

# Commodity Futures Trading Commission Regulation 1.55 (k) Disclosure Documents

Current as of: October 14, 2019



Date of First Use (Publication Date): October 14, 2019

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## INTRODUCTION

Commodity Futures Trading Commission (“CFTC”) Regulation 1.55(k) requires each futures commission merchant (“FCM”), including Apex Clearing Corporation (“Apex” or the “Firm”), to provide the following information to existing futures customers and to a customer prior to the time the customer first enters into an account agreement with an FCM or deposits money or securities with an FCM.

Except as otherwise specified, Apex’s financial information contained herein is current as of March 31, 2019. All other information has been updated as of the date indicated on the cover page. Apex will update this document 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 customer 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.

Apex also operates as a broker-dealer registered with the U.S. Securities and Exchange Commission (“SEC”). Information that may be material with respect to Apex for purposes of applicable securities laws may not be material to an FCM customer, and information contained in this Disclosure Document, which may be material to an FCM customer, may not be material to Apex for purposes of applicable securities laws.

## APEX CONTACT INFORMATION (1)

*The futures commission merchant's name, address of its principal place of business, phone number, fax number, and email address.*

Apex Clearing Corporation  
350 N. St. Paul Street  
Suite 1300  
Dallas, Texas 75201  
Telephone: (214) 765-1100  
Fax: (214) 865-7401  
Email: ComplianceUS@apexclearing.com

## PRINCIPALS INFORMATION (2)

*The name, title, business background, areas of responsibility, and the nature of the duties of each person that is defined as a principal of the futures commission merchant pursuant to CFTC Regulation §3.1.*

### **William Capuzzi**

**Business Address:** 350 N. St. Paul St., Suite 1300, Dallas, Texas 75201

**Area of Responsibility:** Mr. Capuzzi is Chief Executive Officer (“CEO”) of Apex and is responsible for all operating aspects of Apex.

**Background:** Prior to his role as CEO of Apex, William previously worked at Convergenx Group where he was Chief of Staff (“COS”) and a member of the firm’s Executive Committee. As COS, 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.

**William Brennan**

**Business Address:** 350 N. St. Paul St., Suite 1300, Dallas, Texas 75201

**Area of Responsibility:** Mr. Brennan is the Chief Administrative Officer and Chief Financial Officer (“CFO”) of Apex.

**Background:** William joined Apex in 2016 as the CFO and also became the Chief Administrative Officer in September 2019. 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 CFO 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.

**Lucille Mayer**

**Business Address:** 350 N. St. Paul St., Suite 1300, Dallas, Texas 75201

**Area of Responsibility:** Ms. Mayer is Chief Operating Officer (“COO”) of Apex and oversees the operations, legal, and compliance functions of the company. Additionally, Lucille works closely with clients and partners, as well as the product and technology teams within the firm, to evolve and scale Apex offerings to work towards delivering an unmatched customer experience.

**Background:** Prior to her position as Chief Operating Officer of Apex, Lucille was Chief Information Officer of Client Experience Delivery at BNY Mellon, one of the world’s largest financial service enterprises. In her role as CIO, she was responsible for the development, testing, convergence, and delivery of client technology touch points. Previously, Lucille spent a 24-year tenure at Pershing, LLC, a BNY Mellon company, in various technology and operations roles culminating as CIO and an Executive Committee member. Lucille earned a Bachelor of Arts degree in Computer Science, magna cum laude, from the State University of New York.

**Robert Doebler**

**Business Address:** 350 N. St. Paul St., Suite 1300, Dallas, Texas 75201

**Area of Responsibility:** Mr. Doebler is Chief Operations Officer of Apex and oversees all futures operations.

**Background:** Robert joined Apex in October of 2017 and has worked in the financial services industry for over 35 years. Prior to joining Apex, Robert was in charge of building out the futures clearing system for GETCO, LLC. Previously he was Chief Operations Officer of the retail broker/dealer of Allstate Insurance Company, Senior Vice President of the securities division at E D & F Man International and Senior Vice President of Operations at O’Connor & Associates/Swiss Bank Corp. Robert graduated from the University of Illinois – Chicago with a BS in Finance.

**Bruce Kolman**

**Business Address:** 141 W. Jackson, Suite 800, Chicago IL 60604

**Area of Responsibility:** Mr. Kolman is Futures Chief Compliance Officer of Apex and is responsible for futures compliance.

