa Capital Markets America Inc. (“DCMA”) to provide the following information to its customers prior to entering into any arrangement for the receipt or exchange of monies or funds with the FCM. The information set forth herein is accurate in all material respects as of the last revision date of this document. DCMA will update this document as needed to account for any material change to its business operations, financial condition, or other factors that may be material or important to a customer’s selection of an FCM, and in any event no less than annually.

### **FCM and its Principals – Name, Address, Duties, and Contact Information [1.55(k)(1)]**

DCMA is a CFTC registered FCM, a member of the National Futures Association (“NFA”), and a clearing member of the Chicago Mercantile Exchange (“CME”) and Chicago Board of Trade (“CBOT”). DCMA registers all employees who engage in futures activities with customers as Associated Persons (“AP”) with the NFA.

In compliance with the requirements of CFTC Rule 1.55(k)(2), DCMA is providing you with the following details regarding its futures business and the principals responsible for the day-to-day activities of the FCM.

Daiwa Capital Markets America Inc.  
1251 Avenue of the Americas, 49th Floor  
New York, NY 10020

Phone: 212-612-7000

Fax: 212-612-7100

Web-site: [www.us.daiwacm.com](http://www.us.daiwacm.com)

Email: [Web-General@us.daiwacm.com](mailto:Web-General@us.daiwacm.com)

### **FCM Principals [1.55(k)(2)]**

All of DCMA’s Principals and APs are located at the address set forth above, where DCMA is headquartered. DCMA does not conduct a futures business from any other location.

This information is subject to change. Latest updates and additional information regarding DCMA’s principals are available on the National Futures Association’s (“NFA’s”) Background Affiliation Status Information Center (“BASIC”) at:

<https://www.nfa.futures.org/basicnet>



The NFA is the self-regulatory organization (“SRO”) for the futures industry. DCMA’s NFA ID number is 0182017.

## Principals List

Name	DCMA Title & Responsibility	Duties and Responsibilities
<a href="#"><u>DAIWA CAPITAL MARKETS AMERICA HOLDINGS INC</u></a>	<a href="#"><u>US Holding Co. – Parent Company.</u></a>	
<a href="#"><u>DAIWA SECURITIES GROUP INC</u></a>	<a href="#"><u>Ultimate Foreign Parent Company</u></a>	
<a href="#"><u>John Grefe</u></a>	<a href="#"><u>ED - Chief Compliance Officer / Head of Compliance</u></a>	Responsible for the implementation and administration of DCMA’s Compliance and AML Programs since May 2023.
<a href="#"><u>KEIJI MACHIDA</u></a>	<a href="#"><u>President &amp; CEO</u></a>	As the President and CEO Mr. Machida is responsible for running all front office business of DCMA and ensuring that the control environment is strong.
<a href="#"><u>Amaury Martinez</u></a>	<a href="#"><u>ED – Head of Operations</u></a>	Responsible for the administration and management of all Operations functions related to the clearance and settlement of firm’s trading and sales activity.
<a href="#"><u>GEORGE L PARRY</u></a>	<a href="#"><u>MD – Chief Financial Officer</u></a>	Chief Financial Officer, responsible for all Finance and Regulatory Accounting processes with effective date of May 1, 2018. A member of the board effective October 1, 2022.
<a href="#"><u>RAYMOND CHAMP REMY</u></a>	<a href="#"><u>MD-Co-Head of Fixed Income</u></a>	Responsible for Management and Supervision of DCMA’s Futures Trading.
<a href="#"><u>TORU SANBONGI</u></a>	<a href="#"><u>MD - Co-Head of Fixed Income / Head of International Desk</u></a>	Responsible for Management and Supervision of DCMA’s Futures Trading and Sales activities and personnel since 2021.
<a href="#"><u>GAKU AIZAWA</u></a>	<a href="#"><u>MD – Advisor to the CEO</u></a>	Mr. Gaku Aizawa was appointed to the Board of Directors of Daiwa Capital Markets America Inc. in January 2017. He serves as Advisor to the CEO, and was previously the Co-Head of the Firm’s Fixed Income Division, a position he held since 2007
<a href="#"><u>PAUL DEMARCO</u></a>	<a href="#"><u>MD – Deputy Head of Equity</u></a>	Responsible for the management and supervision of the equities division including any futures related activities.
<a href="#"><u>HIROYUKI GOTO</u></a>	<a href="#"><u>MD –Head of Equity</u></a>	Responsible for the management and supervision of the equities division including any futures related activities since February 2019. Member of the Daiwa Securities Group since 2009. Recent roles within the group include Head of Equities of Daiwa Capital Markets Singapore.

