



---

# Commodity Futures Trading Commission Regulation 1.55 Disclosures

---

3/1/2017

**Contents**

Introduction ..... 2

The Firm and Its Principals ..... 2

General Discussion of Apex’s Business and Operations ..... 5

Apex FCM Business..... 6

Apex Affiliates ..... 6

Apex Financial Condition ..... 6

Apex Designated Self-Regulatory Organizations ..... 7

Filing a Complaint ..... 8

Apex Client Segregation of Funds Practices..... 8

Apex Risk Profile ..... 11

Summary of Risk Management Practices ..... 12

    General Overview ..... 12

    RMP Shall be in Writing..... 12

    Approval in Writing ..... 12

    Risk Management Unit ..... 12

    Elements of the RMP ..... 12

    Periodic Risk Exposure Reports ..... 13

    Specific Risk Management Considerations ..... 13



## Introduction

Commodity Futures Trading Commission (“CFTC”) Regulation 1.55 requires each futures commission merchant (“FCM”), including Apex Clearing Corporation (“Apex”), to provide the following information to a futures client prior to that client entering into a futures account agreement, depositing money or securities with the FCM, or placing a futures trade. Except as noted below, the information contained herein is current as of March 1, 2017.

Apex will update this information annually or as may be needed to take into account any material change to Apex’s business operations, financial condition, or other factors that Apex believes would be material to a futures client in determining whether to do business with Apex. Please note that Apex’s business and financial data are not static and may change in non-material ways throughout the year.

## The Firm and Its Principals

Apex Clearing Corporation  
350 N. St. Paul Street  
Suite 1300  
Dallas, Texas 75201  
(214) 765-1100  
Fax (214) 865-7401

### William Capuzzi

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. Capuzzi is Chief Executive Officer of Apex Clearing Corporation and is responsible for all operating aspects of the firm.

Prior to his role as CEO of Apex Clearing Corporation, William previously worked at Convergex Group where he was Chief of Staff and a member of the firm’s Executive Committee. As Chief of Staff, he managed critical internal and external initiatives for the company and was responsible for the firm’s options, prime services, global clearing and commission sharing arrangement (CSA) businesses.

William also served as Director at Pershing LLC, responsible for their institutional product suite and directed their global re-engineering efforts firm wide. William started his career on Wall Street at Donaldson, Lufkin & Jenrette (DLJ) as part of their MBA program in 1999 and just prior to that was a principal for a large consulting firm. William earned a Bachelor of Arts degree from Wesleyan University in Connecticut and a Master of Business Administration in Strategic Management from Rutgers University. He holds Series 7, 24 and 63 registrations.

### William Brennan

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. Brennan is Chief Financial Officer of Apex Clearing Corporation and oversees all futures operations.

William Brennan joined Apex in 2016 as Chief Financial Officer. He has worked in the financial services industry for over 25 years, most recently as Chief Operating Officer at Prophecy Asset Management, LLC. He was previously Managing Director and Global Co-Head of Clearing for Goldman Sachs. In that role, William was primarily responsible for infrastructure and financial management as well as building out an international clearing platform. Prior to joining Goldman

Sachs, William served as Chief Financial Officer at First Options of Chicago, Inc. William graduated from the University of Illinois with a B.S. in Accounting. He became a C.P.A. in 1989 and received his J.D. from IIT-Chicago Kent College of Law in 1995.

## **Brian Gover**

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. Gover is Chief Compliance Officer of Apex Clearing Corporation and oversees all compliance functions.

Brian brings over 20 years of financial services experience to his role as Chief Compliance Officer. Prior to joining the Apex team, Brian held leadership roles at Penson, including Chief Compliance Officer and Vice President of Operations. Prior to joining Penson, Brian worked at JP Morgan Chase where he oversaw global trades, trade amendments, and foreign exchange for all Western Hemisphere global custody clients. Brian also worked for Fidelity Investments as an Associate Research Analyst and Work Leader. Brian obtained a M.S. in Financial Economics from Boston University and a B.S. in Business Administration from University of Southern New Hampshire.