**Background:** Bruce has worked in the futures and derivatives industry for over 30 years. Bruce was a member of the CME Group from 1983 to 2014. Prior to joining Apex, Bruce worked at TD Ameritrade in the Futures & Forex Compliance Department where he was a futures and forex subject matter expert in the Compliance Advisory Group. His responsibilities at TD Ameritrade included handling forex inquiries from the NFA, drafting CFTC and NFA annual compliance reports, re-writing the written supervisory procedures for TD Ameritrade Futures & Forex LLC, and creating annual ethics and segregated funds training modules. From 2004 to 2012 he was an equity partner at CMZ Trading, a proprietary trading firm focused on stock index

arbitrage, where he was responsible for futures options market making activities and managing option expiration risk. Bruce began his career in 1983 as an independent market maker trading a variety of futures and futures options products.

Bruce was admitted to the Illinois State Bar in 1982 and is a member of the Chicago Bar Association Futures & Derivatives Law Committee. Bruce earned a J.D. from the DePaul University College of Law. Bruce earned a B.A. in philosophy and mathematics from St. Johns College, Annapolis Md.

### **Board of Directors**

#### **Jay Coppoletta**

**Business Address:** 141 W. Jackson Blvd., Suite 500, Chicago, IL 60604

**Area of Responsibility:** Mr. Coppoletta is the Chief Corporate Development & Legal Officer at PEAK6 Investments LLC (“PEAK6”) and is also a member of Apex’s Board of Directors. In this role at PEAK6, Jay manages PEAK6’s legal department and oversees the day-to-day activities of PEAK6 Strategic Capital, PEAK6’s external investment arm.

**Background:** Jay has been at PEAK6 since February 2010. Prior to joining PEAK6, Jay was an Associate in the Chicago office of Sidley Austin LLP. Jay’s practice while at Sidley Austin LLP focused on mergers and acquisitions and counseling boards of directors of public companies. He is also a director at English Premier League club AFC Bournemouth. Jay is a member of the state bar of Illinois and graduated magna cum laude from the University of Michigan Law School, where he was a member of the Law Review, in 2003. Jay received a Bachelor of Arts summa cum laude from Loyola University Chicago in 2000.

### **Direct Ownership**

#### **Apex Clearing Holdings, LLC**

**Business Address:** 141 W. Jackson Blvd., Suite 500, Chicago, IL 60604

**Area of Responsibility:** Apex is wholly owned by Apex Clearing Holdings, LLC.

#### **PEAK6 Investments LLC**

**Business Address:** 141 W. Jackson Blvd., Suite 500, Chicago, IL 60604

**Area of Responsibility:** Managing member of Apex Clearing Holdings, LLC

### **Indirect Ownership**

#### **Matthew Hulsizer**

**Business Address:** 141 W. Jackson Blvd., Suite 500, Chicago, IL 60604

**Area of Responsibility:** Matt serves as one of two managing members of PEAK6 LLC.

**Background:** From 1994 until he co-founded PEAK6 in 1997, Matt was a director and risk manager for Swiss Bank, a global financial-services corporation that merged with Union Bank of Switzerland to become UBS AG. From 1991-1993, he worked as a senior trader with O’Connor & Associates, a proprietary derivatives trading firm that was acquired by Swiss Bank and subsequently integrated into Swiss Bank Capital Markets. Matt graduated from Amherst College and has served as a board member of New Jersey’s Peddie School and Chicago’s Steppenwolf Theatre Company.

#### **Jennifer Just**

**Business Address:** 141 W. Jackson Blvd., Suite 500, Chicago, IL 60604

**Area of Responsibility:** Jenny serves as one of two managing members of PEAK6 LLC.

**Background:** From 1990-1992, Jenny worked in the trading department of O’Connor & Associates, and on the floor of the CBOE. From 1992-1997, Jenny worked for Swiss Bank Corporation, the successor to O’Connor & Associates, as a market risk analyst in global risk control and as a senior equity derivatives marketer. Jenny received a Bachelor of Business Administration from the University of Michigan and holds the Chartered Financial Analyst designation.