## Designated Self-Regulatory Organization (“DSRO”) and DSRO Web-site [1.55(k)(6)]

DCMA’s DSRO is the CME. The CME’s website and information about DCMA is available at the following address: <http://www.cmegroup.com/>

## Our Business Activities, Products and Services to Customers [1.55(k)(3) & 1.55(k)(4)]



DCMA is a SEC-registered broker-dealer and a CFTC-registered FCM. Additionally, DCMA is a member of the Financial Industry Regulatory Authority, Inc., the Securities Investor Protection Corporation and the NFA.

As a broker-dealer, DCMA clears securities products for its customers and affiliates on various exchanges of which it is a member. DCMA's FCM desk is primarily focused on its own proprietary trading activities and the facilitation of proprietary hedges for the broker dealer and its domestic and international affiliates, mostly using financial futures.

As a CME and CBOT member, from time to time, DCMA executes orders for itself and/or its affiliates on futures exchanges of which it is not a member, by routing the orders to an intermediary such as SG Americas Securities, LLC or to an affiliate such as Daiwa Securities Co. Ltd., in Japan ("Daiwa Japan").

### **Customer Funds Segregation [1.55(k)(8) & 1.55(o)(1)]**

DCMA maintains policies and procedures to comply with the requirements of CFTC Regulation 1.20, CFTC Regulation 1.32, CFTC Regulation 30.7 and CFTC Regulation 2.22 as outlined in Section 16 of the NFA Rulebook. These policies and procedures are approved by DCMA's Chief Risk Officer, Chief Financial Officer and Chief Compliance Officer, are reviewed annually, and are made available to customers upon request.

#### **1. Customer Funds Segregation – Rejected Trades**

(The following discussion of Customer Funds Segregation at DCMA applies only to amounts that are due to you and that relate to trades rejected by your Clearing FCM or that otherwise are required to be segregated under CFTC rules. For any trade accepted by your Clearing FCM, your Clearing FCM is solely responsible for custody and movement of funds and assets and for segregating funds.)

2. **No SIPC Protection.** Although DCMA is a registered broker-dealer, it is important to understand that the funds you deposit with DCMA for trading futures and options on futures contracts on either U.S. or foreign markets or cleared swaps are not protected by the Securities Investor Protection Corporation.

3. **Customer Accounts.** FCMs may maintain up to three different types of accounts for customers, depending on the products a customer trades:

- (i) a 30.7 Account for customers that trade futures and options on futures listed on foreign boards of trade. Your funds will be held in a 30.7 Account of DCMA only if a Japanese futures trade is rejected by and not transferred to another Clearing FCM.
- (ii) a Customer Segregated Account for customers that trade futures and options on futures listed on U.S. futures exchanges. Direct access trades will not use a Customer Segregated Account.

- (iii) a Cleared Swaps Customer Account for customers trading swaps that are cleared on a DCO registered with the CFTC. *(Please note that DCMA is not a registered Swap Dealer and does not support swap business nor hold Cleared Swaps Customer Accounts.)*

The requirement to maintain these separate accounts is indicative of the varying degrees of risk posed by different products.

Cash, securities and other collateral (collectively, "Customer Funds") required to be held in one type of account, e.g., the Customer Segregated Account, may not be commingled with funds required to be held in another type of account, e.g., the 30.7 Account, except as the CFTC may permit by order.