## **Chris Fesler**

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. Fesler is Chief Technology Officer of Apex Clearing Corporation and oversees all technology aspects of Apex's businesses.

As Chief Technology Officer, Chris is in charge of all technology strategy and architecture across Apex. Chris joined Apex in 2012 as an engineer, playing a principle role on the design, development, and implementation of the API technology. Prior to Apex, Chris worked at PEAK6 Capital Management as a senior developer. Before jumping in the world of financial services technology, Chris helped develop technology platforms for a number of startups. Chris earned his Bachelor's degree in Mathematics from Reed College.

## **Jud Pyle**

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. Pyle is responsible for all operations and portfolio risk management at Apex Clearing Corporation.

In his role as Chief Operations Office and Head of Portfolio Risk Management, Jud oversees efforts to identify the most efficient use of resources to clear transactions effectively. Prior to his role as Head of Retail for Apex Clearing Corporation, Jud was a Partner at PEAK6 Investments, L.P. In his 16 years at PEAK6, Jud has worked with the team to build a technology driven asset management business that specialized in the trading of equity options. He served in many different roles across PEAK6, including trader/portfolio manager, risk manager, and head of operations. Jud has deep functional expertise with risk management and the equity markets, with a particular emphasis on using technology solutions to drive process improvements. Jud received a B.A. in Economics and History from Colgate University.

## **Terra Prince**

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Ms. Prince is responsible for Apex Clearing Corporation's anti-money laundering efforts.

As the firm's designated Anti-Money Laundering Compliance Officer (AMLCO), Terra Prince is responsible for the oversight and maintenance of Apex's Anti-Money Laundering program.

During her 17 years in the financial services industry, she has held roles in both Operations and Compliance. Prior to assuming the role of AMLCO, she was Compliance Manager at Apex and during her tenure in financial services; she has held roles as Compliance Officer, Operations Director and New Business Manager. Terra graduated with a Bachelor's degree in Business Administration from Florida Institute of Technology (Florida Tech) and is a Certified Anti-Money Laundering Specialist, CAMS®.

## **Ralph D'Auge**

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. D'Auge is the Controller of Apex Clearing Corporation. He is responsible for regulatory reporting.

Ralph has been the Corporate Controller for Apex since 2012 and has 25 years' experience in the financial services industry at various broker dealer firms managing the firms accounting and regulatory reporting functions, most recently, Controller of Penson Financial Services Inc. in 2011 and Sr. Director of Finance at Ridge Clearing and outsourcing and ADP Clearing from 2004 to 2010. Prior to that he held Corporate Controller roles at Fleet Securities Inc. and Quick and Reilly Inc. Ralph is a Series 27 licensed professional and holds a BS in Accounting from The College of Staten Island, passing the CPA exam in 1995, and earned an MBA in Finance from St. Johns University in 2005.

## **John Kenny**

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. Kenny serves as executive vice-president responsible for developing clearing clients.

John brings over 35 years of senior level experience in the clearing business to his role as Executive Vice President for Apex. Prior to the formation of Apex Clearing Corporation, John served at Penson Financial Services for five years as Executive Vice President, Chief Operating Officer, and member of the Board of Directors and Audit Committee. His understanding of clearing from an operational and technical prospective gives him the ability to transform core clearing functions to value-added processes for clients. John holds the Series 3, 4, 7, 24, 27, and 53 licenses and is a member of the SIFMA Clearing Firms Committee.

## **Jeff Logan**

**Business Address:** 350 N. St. Paul Street, Dallas, Texas 75201

**Area of Responsibility:** Mr. Logan serves as General Counsel of Apex Clearing Corporation. He is responsible for all legal affairs of the firm.

Prior to going in-house, Jeff was a partner at Locke Lord LLP, where for over nine years he provided legal representation to financial services clients in commercial and regulatory matters, specializing in securities-related litigation and arbitration. In his role as General Counsel at Apex and prior in-house positions, Jeff has gained extensive experience in the legal aspects of back office operations of broker-dealers and has deep functional expertise regarding the law and regulation affecting clearing firms. Jeff earned his law degree from SMU School of Law and received a degree in public relations from The University of Texas at Austin.