## APEX'S BUSINESS (3)

*The significant types of business activities and product lines engaged in by the futures commission merchant, and the approximate percentage of the futures commission merchant's assets and capital that are used in each type of activity.*

In addition to Apex's FCM business (see below for details), Apex is an SEC-registered securities broker-dealer. In its capacity as a broker-dealer, Apex provides clearing, execution, margin lending, securities lending, and back office services to customers of introducing brokers and registered investment advisors. As a broker-dealer, Apex has a multitude of relationships with securities exchanges and securities clearing companies. Apex's securities designated self-regulatory organization ("DSRO") is Financial Industry Regulatory Authority ("FINRA"). Information about FINRA is available by visiting [www.finra.org](http://www.finra.org) and information about Apex's broker-dealer registration is available on FINRA's background search webpage by visiting <https://brokercheck.finra.org/>.

Apex is a non-clearing FCM registered with the National Futures Association ("NFA"). NFA is also Apex's designated self-regulatory organization under the CFTC regulations. See "[DSRO Contact Information](#)" section for NFA's contact information and "[Filing a Complaint](#)" for information regarding filing a complaint.

Apex is not a member of any futures exchanges or futures clearing houses, and does not promote or solicit for futures and options business. All futures customers are introduced to Apex by an independent futures introducing broker. The introducing broker is also a securities correspondent client. Futures business is cleared on an omnibus basis through INTL FCStone Financial Inc. ("FCStone").

Through the clearing arrangement with FCStone, introduced customers have access to the following U.S. futures markets: Chicago Mercantile Exchange, Chicago Board of Trade, New York Mercantile Exchange, and Commodity Exchange.

Apex does not permit customers to trade illiquid products for which it is difficult to obtain timely and accurate prices. The following are examples of some of the products that Apex does not support: commodities listed on non-US exchanges, swaps, retail foreign exchange ("FOREX"), off-exchange (Over-the-Counter ("OTC")) and Credit Default Swaps products.

Further, Apex's futures business is limited to carrying speculative customer accounts only. Apex does not engage in propriety trading nor acts as a principal.

Apex services the following three types of financial industry segments:

- Institutional clients (Broker-Dealer)
- Proprietary traders (Broker-Dealer)
- Retail futures traders (FCM)

Approximately 8% of Apex's capital and 1% of assets are utilized for the futures business. The remaining 92% of capital and 99% of assets are deployed to Apex's securities and clearing business.

## BUSINESS ON BEHALF OF CUSTOMERS (4)

*The futures commission merchant's business on behalf of its customers, including types of customers, markets traded, international businesses, and clearinghouses and carrying brokers used, and the futures commission merchant's policies and procedures concerning the choice of bank depositories, custodians, and counterparties to permitted transactions under § 1.25.*

## **Types of Customers**

All of the accounts that Apex carries on behalf of the introduced customers are for speculative retail traders.

## **Markets Traded**

Through an agreement with a clearing FCM, introduced customers' have access to trade in the following markets: financial: interest rates, currency, stock index; agricultural; energy; metals; and livestock.

## **International Businesses**

Apex's conducts its FCM business only in the U.S., with customers having access to the U.S. exchanges only.

## **Clearinghouses**

Apex is not a member of any futures exchanges or clearinghouses. All of the introduced customer transactions are cleared through an arrangement with a clearing FCM, INTL FCStone Financial Inc. FCStone provides customers with access to the following U.S. markets: Chicago Mercantile Exchange, Chicago Board of Trade, New York Mercantile Exchange, and Commodity Exchange.

## **Carrying and Clearing Brokers**

Apex carries introduced customer accounts on fully disclosed basis. Customer accounts are cleared on an omnibus basis through INTL FCStone Financial Inc.

## **Permissibility of Depositories and Counterparties Under CFTC Regulation §1.25**

In order to determine adequacy of the depositories utilized to hold introduced customer funds, on a quarterly basis, Apex performs a detailed review of each. The review includes evaluation of depositories' capitalization, creditworthiness, operational reliability and access to liquidity.

Apex does not invest futures customer segregated funds, neither with affiliates, counterparties nor otherwise. Should Apex decide to invest customer funds, funds will be invested in accordance with CFTC Regulation §1.25.

## **MATERIAL RISKS (5)**

*The material risks, accompanied by an explanation of how such risks may be material to its customers, of entrusting funds to the futures commission merchant, including, without limitation, the nature of investments made by the futures commission merchant (including credit quality, weighted average maturity, and weighted average coupon); the futures commission merchant's creditworthiness, leverage, capital, liquidity, principal liabilities, balance sheet leverage and other lines of business; risks to the futures commission merchant created by its affiliates and their activities, including investment of customer funds in an affiliated entity; and any significant liabilities, contingent or otherwise, and material commitments.*

## **Risks Associated with Investment of Customer Funds**

Apex takes a conservative approach towards handling of customer funds. Apex elected not to invest futures customer segregated funds. Shall at any point in the future Apex decide to invest customer funds, all investments will be compliant with CFTC Regulation §1.25.