4. **30.7 Account.** A "30.7 Customer" is a customer that trades futures contracts on foreign boards of trade through a U.S. FCM in reliance on CFTC Rule 30.7. Funds that 30.7 Customers deposit with an FCM, or that are otherwise required to be held for the benefit of 30.7 customers to margin futures and options on futures contracts traded on foreign boards of trade, are "30.7 Customer Funds". These funds are sometimes referred to as the foreign futures and foreign options secured amounts and are held in a "30.7 Account" in accordance with CFTC Rule 30.7.

Funds required to be held in the 30.7 Account for or on behalf of 30.7 Customers may be commingled in an omnibus account for 30.7 Customers and held by:

- (i) a bank or trust company located in the U.S.;
- (ii) a bank or trust company located outside the U.S. that has in excess of \$1 billion in regulatory capital;
- (iii) an FCM;
- (iv) a DCO;
- (v) the clearing organization of any foreign board of trade;
- (vi) a member of any foreign board of trade; or,
- (vii) such clearing organization's or member's designated depositories.

A 30.7 Account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's 30.7 Customers. As explained below, CFTC Rule 30.7 restricts the amount of such funds that may be held outside of the U.S.

Customers trading on foreign markets assume additional risks. Laws or regulations will vary depending on the foreign jurisdiction in which the transaction occurs, and funds held in a 30.7 Account outside of the U.S. may not receive the same level of protection as Customer Segregated Funds. If the foreign broker carrying 30.7 Customer positions fails, the broker will be liquidated in accordance with the laws of the jurisdiction in which it is organized, which laws may differ significantly from the U.S. Bankruptcy Code. Return of 30.7 Customer Funds to the U.S. will be delayed and likely will be subject to the costs of administration of the failed foreign broker in

accordance with the law of the applicable jurisdiction, as well as possible other intervening foreign brokers, if multiple foreign brokers were used to process the 30.7 Customers' transactions on foreign markets.

If the foreign broker does not fail but the 30.7 Customers' U.S. FCM fails, the foreign broker may want to assure that appropriate authorization has been obtained before returning the 30.7 Customer Funds to the FCM's trustee, which may delay their return. If both the foreign broker and the U.S. FCM were to fail, potential differences between the trustee for the U.S. FCM and the administrator for the foreign broker, each with independent fiduciary obligations under applicable law, may result in significant delays and additional administrative expenses. Use of other intervening foreign brokers by the U.S. FCM to process the trades of 30.7 Customers on foreign markets may cause additional delays and administrative expenses.

To reduce the potential risk to 30.7 Customer Funds held outside of the U.S., CFTC Rule 30.7 generally provides that an FCM may not deposit or hold 30.7 Customer Funds in permitted accounts outside of the U.S. except as necessary to meet margin requirements, including prefunding margin requirements, established by rule, regulation, or order of the relevant foreign boards of trade or foreign clearing organizations, or to meet margin calls issued by foreign brokers carrying the 30.7 Customers' positions. The rule further provides, however, that, in order to avoid the daily transfer of funds from accounts in the U.S., an FCM may maintain in accounts located outside of the U.S. an additional amount of up to 20 percent of the total amount of funds necessary to meet margin and prefunding margin requirements to avoid daily transfers of funds.

5. **Customer Segregated Account.** Funds that customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on futures exchanges located in the U.S., i.e., designated contract markets, are held in a Customer Segregated Account in accordance with section 4d(a)(2) of the Commodity Exchange Act and CFTC Rule 1.20. Customer Segregated Funds held in the Customer Segregated Account may not be used to meet the obligations of the FCM or any other person, including another customer. All Customer Segregated Funds may be commingled in a single account, i.e., a customer omnibus account, and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside of the U.S. that has in excess of \$1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers. Unless a customer provides instructions to the contrary, an FCM may hold Customer Segregated Funds only: (i) in the U.S.; (ii) in a money center country (as defined in CFTC Regulation 1.49); or (iii) in the country of origin of the currency. An FCM must hold funds in U.S. dollars except to the extent necessary to meet obligations denominated in currencies other than the U.S. dollar.