## General Discussion of Apex's Business and Operations

Apex is a securities exchange member (as listed below) and provides clearing, execution, prime brokerage, margin lending, securities lending, and other back office services to customers of introducing brokers, as well as direct customers and other parties.

- Registered investment advisors
- Correspondent broker-dealers and futures introducing brokers
- Institutional clients
- Proprietary traders
- Other market professionals
- Introduced retail clients
- Futures traders
- Digital and FinTech firms

Apex provides technologically sophisticated execution and clearing solutions to the market segments listed above.

99% of Apex's capital and assets are deployed to its securities and clearing business and 1% to the futures business.

Since Apex is a new FCM we do not have any prior data on customer concentrations. After a reasonable period of time we will update this document to reflect the number of clients that make up 50% of our futures segregated funds requirement. Please note that we do not anticipate significant concentration in our futures segregation requirement.

Apex does not engage in non-hedged principal over the counter transactions.

Apex does not provide financing for illiquid products for which it is difficult to obtain timely and accurate prices.

Apex's most recent audited financial statements can be found at this location:  
<https://www.apexclearing.com/disclosures/>

Apex is a member of the following securities exchanges and securities clearinghouses:

- Box Options Exchange
- Bats Exchange
- C2 Options Exchange
- Chicago Board Options Exchange
- Chicago Stock Exchange
- International Securities Exchange
- Investors' Exchange
- MIAX PEARL
- Miami International Securities Exchange
- NYSE ARCA

- NYSE MKT
- Nasdaq BX
- Nasdaq Stock Market
- New York Stock Exchange
- Options Clearing Corporation
- National Securities Clearing Corporation
- The Depository Trust Company
- Fixed Income Clearing Corporation
- Mortgage Backed Securities Clearing Corporation
- Government Securities Clearing Corporation
- Euroclear

## Apex FCM Business

Apex is a non-clearing FCM. We are not members of any futures exchanges or futures clearing houses. Apex clears its futures business on an omnibus basis through Intl FC Stone. As a new FCM we do not have historical data on our futures clients. However, we anticipate that at least 90% of our futures clients will be retail-based and will be introduced to us by an independent futures introducing broker that is also a securities correspondent client of Apex. We plan to offer access to futures markets in the U.S. Primarily CME Group exchanges, including Chicago Mercantile Exchange, Chicago Board of Trade, New York Mercantile Exchange, and Commodity Exchange, along with ICE US and Chicago Futures Exchange. We do not engage in swaps trading or retail foreign exchange for clients.

## Apex Affiliates

Apex is wholly owned by Apex Clearing Holdings LLC. PEAK6 Investments, L.P. is the manager and majority owner of Apex Clearing Holdings LLC.

## Apex Financial Condition

### RELEVANT FINANCIAL DATA

Apex Clearing Corporation's annual audited financial statements are available here:

<https://www.apexclearing.com/disclosures/>

### Financial Data as of month end December 31, 2016

Total Equity	\$113,309,173
Regulatory Capital	\$122,870,087
Net Worth	\$113,309,173

Proprietary margin requirements as a percentage of the aggregate margin requirement for:	
futures customers	\$0
cleared swaps customers	N/A
30.7 customers	N/A
Number of futures customers, cleared swaps customers, and 30.7 customers that comprise 50% of the FCM's total funds held for.	
Futures customers	0
Cleared swaps customers	N/A
30.7 customers	N/A
Aggregate notional value of all non-hedged, principal over-the-counter transactions	N/A
Unsecured lines of credit the FCM has obtained but not yet drawn upon	\$20,000,000
Aggregated amount of financing the FCM provides for customer transactions involving illiquid financial products	N/A
Percentage of futures customer, cleared swap customer and 30.7 customer receivable balances that the FCM had to write off as uncollectable during the past 12-month period	0

At this time, Apex Clearing Corporation customers do not engage in activity that requires a 30.7 account or in cleared swap activity. As such, Apex Clearing Corporation does not have any data to report 30.7 activity or cleared swap activity.