## **FCM Financial Health**

### **Credit Worthiness**

Apex takes great pride in its creditworthiness. The Firm has a proven record of making required payments on time to its counterparties, service providers and DSROs alike. When needed, the Firm has been able to establish new financial, counterparty and other third party relationships.

As a non-publicly held company, Apex does not have a formal credit rating with major credit rating agencies; nevertheless, Apex's long history operating as a responsible financial counterparty has earned the Firm a well-deserved and highly creditworthy reputation with customers, clients and the financial industry.

### **Leverage**

Apex's measure of balance sheet leverage as computed under NFA Financial Requirements Section 16(e)(i)(2) was 4.30.

On a monthly basis, Apex is required to report to the NFA and CFTC a leverage ratio calculation performed in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Section 16(e)(i)(2) of the NFA's Financial Requirements defines leverage as "total balance sheet assets, less any instruments guaranteed by the U.S. government and held as an asset or to collateralize an asset (e.g., a reverse repo) divided by total capital (the sum of stockholder's equity and subordinated debt)."

### **Capital**

Apex strives to maintain capital in excess of that necessary to support and maintain business needs and regulatory requirements. Apex had Adjusted Net Capital of \$127,678,245 and Excess Net Capital of \$118,025,725. Net capital summary can be found on our website under futures disclosures. If business needs for capital increase, the Firm will seek to increase its capital through either equity or debt contributions.

### **Liquidity**

Apex's funding and liquidity practices follow a process management approach corresponding with the firm's liquidity profile. Daily decisions are guided through processes intended to maximize liquidity. Ongoing liquidity evaluations are performed to ensure Apex has the necessary capacity to meet its liquidity obligations.

### **Principal Liabilities**

Apex has two principal liabilities: 1) the balances in customer accounts, which are held in segregated accounts; and 2) long-term liabilities in the form of two leases. One lease is for the headquarters located at 350 North St. Paul Street, Dallas, Texas and the second is for offices located at 28 Liberty St, New York, NY 10005.

### **Balance Sheet Leverage and Other Lines of Business**

Please refer to the "**Firm's Business**" section for discussion of other lines of business.

### **Risks Created by Apex's Affiliates and Their Activities**

Apex does not invest customer or house funds with an affiliated entity. No affiliates of the Firm pose a material risk to the FCM business.

### **Significant Liabilities: Contingent or Otherwise Material Commitments**

Please refer to the "**Principal Liabilities**" section above.

## **DSRO CONTACT INFORMATION AND APEX'S WEBSITE WITH REQUIRED FINANCIALS (6)**

*The name of the futures commission merchant's designated self-regulatory organization and its Web site address and the location where the annual audited financial statements of the futures commission merchant is made available.*

### **DSRO Contact Information**

Apex's FCM DSRO is the National Futures Association ("NFA"): <https://www.nfa.futures.org/>

### **Annual Audited Financial Statement**

Apex's most recent audited financial statement can be found at:

<https://www.apexclearing.com/wp-content/uploads/2019/03/APEX-2018-FINANCIAL-STATEMENTS-SOFC-Final.pdf>

## **MATERIAL COMPLAINTS AND ENFORCEMENT ACTIONS (7)**

*Any material administrative, civil, enforcement, or criminal complaints or actions filed against the FCM where such complaints or actions have not concluded, and any enforcement complaints or actions filed against the FCM during the last three years.*

### **Actions Against Apex**

During the last three (3) years Apex did not have, was not notified of, or became aware of, any material administrative, civil, criminal complaints or enforcement actions filed against its futures business. Additionally, Apex is not aware of any unresolved or unconcluded complaints, enforcement actions or lawsuits pertaining to it.

## **OVERVIEW OF CUSTOMER FUNDS SEGREGATION AND COLLATERAL MANAGEMENT (8)**

*A basic overview of customer fund segregation, futures commission merchant collateral management and investments, futures commission merchants, and joint futures commission merchant/broker dealers.*

Below is a basic overview of Apex's customer fund segregation and investment practices. Furthermore, it should be noted that Apex only holds futures segregated funds.