6. **Investment of Customer Funds.** Section 4d(a)(2) of the Commodity Exchange Act authorizes

FCMs to invest Customer Segregated Funds in obligations of the United States, in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the United States. Section 4d(f) of the Commodity Exchange Act authorizes FCMs to invest Cleared Swaps Customer Collateral in similar instruments.

CFTC Rule 1.25 authorizes FCMs to invest 30.7 Customer Funds, Customer Segregated Funds, and Cleared Swaps Customer Collateral in instruments of a similar nature. CFTC rules further provide that the FCM may retain all gains earned and is responsible for investment losses incurred in connection with the investment of Customer Funds. However, the FCM and customer may agree that the FCM will pay the customer interest on the funds deposited.

Permitted investments include:

- (i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);
- (ii) General obligations of any State or of any political subdivision thereof (municipal securities);
- (iii) Obligations of any United States government corporation or enterprise sponsored by the United States government (U.S. agency obligations);
- (iv) Certificates of deposit issued by a bank (certificates of deposit) as defined in section 3(a)(6) of the Securities Exchange Act of 1934, or a domestic branch of a foreign bank that carries deposits insured by the Federal Deposit Insurance Corporation; and
- (v) Interests in money market mutual funds.

Except for investments in money market mutual funds, the time-to-maturity of the portfolio in which an FCM invests Customer Funds cannot exceed, on a dollar weighted average, two years.

An FCM may also engage in repurchase and reverse repurchase transactions with non-affiliated banks as defined in section 3(a)(6) of the Securities Exchange Act of 1934, a domestic branch of a foreign bank insured by the Federal Deposit Insurance Corporation, a securities broker or dealer, or a government securities broker or government securities dealer registered with the Securities and Exchange Commission or which has filed notice pursuant to section 15C(a) of the Government Securities Act of 1986, provided such transactions are made on a delivery versus payment basis and involve only permitted investments. All funds or securities received in repurchase and reverse repurchase transactions with Customer Funds must be held in the appropriate Customer Account, i.e., Customer Segregated Account, 30.7 Account or Cleared Swaps Customer Account. Further, in accordance with the provisions of CFTC Rule 1.25, all such funds or collateral must be received in the appropriate Customer Account on a delivery versus payment basis in immediately available funds. NFA publishes twice-monthly a report, which shows for each FCM, inter alia, the percentage of Customer Funds that are held in cash and each of the permitted investments under CFTC Rule 1.25. The report also indicates whether the FCM held any Customer Funds during that month at a depository that is an affiliate of the FCM.

In computing its Customer Funds requirements under relevant CFTC rules, DCMA may only consider those Customer Funds actually held in the applicable Customer Accounts and may not apply free funds in an account under identical ownership but of a different classification or account type (e.g., securities, Customer Segregated, 30.7) to an account's margin deficiency. In order to be used for margin purposes, the funds must actually transfer to the identically-owned under margined account.

## **7. Permitted Depositories and Counterparties**

DCMA recognizes its responsibility to protect, and separately account for, customer funds in both the segregated and secured origins (collectively "segregated funds"). This is necessary for the protection of both the customer and DCMA, as DCMA is ultimately responsible for any loss of segregated funds due to their mishandling. To that end, DCMA has developed procedures for:

- Evaluating the suitability of the depositories designated for holding segregated funds of DCMA's customers;
- Opening and correctly documenting segregated funds accounts at approved depositories;
- Monitoring approved depositories on an ongoing basis;
- Establishing an appropriate level of FCM residual interest in these segregated funds accounts, including regular reviews of the suitability of that level;
- Withdrawing funds from segregated funds accounts when the withdrawal is not for the benefit of customers;
- Assessing the suitability and appropriate allocation of segregated funds to specific investments permitted per CFTC Rule 1.25.

## **8. Evaluating the Suitability of Customer Fund Depositories**

There are three types of depositories holding the segregated funds of DCMA's customers: banks, carrying brokers, and clearing organizations. DCMA has established policies and procedures reasonably designed to ensure that the institutions into which DCMA deposits customer segregated funds are financially sound and otherwise appropriate for this purpose.