Information about the financial condition of Apex Clearing is available at the Commodity Futures Trading Commission on the Commission's website at <http://www.cftc.gov/marketreports/financialdataforfcms/index.htm>

Information about how Apex invests and holds client futures funds can be obtained from National Futures Association Background Affiliation Status Information Center ("BASIC") at the following link:

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

Information about the financial condition of Apex is available at the Commodity Futures Trading Commission ("CFTC") website at the following link:

<http://www.cftc.gov/MarketReports/financialfcmdata/index.htm>

Apex's most recent audited financial statements can be found at this location: <https://www.apexclearing.com/disclosures/>

## Apex Designated Self-Regulatory Organizations



Apex's securities designated self-regulatory organization ("DSRO") is Financial Industry Regulatory Authority ("FINRA"). Information about FINRA can be found at [www.finra.org](http://www.finra.org).

Apex's futures DSRO is National Futures Association ("NFA"). Information about NFA can be found at [www.nfa.futures.org](http://www.nfa.futures.org).

## Filing a Complaint

If you wish to file a complaint, we encourage you to contact Apex Compliance Department at 214-765-1055) or via email at [complianceus@apexclearing.com](mailto:complianceus@apexclearing.com).

If you wish to file a complaint about Apex with the CFTC you may contact the CFTC via the internet at <http://www.cftc.gov/Forms/tipsandcomplaints>, or via telephone at 866-FON-CFTC (866-366-2382).

If you wish to file a complaint about Apex with NFA you may contact NFA via the internet at <http://www.nfa.futures.org/basicnet/Complaint.aspx>, or via telephone at 800-621-3570.

## Apex Client Segregation of Funds Practices

FCMs can maintain up to three different types of futures-related accounts for clients. The type of account a client of the FCM maintains depends on the product that the client trades:

- Client segregated account – for clients trading futures and options on futures that are listed on U.S. futures exchanges.
- 30.7 secured account – for clients that trade futures or options on futures that are listed on foreign futures exchanges. ( Apex does not currently allow clients to trade futures listed on foreign futures exchanges)
- Cleared swaps client account – for clients trading swaps cleared on a derivative clearing organization ("DCO") that is registered with the CFTC. (Apex is not authorized to facilitate trading swaps for clients at this time)

Apex shall prepare daily segregation, secured amount and cleared swaps customer collateral computations as of the close of business by noon of the following day as required by CFTC Regulations 1.32, 30.7(l) and 22.2(g); NFA Compliance Rule 2-10.

Apex shall maintain sufficient funds in United States Dollar ("USD") held in segregated and cleared swaps customer collateral accounts within the United States to cover its USD customer segregated, and cleared swaps customer collateral liabilities (as applicable), respectively as required by CFTC Regulations 1.49(e) and 22.9.

Apex shall clearly designate all futures customer securities and property as customer segregated as required by CFTC Regulation 1.20 and NFA Financial Requirements Section 4.

Apex shall perform due diligence as required by CFTC Regulation 1.11 on the location of customer funds as required by CFTC Regulations 1.11 and 1.20. Such due diligence shall be conducted pursuant to Apex's overall credit and counter-party policies.

Apex shall obtain acknowledgement letters from depositories, including derivatives clearing organizations and other FCMs, where applicable, holding customer funds in the form prescribed under CFTC Regulations 1.20, 1.26, 22.5, and 30.7 within three business days of opening any new accounts. Apex shall ensure that Apex and its depositories file copies of the acknowledgment letters with both the CFTC and its DSRO through WinJammer.

Apex shall instruct each depository holding customer segregated, customer secured and cleared swaps customer collateral accounts to report the balances in these accounts on a daily basis to NFA or a third party designated by NFA, in the form and manner prescribed by NFA, to be considered as an acceptable depository to hold customer segregated funds, customer secured funds and cleared swaps customer collateral as required by NFA Financial Requirements Section 4.