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. → The only account type that Apex carries for introduced futures customers
- 30.7 secured account – for clients that trade futures or options on futures that are listed on foreign futures exchanges. → Apex does not permit trading of 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 currently authorized to facilitate swaps trading

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); and NFA Compliance Rule 2-10. 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. are held in a Customer Segregated Account in accordance 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 and held in either (i) a bank or trust company; or (ii) an FCM. 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; or (iii) in the country of origin of the currency.

CFTC Rule 1.25 authorizes FCMs to invest Customer Segregated Funds, Cleared Swaps Customer Collateral, and 30.7 Customer Funds in the following types of instruments. (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, (v) Commercial paper fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (commercial paper), (vi) Corporate notes or bonds fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (corporate notes or bonds), and (vii) Interests in money market mutual funds.

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 1.20 and NFA Financial Requirements Section 16(a).

All procedures relating to protection of customer 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 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 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 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 and 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, CAO and 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 investment 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 is an affiliate of the FCM that held customer segregated funds, foreign futures and foreign options customer secured amount funds or cleared swaps customer collateral during the reporting period.

Apex shall not commingle the accounts of officers, directors, partners and employees with the funds of customers. Apex shall review an equity run or equivalent report, to ensure accounts of officers, directors, partners and employees are reflected separately from customers as required by CFTC Regulation 1.20(e). 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 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 that Apex's clients and/or their customers deposit with Apex for futures and options trading **are not protected by the Securities Investor Protection Corporation ("SIPC")**.

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://fia.org/articles/protection-customer-funds-frequently-asked-questions>.

## FILING A COMPLAINT (9)

*Information on how a customer may obtain information regarding filing a complaint about FCM with the Commission or with FCM’s DSRO.*

### Apex Compliance

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).

### DSRO

If you wish to file a complaint about Apex with Apex’s DSRO, you may contact NFA electronically at <http://www.nfa.futures.org/basicnet/Complaint.aspx>, or by calling NFA directly at 800-621-3570.

### CFTC

If you wish to file a complaint about Apex with the CFTC you may contact the CFTC electronically at <https://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm>, or by calling the Division of Enforcement toll-free at 866-FON-CFTC (866-366-2382).

## FINANCIAL DATA AS OF DISCLOSURE DOCUMENT MONTH-END (10)

### Total Equity, Regulatory Capital and Net Worth As Of August, 2019

*The futures commission merchant’s total equity, regulatory capital, and net worth, all computed in accordance with US Generally Accepted Accounting Principles and § 1.17, as applicable (i)*

Total Equity (Total Ownership Equity and Total Subordinated Liabilities)	\$155,096,556
Regulatory Capital (Total Net Capital)	\$135,417,426
Net Worth (Total Ownership Equity)	\$155,093,556

### Proprietary Margin Requirements

*The dollar value of the futures commission merchant’s proprietary margin requirements as a percentage of the aggregate margin requirement for futures customers, Cleared Swaps Customers, and 30.7 customers (ii)*

Apex’s proprietary margin requirements were zero. Apex does not engage in proprietary trading. Apex does not offer Cleared Swaps nor 30.7 customer accounts.

### Funds Held for Futures Customers As Of August, 2019

*The smallest number of futures customers, Cleared Swaps Customers, and 30.7 customers that comprise 50 percent of the futures commission merchant’s total funds held for futures customers, Cleared Swaps Customers, and 30.7 customers, respectively (iii)*

Apex’s smallest number of futures customers that comprised 50% of the Firm’s total funds held for futures customers was 118 accounts.

## **Aggregate Notional Value of Principal OTC Transactions**

*The aggregate notional value, by asset class, of all non-hedged, principal over-the-counter transactions into which the futures commission merchant has entered (iv)*

Apex does not permit nor engage in OTC trading.

## **Amount, Source and Purpose of Committed Unsecured Lines of Credit Obtained**

*The amount, generic source and purpose of any committed unsecured lines of credit (or similar short-term funding) the futures commission merchant has obtained but not yet drawn upon (v)*

Apex has a total of \$85 million in unsecured lines of credit available with \$70 million committed unsecured and \$15 million uncommitted unsecured. These lines of credits are held with BMO Harris Bank, Tristate Capital Bank, and a syndicate line between BMO Harris Bank and Texas Capital Bank.

Apex had \$83.2 million in undrawn, unsecured lines of credit available as of August 31, 2019.