The criteria utilized in the analysis of banks, clearing organizations and carrying brokers include but are not limited to a review of the following, as applicable:

- Institutional size and capitalization



- Creditworthiness
- Access to liquidity
- Operational reliability
- Concentration of segregated funds with any depository or group of depositories
- Regulatory oversight
- Outside rating agency opinions
- Availability of deposit insurance

For additional information on the protection of customer funds, please see the Futures Industry Association's "Protection of Customer Funds Frequently Asked Questions" located at <https://www.fia.org/sites/default/files/2019-05/Protection-of-Customer-Funds---FAQs.pdf>

DCMA's Daily Segregation and Secured 30.7 statement is accessible at: <https://us.daiwacm.com/disclosure-documents/financial-disclosures/> and the most recently filed FOCUS Report-Month End 30.7 filing is accessible at: [https://us.daiwacm.com/disclosure-documents/financial-disclosures/most-recently-filed-focus-report\\_month-end-segregation-and-secured-30-7-statement/](https://us.daiwacm.com/disclosure-documents/financial-disclosures/most-recently-filed-focus-report_month-end-segregation-and-secured-30-7-statement/) DCMA's fiscal year ends on March 31.

Financial information about the firm is also available through the NFA's Basic system and can be accessed at the following link: <https://www.nfa.futures.org/basicnet/FCMFinancialsIndex.aspx?entityId=zCKnMW300LU%3d>

The CFTC also publishes monthly selected financial data relating to registered FCMs at <http://www.cftc.gov/MarketReports/financialfcmdata/index.htm>

As of July 31, 2024 less than 1% of DCMA's assets were invested in futures as depicted in the table below





BD Desk	\$ Amt. Margin Req'd as of 7/31/24	% of Balance Sheet Assets as of 7/31/24	% of Regulatory Capital as of 7/31/24
Equities Division	0		
Finance (Repo)	1,630,772	0.00252%	0.1032%
Treasury Sales & Trading FI	483,164	0.00075%	0.0306%
MBS	0		
Agencies	0		
Int'l Desk (Corp Bonds)	0		
<b>Total</b>	<b>2,209,287</b>	<b>0.00341%</b>	<b>0.1398%</b>

DCMA total committed unsecured bank lines of credit as of July 31, 2024 = \$100,000,000

**Other Relevant Financial Data [1.55(k)(10)]**

Our most recently audited statement of financial condition is accessible at <https://us.daiwacm.com/disclosure-documents/financial-disclosures/>

DCMA Total Assets as of 7/31/2024 FOCUS filing = \$64,713,634,933  
 DCMA Regulatory Capital as of 3/31/2024 FOCUS = \$1,580,373,716  
 DCMA Total Ownership Equity / Net Worth at 3/31/2024 = \$1,380,373,716

**Selection of Bank Depositories, Custodians and Counterparties to Permitted Transactions [CFTC 1.25) 1.55(k)(4)]**

DCMA subjects the establishment of bank depositories, custodians and counterparties to a due diligence process that conforms to DCMA’s policies and procedures for compliance with the requirements of CFTC 1.25 among several other SRO due diligence requirements. This includes a credit review, AML related due diligence, a determination that the entity in question is not the subject of any material enforcement or legal action, and that its regulatory record is sound.

DCMA’s account opening and know your customer (“KYC”) policies and procedures will be furnished upon written request to [Compliance@us.daiwacm.com](mailto:Compliance@us.daiwacm.com).



All of DCMA's futures activity clears at the CME with the exception of activity directed to SG Americas Securities, LLC or Daiwa Japan for execution on a foreign futures exchange. The size and frequency of this activity is immaterial to the broker dealer.

### **Material Complaint or Actions [1.55(k)(7) & 1.55(k)(9)]**

There is no pending material administrative, civil, enforcement or criminal complaint or action against DCMA, and there has not been any filed in the last three years.