Apex shall maintain written policies and procedures that establish a target amount (either by percentage or dollars) that Apex seeks to maintain as its residual interest in its customer segregated, customer secured, and cleared swaps customer collateral accounts, which are designed to reasonably ensure the FCM maintains these amounts and remains in compliance with the segregation, secured amount and cleared swaps customer collateral amounts at all times as required by CFTC Regulations 1.11 and 1.23 and NFA Financial Requirements Section 16(a).

All procedures relating to protection of client segregated funds shall be approved in writing by the Apex Board of Directors as required by NFA Financial Requirements Section 16(a).

Material changes to the firm's procedures regarding residual interest in customer segregated, customer secured or cleared swaps customer collateral accounts shall be approved in writing by Apex's Board of Directors as required by NFA Financial Requirements Section 16(a) and Interpretive Notice ¶9066.

If Apex does not hold sufficient funds to meet its target residual amount in customer segregated, customer secured or cleared swaps customer collateral accounts Apex shall file immediate notice of this occurrence with the CFTC and the firm's DSRO as required by NFA Interpretive Notice ¶9066 and CFTC Regulation 1.12(j).

Apex shall not make any withdrawal, transfer or disbursement, not made for the benefit of customers from any customer segregated funds account; customer secured, or cleared swaps customer collateral account that exceeds 25% of Apex's residual interest unless such withdrawal meets the requirements of NFA Financial Requirements Section 16(b), (c) and (d).

If Apex withdraws a portion of its residual interest not for the benefit of customers, and the withdrawal causes Apex to fall below its target residual amount, then by the close of business the next day Apex shall either deposit funds in the segregated, secured funds or cleared swaps customer collateral account(s), as applicable, to restore the respective account balance to the target residual amount or if appropriate revise the target residual amount in accordance with its policies and procedures on doing so as required by NFA Interpretive Notice ¶9066 and CFTC Regulation 1.23(e).

In addition to the requirements above, prior to withdrawing more than 25% of Apex's residual interest, the Treasury Manager, CFO, or CEO will authorize such withdrawal in writing and only

after reviewing Apex's segregated funds condition and performing such due diligence as may be necessary to ensure that such withdrawal would not cause Apex to become under segregated.

Apex shall prepare Segregated Investment Detail Reports (SIDRs) and file with its DSRO as required by NFA Financial Requirements Section 16(e). Apex shall file SIDR Reports at the times below and shall include the information below:

By 11:59 P.M. Eastern time on the business day following the 15th and the last business day of each month, the following information as of the close of business on the 15th (or the following business day if the 15th falls on a weekend) and the last business day of each month:

- (1) The identity and location of each depository holding customer segregated funds and the dollar amount held at each depository;
- (2) The dollar amount of customer segregated funds held in cash, each type of permitted investments identified in CFTC Regulation 1.25(a), customer owned securities held as margin, and as securities under agreements to resell the securities (reverse repurchase transactions) held at each depository identified in subsection (1) above;
- (3) The identity and location of each depository holding foreign futures and foreign options customer secured amount funds and the dollar amount held at each depository;
- (4) The dollar amount of foreign futures and foreign options customer funds held in cash, each type of permitted investments identified in CFTC Regulation 1.25(a), customer owned securities held as margin, and as securities under agreements to resell the securities (reverse repurchase transactions) held at each depository identified in subsection (3) above;
- (5) The identity and location of each depository holding cleared swaps customer collateral and the dollar amount held at each depository;
- (6) The dollar amount of cleared swaps customer collateral held in cash, each type of permitted investments identified in CFTC Regulation 1.25(a), customer owned securities held as margin, and as securities under agreements to resell the securities (reverse repurchase transactions) held at each depository identified in subsection (5) above; and
- (7) The identity of each depository that held customer segregated funds, foreign futures and foreign options customer

Apex shall not commingle the accounts of officers, directors, partners and employees with the funds of customers. Apex shall review tax equity run or equivalent report, to ensure accounts of officers, directors, partners and employees are reflected separately from customers as required by NFA Compliance Rules 2-9 and 2-10.