## **Aggregate Amount of Financing Provided for Customers Transactions**

*The aggregated amount of financing the futures commission merchant provides for customer transactions involving illiquid financial products for which it is difficult to obtain timely and accurate prices (vi)*

Apex does not provide financing for futures customer transactions in any capacity. Apex also does not permit customers to trade illiquid financial products for which it is difficult to obtain timely and accurate prices, nor provide financing for it.

## **Percentage of Customers Receivable Balance**

*The percentage of futures customer, Cleared Swaps Customer, and 30.7 customer receivable balances that the futures commission merchant had to write-off as uncollectable during the past 12-month period, as compared to the current balance of funds held for futures customers, Cleared Swaps Customers, and 30.7 customers (vii)*

For the past 12 months, Apex did not write-off any futures customer receivable balances.

## **Additional Information about Apex**

Apex's additional financial information and treatment of customer segregated funds can be found in the "[Publicly Available FCM Financial Information \(1.55\(o\)\)](#)" section of this document. The section also specifies where Apex's financial information can be found on CFTC and NFA websites.

## **RISK CONTROLS, PRACTICES, AND PROCEDURES (11)**

*A summary of the futures commission merchant's current risk practices, controls and procedures.*

### **Risk Profile**

Risks set forth below are examples of what Apex has determined can adversely impact its ability to continue to successfully operate in the futures and the securities business. Some of the ways to mitigate risks include Apex keeping abreast of the industry and market related events, employing qualified professionals, and when needed, enhancing processes.

- ✓ Actions taken by governments or regulators
- ✓ Adverse effects of competition
- ✓ Cyber risks
- ✓ Inability of Apex's clients and/or counterparties to meet their financial commitments

- ✓ Inability to meet cash or collateral requirements as they arise
- ✓ Inability to obtain financing if needed
- ✓ Market exposures
- ✓ Negative perceptions of Apex's reputation
- ✓ Non-compliance with laws and regulations
- ✓ Protracted decline or reduced liquidity in financial markets
- ✓ Street-wide data dissemination issues including but not limited to exchanges and clearing corporations
- ✓ Third party service outages
- ✓ Uncertainty in the global economy and financial markets
- ✓ Write downs of Apex assets

## **General Overview**

As required by CFTC Regulation §1.11 Apex has implemented a comprehensive Risk Management Program ("RMP"). Apex acknowledges that an RMP alone cannot eliminate all of the risks. However, the RMP is a supervisory tool to help Apex identify key risks, assign risk tolerances, determine course of action should a risk arise, and reasonably ensure that procedures are being diligently followed. It also helps to ensure that if a breach of risk tolerance limit is detected, it is promptly escalated as appropriate. Periodically, Senior Management reviews exceptions to risk tolerance limits and determines if exceptions are outside of established policies and procedures. All proposed changes to risk tolerance limits are required to be reviewed and approved by the Senior Management.

To be compliant with CFTC Regulation §1.11, and in order to continue improving its Risk Management Program, Apex ensures the RMP is reviewed and tested by qualified personnel at least annually. Reviews are documented and periodically discussed with the Senior Management.

Additionally, in order to enhance supervision and review of risks associated with the futures business, Apex established and retains a Risk Management Unit ("RMU"). RMU has sufficient authority, qualified personnel, and financial, operational, and other resources to carry out the Risk Management Program. The Risk Management Unit reports directly to Senior Management.

On a quarterly basis, RMU prepares a periodic Risk Exposure Report ("RER") that encompasses changes to Apex's business, if any occurred, risk breaches, recommended or completed updates to the Risk Management Program, timeframe for recommendations, and status of any incomplete implementations of previously recommended changes.

Both RMP and RER are distributed for review and approval to Apex's Senior Management and evidence of distribution are maintained in accordance with CFTC Regulation §1.31. Furthermore, as required by CFTC Regulation, Apex ensures that it furnishes CFTC with updated reports.

## **Identifying Risks and Risk Tolerance Limits**

Apex's Risk Management Program takes into account market, credit, liquidity, foreign currency, legal, operational, settlement, segregation, technological, capital, and other applicable risks with a description of the risk tolerance limits and methodology for these limits. In order to be fully cognizant, on a daily basis, Apex's Senior Management participates in a call that addresses risks and other business topics.