A customer who wishes to file a complaint about DCMA or one of its employees with the CFTC may contact the CFTC Division of Enforcement electronically at:

<https://www.cftc.gov/Forms/tipsandcomplaints.html> or may directly call the CFTC Division of Enforcement toll-free at 866-FON-CFTC (866-366-2382).

Complaints may also be filed with the NFA at: <http://www.nfa.futures.org/basicnet/Complaint.aspx> or by calling the NFA directly at 800-621-3570 or with DCMA's DSRO, the CME at: [www.cmegroup.com](http://www.cmegroup.com) or (312) 341 -7970.

### **Firm's proprietary margin requirement**

DCMA conducts an immaterial amount of proprietary trading to hedge certain of its fixed income proprietary positions, as noted above. DCMA maintains an immaterial margin requirement from time to time which represents open positions that hedge its fixed income and currency exposures. At July 31, 2024, and afterwards until any customer accounts settle through DCMA (which is not anticipated for direct access trading), the ratio of margin for futures customers and Rule 30.7 customers to total margin requirements for DCMA was and will be zero because there are no such customers whose accounts settle through DCMA or are expected to settle through DCMA.

As of July 31, 2024:

- The smallest number of futures customers that comprise 50% of DCMA's total funds held for futures customers is 0.
- The smallest number of 30.7 customers that comprise 50% of DCMA's total funds held for 30.7 customers is 0.
- DCMA does not enter into any principal over the counter transactions.
- DCMA maintains unsecured lines of credit or similar short-term funding, but not for purposes of its futures business. DCMA does not provide financing for customer transactions involving illiquid financial futures products and does not for other illiquid financial products, except for forward transactions in mortgage-based securities or CMOs with MBS underlying. During the past 12-month period, DCMA has not written off any futures customer or 30.7 customer receivables as uncollectable.



## **Risk Management Program [1.55(k)(11)]**

DCMA has established, maintains and enforces a system of local policies and procedures designed to monitor and manage the risks associated with its activities as an FCM.

### **Resources**

DCMA's Risk Department is an independent unit with sufficient authority, qualified personnel and resources to carry out DCMA's Risk Management Program ("RMP"). The Risk Department is responsible for a majority of the RMP including providing periodic risk exposure reporting to Senior Management. There are also various support and supervisory control personnel that play key roles in the execution of the RMP, including the Risk Committee, the Internal Audit Department and the Compliance Department.

DCMA's Risk Committee is comprised of senior management including the members of the DCMA Board of Directors. The Risk Committee meets monthly to review DCMA's risk profile and discuss matters of import.

### **Risk Department Activities**

The mission of the Risk Department is to provide DCMA with the framework to conduct and develop its activities, as well as to contribute to its profitability, by sound management of its risks. To perform its duties effectively, the Risk Department is structured as an independent centralized unit headed by a Chief Risk Officer ("CRO"). The CRO interacts with the Business Lines, which are responsible at first level for the risks generated by the transactions they initiate. The Risk Department also closely interacts with other support and supervisory personnel.

The Risk Department primarily focuses on four main types of risk:

- Counterparty risk.
- Market risk and risk modeling.
- Operational risk and supervision.
- Risk systems and data ("RSD").

The Risk Department performs the following duties as part of DCMA's RMP:

- Comply with regulatory and internal procedures.
- Comply with DCMA's internal risk measurement policies and principles, at a consolidated level.
- Define limits for all types of risks monitored and controlled.
- Monitor, consolidate and control all exposures.
- Analyze and define counterparty risk types by products and counterparties.
- Process credit limit requests and renewals.

- Monitor and report counterparty risk exposures.
- Perform market and portfolio analysis.
- Update risk system data (account mapping, limit amounts and validity dates, client ratings).
- Report and escalate risk situations that require immediate action.
- Update client referential data.
- Market risk and risk modeling.

Market risk and risk modeling includes the following:

- Implement and update stress test methodologies.
- Ensure that all market risks are identified, authorized, measured, monitored and reported.
- Ensure that proper limits are in place for all market risks.
- Report all market risk limits usage and escalate appropriately any activity that exceeds the relevant limit.
- Implement financial models to determine a fair assessment of risk.