Apex shall maintain complete and detailed records of all securities held or owned by the firm which represents an investment of customer funds as required by CFTC Regulation 1.27.

As set forth in CFTC Regulation 1.24, Apex shall exclude from segregation all money invested in obligations or stocks of any derivatives clearing organization or in memberships in, or obligations of, any contract market, money held by any derivatives clearing organization that is used for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the contracts, trades, or commodity options of the futures customers of Apex.

Apex shall limit and restrict the use of segregated customer funds as set forth in CFTC Regulations 1.20 and 1.22.

All investments of segregated customer funds shall be in accordance CFTC Regulation 1.25 and such investments shall be limited to instruments permitted by such regulation.

In the event that Apex invests customer segregated funds in instruments permitted by CFTC Regulation 1.25, Apex shall include such instruments in segregated account records and reports at values which at no time exceed current market value, determined as of the close of the market on the date for which such computation is made.

As set forth in CFTC Regulation 1.29, Apex may receive and retain incremental income or interest income from investment of customer segregated funds pursuant to CFTC Regulation 1.25. Apex shall bear sole responsibility for any losses resulting from such investments and no customer shall bear responsibility for such losses.

Nothing in the regulations in this chapter shall prevent a Apex from lending its own funds to customers on securities and property pledged by such customers, or from re-pledging or selling such securities and property pursuant to specific written agreement with such customers. The proceeds of such loans used to purchase, margin, guarantee, or secure the trades, contracts, or commodity options of customers shall be treated and dealt with by a futures commission merchant as belonging to such customers, in accordance with CFTC Regulation 1.30.

Apex shall not loan funds on an unsecured basis to futures customers to finance customers' futures trading, nor may Apex loan funds to futures customers secured by the futures accounts of such customers.

Although Apex is a registered broker-dealer, the funds clients deposit with Apex for trading futures and options are not protected by the Securities Investor Protection Corporation ("SIPC").

## **Apex Risk Profile**

Apex is exposed to the risks set forth below in its securities and futures businesses. Apex seeks to mitigate risks arising from its activities by employing robust risk management practices in all areas of its businesses.

Apex has risk arising from:

- The inability of its clients and/or counterparties to meet their financial commitments.
- Write downs of Apex assets
- Inability to meet cash or collateral requirements as they arise
- Non-compliance laws and regulations
- Negative perceptions of Apex's reputation
- Uncertainty in the global economy and financial markets
- Actions taken by governments or regulators
- Market exposures
- Adverse effects of competition

- Inability to obtain financing if needed
- A protracted decline or reduced liquidity in financial markets

## Summary of Risk Management Practices

### General Overview

Apex has established a risk management Program (“RMP”) in accord with its obligations under Commodity Futures Trading Commission (“CFTC”) Regulation 1.11. The goal of the Apex RMP is to maintain and enforce a system of risk management policies and procedures designed to monitor and manage the risks associated with the futures activity of Apex.

### RMP Shall be in Writing

Apex shall maintain written policies and procedures describing Apex’s RMP.

### Approval in Writing

The RMP, written risk management policies for futures, and any material changes thereto shall be approved in writing by Apex’s board of directors (“BoD”).

### Risk Management Unit

As part of the RMP, Apex shall establish and maintain a risk management unit with sufficient authority, qualified personnel, and financial, operational, and other resources required to carry out Apex’s RMP. The risk management unit shall report directly to Apex’s senior management and shall be independent from Apex’s other business units.

Apex shall review the sufficiency of the risk management unit’s resources annually or at such shorter periods as business, market and risk conditions dictate.