Similar to other types of risk and despite Apex's best efforts to manage risk through its policies, procedures, and governance structure, there can be no complete guarantee that Apex will not sustain a material loss as a part of its operation. Apex deems such events to be highly improbable, however, not impossible.



### **Segregation Risk**

Apex mitigates segregation risk by:

- Performing daily computation of the requirement
- Making a timely deposit of additional funds when necessary
- Monitoring residual interest amount to maintain established level
- Employing appropriate separation of duties between funds movement and reporting groups
- Establishing a process for withdrawal of funds from segregated customer funds accounts
  - For the benefit of a customer
  - Not for payment or on behalf of Apex's customer
- Periodically performing review of the depositories
- Providing regulatory bodies with notices and reports

### **Operational Risk**

Operational risks are mitigated by:

- Review and escalation of erroneous trade orders
- Prompt remediation of unsettled transactions
- Transaction settlement monitoring
- Timely reporting of transactions to customers and when applicable, regulatory bodies
- Reconciliation of positions and monies
- An audit of the futures introducing broker's automated order routing system

### **Capital Risk**

Apex reasonably ensures that it has sufficient capital to be compliant with the Act and the regulations. One of the ways that Apex mitigates capital risk is by performing a periodic capitalization stress test. Stress test includes such components as:

- Operational capital
- Unsecured and secured contingent funding sources
- Capital requirement for FCM and non-FCM business
- Residual target interest and excess capital

### **Liquidity Risk**

To limit risks associated with liquidity, Apex restricts futures trading to liquid products that are offered on selected U.S. futures exchanges. Apex does not proprietary trade and does not act as a principal in customer transactions. Furthermore, Apex identified the following three conditions that can increase liquidity needs:

#### **Market Stress Event**

- Mismatches of margins, funding, positions
- Excessive deposits
- Requirements changes
- Funding availability changes

#### **Market Stress Mitigation**

- Changes to positions, margins and additional funding requirements
- Utilization of all available lending facilities
- Multiple daily customer segregation computations
- Prioritization and ongoing monitoring of requirements and funding

#### **Company Specific (Idiosyncratic) Event**

- Excessive withdrawals
- Requirements changes specific to Apex

- Funding availability changes specific to Apex
- Reputational risk

### **Company Specific (Idiosyncratic) Mitigation**

- Utilization of all available lending facilities
- Debit reductions by changes to cash flow
- Analysis and risk control

### **Extraordinary Customer Activity**

Apex notes that extraordinary customer activity can occur due to a number of causes dependent and independent of actions taken by Apex or other external events. If such occurs, Apex's Senior Management will evaluate the situation and determine the best remediation plan.

## **RISK DISCLOSURE STATEMENT (1.55(M))**

*The language set forth in the written disclosure document required by paragraph (a) of 1.55 shall be as follows:*

The risk of loss in trading commodity futures contracts can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. You should be aware of the following points:

(1) You may sustain a total loss of the funds that you deposit with your broker to establish or maintain a position in the commodity futures market, and you may incur losses beyond these amounts. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the required funds within the time required by your broker, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.

(2) The funds you deposit with a futures commission merchant for trading futures positions are not protected by insurance in the event of the bankruptcy or insolvency of the futures commission merchant, or in the event your funds are misappropriated.

(3) The funds you deposit with a futures commission merchant for trading futures positions are not protected by the Securities Investor Protection Corporation even if the futures commission merchant is registered with the Securities and Exchange Commission as a broker or dealer.

(4) The funds you deposit with a futures commission merchant are generally not guaranteed or insured by a derivatives clearing organization in the event of the bankruptcy or insolvency of the futures commission merchant, or if the futures commission merchant is otherwise unable to refund your funds. Certain derivatives clearing organizations, however, may have programs that provide limited insurance to customers. You should inquire of your futures commission merchant whether your funds will be insured by a derivatives clearing organization and you should understand the benefits and limitations of such insurance programs.

(5) The funds you deposit with a futures commission merchant are not held by the futures commission merchant in a separate account for your individual benefit. Futures commission merchants commingle the funds received from customers in one or more accounts and you may be exposed to losses incurred by other customers if the futures commission merchant does not have sufficient capital to cover such other customers' trading losses.

(6) The funds you deposit with a futures commission merchant may be invested by the futures commission merchant in certain types of financial instruments that have been approved by the Commission for the purpose of such investments. Permitted investments are listed in Commission Regulation 1.25 and include: U.S. government securities; municipal securities; money market mutual funds; and certain corporate notes and bonds. The futures commission merchant may retain the interest and other earnings realized from its investment of customer funds. You should be familiar with the types of financial instruments that a futures commission merchant may invest customer funds in.