Operational risks are managed by the Operations Risk Management group and the administration of policies and procedures to:

- Prevent errors and extraordinary incidents (mainly through supervision, error reporting and data collection).
- Monitor operational losses (collection, reporting and management of incidents).
- Comply with regulatory requirements (through processes such as New Products Approval and Vendor Management).
- The compilation and tracking of operational risk metrics and related data trends analysis.

DCMA also has an IT and Technology Steering Committee that reports to senior management and focuses on, among other things, IT operational risk management, including cybersecurity.

Additionally, as an FCM and clearing member firm of a derivatives clearing organization that is subject to CFTC regulation 1.73, section 6a of the Commodity Exchange Act, and various other exchange-based limit rules, DCMA has established risk-based limits for its proprietary traders and customers. Prior to the issuance of a TTNID, the IT Market-Data group sets limits established by the front office which cannot be altered by the user. Additionally, these limits are reviewed by the Risk Department at least annually and stress tested by the Financial Operations group regularly. Position limits are monitored on a daily basis by DCMA's futures operations group.

DCMA is an active dealer in fixed income instruments. It is designated as a primary dealer by the Federal Reserve Bank of New York and maintains significant inventories of Treasury securities for trading in the secondary market as well as acting as a purchaser of primary issuances from the U.S. Treasury. DCMA is an active participant in the Treasury repo and reverse repo markets. DCMA is also a dealer in agency debt obligations and undertakes primary distributions of agency debt. In the mortgage-backed securities



(MBS) market, DCMA is a dealer of the to-be-announced (TBA) market for agency MBS and also deals in other agency MBS. DCMA also has a relatively small equities proprietary trading desk.

In order to ensure that it is in compliance with its regulatory capital requirements and that it has sufficient liquidity to meet its ongoing business obligations, DCMA holds a significant portion of its assets in cash and U.S. Treasury securities guaranteed as to principal and interest. DCMA may also invest in other short-term highly liquid instruments such as: money market instruments, commercial paper and certificates of deposit, if and when deemed necessary or appropriate.

### **Creditworthiness, leverage, capital, liquidity, principal liabilities and balance sheet leverage**

DCMA has in the past paid, and in the future intends to pay, all of its financial obligations in a timely manner. The firm has never failed to meet a payment to an exchange, clearing organization or carrying broker. When and as needed, the firm has always been able to establish new banking, exchange and carrying broker relationships. As a non-publicly held company with no public debt outstanding, DCMA does not have a formal credit rating with major credit rating agencies.

DCMA always strives to maintain capital in excess of the amount necessary to support and maintain all of our business needs and regulatory requirements.

DCMA provides a daily report of its customer segregated and secured 30.7 funds at <https://us.daiwacm.com/disclosure-documents/financial-disclosures/daily-segregation-and-secured-30-7-statement/>. Additional liquidity for DCMA is provided via committed and uncommitted lines of credit provided by several banking relationships, and by our corporate affiliate, Daiwa Japan.

### **Risks created by affiliates and their activities, including investment of customer funds in an affiliated entity**

DCMA does not invest any customer funds or house funds or conduct repurchase or reverse repurchase transactions with customer funds with an affiliated entity.

DCMA is a 100% owned indirect subsidiary of Daiwa Securities Group Inc., a holding company listed on the First Section of the Tokyo Stock Exchange and other exchanges.

Although DCMA does not have any material investments held at Daiwa Securities Group, Inc. or its major subsidiary, Daiwa Securities Co. Ltd., ("Daiwa Japan"), DCMA might be financially affected if Daiwa Securities Group Inc. or Daiwa Japan encountered financial stress or required additional capital. Daiwa Japan is a regulated entity with separate risk management policies and procedures in place. DCMA is affected by global macroeconomic and financial market conditions. Therefore, customers should carefully



consider the risks and other information contained in this document when considering engaging in the FCM business with, and entrusting funds to, DCMA.