### Elements of the RMP

Apex’s RMP is designed to mitigate the risks associated with Apex’s futures-related business. Company’s RMP shall include, but is not limited to, the following components:

1. Identification of risks and risk tolerance limits in the following areas:
  - a. Market risk
  - b. Credit risk
  - c. Foreign currency risk
  - d. Legal risk
  - e. Operational risk
  - f. Settlement risk
  - g. Segregation risk
  - h. Technology risk

- i. Capital risk
  - j. Other risks as Apex may, from time to time, identify
2. A description of the risk tolerance limits set by Apex
3. The underlying methodology for setting Apex's risk tolerances
4. Risks posed by Apex's affiliates
5. Risks posed by Apex's securities business
6. Breaches of Apex's risk tolerance limits
  - a. Escalation procedures
7. A quarterly review of such risk tolerances by Apex's senior management
8. An annual review by Apex's BoD.

## Periodic Risk Exposure Reports

Apex's risk management unit shall prepare a quarterly written report setting forth all applicable risk exposures of Apex, any recommended or completed changes to Apex's RMP, the recommended timeframe for implementing recommended changes, and the status of any incomplete implementation of any previously recommended changes.

## Specific Risk Management Considerations

Apex shall identify, measure, and manage the following risks:

### Market Risk

Apex maintains robust market risk and market access policies and procedures. Company utilizes pre-execution risk controls for all futures clients. Pre-execution risk controls include:

1. Maximum order size
2. Maximum position limit
3. Buying power

No client can exceed their pre-execution buying power. Breaches will be escalated to appropriate management.

### Credit Risk

Apex maintains a Credit Committee to mitigate credit risks. The primary function of the Credit Committee is to provide oversight responsibilities with respect to credit exposure embedded in Company's clearing model. The Credit Committee creates policies and procedures regarding potential issues that may cause credit exposure to Apex.

### Foreign Currency Risk

Apex's futures business is primarily based in the U.S. Company mitigates foreign currency risk by requiring futures customer to post U.S. dollars to collateralize obligations to Company.

Company has zero tolerance for foreign currency risk.

### Legal Risk

Company mitigates legal risk by using the following:

1. Robust written procedures designed to ensure compliance with applicable rules, regulations and laws in the conduct of Apex's business
2. Use of an effective corporate structure designed to increase efficiency
3. Maintaining appropriate corporate insurance
4. Employing in-house counsel
5. Employing outside counsel with regulatory expertise as needed

## **Liquidity Risk**

Apex limits liquidity risk by limiting the amount of trading activity of its futures clients to buying power based on the funds held in a client's account prior to entering a futures trade. Clients may not trade illiquid instruments and must be able to promptly meet margin calls.

## **Operational Risk**

Apex has established reasonably designed controls to prevent the placing of erroneous orders, including any order that might exceed pre-set capital, credit or volume thresholds. Apex will maintain a supervisory review checklist to ensure such controls are maintained and tested at least annually.

## **Proprietary Trading**

Apex does not engage in proprietary trading.

## **Settlement Risk**

Apex mitigates settlement risk by limiting futures activity to exchange traded futures only. Apex balances its books on a daily basis and utilizes qualified personnel to do so. Apex also mitigates its settlement risk by using intra-day position reports to assess and monitor activity and positions of futures customers.

## **Segregation Risk**

Apex mitigates segregation risk by limiting the instruments in which client segregated funds may be held. Apex maintains robust segregation policies and procedures designed to ensure cash movements are done according to relevant rules and regulations.

## **Capital Risk**

As a FINRA registered broker-dealer we stress test our capital and liquidity requirements regularly. Apex limits risks to capital by utilizing robust tools, processes and procedures.

## **Affiliate Risk**

Any and all affiliated Apex entities will follow the same procedure with access to any futures trading as indicated for our other futures clients.

### **Review and Testing of Risk Management Program**

Apex will review the RMP annually. Such review will be conducted by internal audit staff that are independent of Apex's business units or by a qualified third-party audit service that reports its findings to Apex staff that are independent of Apex business units.

### **Distribution of Risk Management Program**

Apex shall ensure that the RMP is distributed to relevant supervisory personnel. Apex's compliance department shall be responsible for the distribution of this RMP and shall maintain written records of such distribution that include:

1. The name of the Apex personnel to whom the RMP is distributed
2. The date of such distribution
3. The method of such distribution