(7) Futures commission merchants are permitted to deposit customer funds with affiliated entities, such as affiliated banks, securities brokers or dealers, or foreign brokers. You should inquire as to whether your futures commission merchant deposits funds with affiliates and assess whether such deposits by the futures commission merchant with its affiliates increases the risks to your funds.

(8) You should consult your futures commission merchant concerning the nature of the protections available to safeguard funds or property deposited for your account.

(9) Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ("limit move").

(10) All futures positions involve risk, and a "spread" position may not be less risky than an outright "long" or "short" position.

(11) The high degree of leverage (gearing) that is often obtainable in futures trading because of the small margin requirements can work against you as well as for you. Leverage (gearing) can lead to large losses as well as gains.

(12) In addition to the risks noted in the paragraphs enumerated above, you should be familiar with the futures commission merchant you select to entrust your funds for trading futures positions. The Commodity Futures Trading Commission requires each futures commission merchant to make publicly available on its Web site firm specific disclosures and financial information to assist you with your assessment and selection of a futures commission merchant. Information regarding this futures commission merchant may be obtained by visiting our Web site, [www.\[Web site address\]](http://www.[Web site address]).

ALL OF THE POINTS NOTED ABOVE APPLY TO ALL FUTURES TRADING WHETHER FOREIGN OR DOMESTIC. IN ADDITION, IF YOU ARE CONTEMPLATING TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS, YOU SHOULD BE AWARE OF THE FOLLOWING ADDITIONAL RISKS:

(13) Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, customers who trade on foreign exchanges may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction.

(14) Finally, you should be aware that the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

THIS BRIEF STATEMENT CANNOT, OF COURSE, DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF THE COMMODITY MARKETS.

## **PUBLICALLY AVAILABLE FCM FINANCIAL INFORMATION (1.55(o))**

Each FCM shall make the following financial information publicly available on its web site:

*(1) The daily Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Exchanges for the most current 12-month period (i)*

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

*The daily Statement of Secured Amounts and Funds Held in Separate Accounts for 30.7 Customers Pursuant to Commission Regulation 30.7 for the most current 12-month period (ii)*

Apex does not offer trading on foreign exchange.

*The daily Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts Under Section 4d(f) of the Act for the most current 12-month period (iii)*

Apex does not offer Cleared Swaps trading.

*A summary schedule of the futures commission merchant's adjusted net capital, net capital, and excess net capital, all computed in accordance with §1.17 and reflecting balances as of the month-end for the 12 most recent months (iv)*

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

*The Statement of Financial Condition, the Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Exchanges, the Statement of Secured Amounts and Funds Held in Separate Accounts for 30.7 Customers Pursuant to Commission Regulation 30.7, the Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts Under Section 4d(f) of the Act, an all related footnotes to the above schedules that are part of the futures commission merchant's most current certified annual report pursuant to §1.16 (v)*

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

*The Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Exchanges, the Statement of Secured Amounts and Funds Held in Separate Accounts for 30.7 Customers Pursuant to Commission Regulation 30.7, and the Statement of Cleared Swaps Customer Accounts Under Section 4d(f) of the Act that are part of the futures commission merchant's unaudited Form 1-FR-FCM or Financial and Operational Combined Uniform Single Report under the Securities Exchange Act of 1934 ("FOCUS Report") for the most current 12-month period (vi)*

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

*(2) To the extent any of the financial data identified in paragraph (1) of this section is amended, the FCM must clearly notate that the data has been amended.*

If Apex makes any changes to the financial data identified in paragraph (1) of 1.55(o), it will be clearly notated that data has been amended,

*(3) Each futures commission merchant must include a statement on its Web site that is available to the public that financial information regarding the futures commission merchant, including how the futures commission merchant invests and holds customer funds, may be obtained from the National Futures Association and include a link to the Web site of the National Futures Association's Basic System where information regarding the futures commission merchant's investment of customer funds is maintained.*

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

“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/>”

*(4) Each futures commission merchant must include a statement on its Web site that is available to the public that additional financial information on all futures commission merchants is available from the Commodity Futures Trading Commission, and include a link to the Commodity Futures Trading Commission's Web page for financial data for futures commission merchants.*

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

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

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