

**COMMODITY FUTURES TRADING COMMISSION RULE 1.55(k):  
FCM-SPECIFIC DISCLOSURE DOCUMENT**

The Commodity Futures Trading Commission (“CFTC” or “Commission”) requires each futures commission merchant (“FCM”), including Scotia Capital (USA) Inc. (“SCUSA” or “Firm”), to provide the following information (this “Disclosure Document”) to an FCM customer prior to the time the customer first enters into an account agreement with the FCM or deposits money or securities (funds) with the FCM. Except as otherwise noted below, the information set out is as of October 31, 2016. SCUSA will update this information at least annually and as necessary to take account of any material change to its business operations, financial condition or other factors that SCUSA believes may be material to a customer’s decision to do business with SCUSA. Nonetheless, SCUSA’s business activities and financial data are not static and will change in non-material ways frequently throughout any 12-month period.

**NOTE:** SCUSA is a wholly owned subsidiary of Scotia Holdings (US) Inc. (“SHUSI”), and its ultimate parent is The Bank of Nova Scotia (“BNS” together with its subsidiaries “Scotiabank”), a Canadian bank that files annual reports on Form 40-F and periodic reports on Form 6-K (including quarterly financial reports) with the U.S. Securities and Exchange Commission (“SEC”). SCUSA’s FCM business forms part of the Global Banking and Markets division of Scotiabank. Information contained in this Disclosure Document, which may be material with respect to SCUSA for purposes of the Commission’s disclosure requirements may not be material to Scotiabank for purposes of applicable securities laws.

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## SCUSA and its Principals

### Contact Information

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New York, NY 10281  
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Email: [wbo.futuresops@scotiabank.com](mailto:wbo.futuresops@scotiabank.com)

### Designated Self-Regulatory Organization

SCUSA's designated self-regulatory organization ("DSRO") is the Chicago Mercantile Exchange ("CME"). CME's website address is: [www.cmegroup.com](http://www.cmegroup.com)

### Principals

Below is a brief description of those individuals identified as principals of SCUSA, as that term is defined in CFTC Rule 3.1(a). Please note that although defined as a "Principal" under CFTC rules, an individual may have little or no day-to-day control or involvement with the FCM activities of SCUSA. For example, CFTC Rule 3.1(a) defines any member of the board of directors of SCUSA as a principal of SCUSA, even if such person is not involved in the day-to-day operations of the FCM business or SCUSA.

<b>Name</b>	<b>Title</b>	<b>Business Address</b>	<b>Responsibility and Nature of Duties</b>
Steven Winter	Managing Director	250 Vesey Street New York, NY 10281	Global Head of FCM Business
Richard Agata	Chief Compliance Officer	250 Vesey Street New York, NY 10281	Chief Compliance Officer Broker-Dealer/SCUSA
Michael Piracci	Chief Compliance Officer	250 Vesey Street New York, NY 10281	Chief Compliance Officer FCM
Lee Jay Taragin	Chief Financial Officer	250 Vesey Street New York, NY 10281	Chief Financial Officer SCUSA
Cristian Mandachescu	Senior Vice President	250 Vesey Street New York, NY 10281	Chief Risk Officer U.S.
Gary Rupert	Member of Board of Directors	250 Vesey Street New York, NY 10281	Chief Executive Officer
John Ervasti	Managing Director	250 Vesey Street	Head of US Mocatta Base

<b>Name</b>	<b>Title</b>	<b>Business Address</b>	<b>Responsibility and Nature of Duties</b>
		New York, NY 10281	Metals
Loretta Marcoccia	Managing Director Fixed Income, Currencies and Commodities	40 King Street W Toronto, ON M5H1H1	Member Board of Directors
John McCartney	Managing Director, Head Global Equity Capital Markets	40 King Street W Toronto, ON M5H1H1	Member Board of Directors
Paul McKeown	Managing Director, Head US Debt Capital Markets	250 Vesey Street New York, NY 10281	Member Board of Directors
James Morris	Managing Director, Head US Equity Sales and Trading	250 Vesey Street New York, NY 10281	Member Board of Directors
Daniel Murphy	Country Administrative Officer, US Global Banking and Markets	250 Vesey Street New York, NY 10281	Member Board of Directors
Keith Peckholdt	Head of US Operations	250 Vesey Street New York, NY 10281	Member Board of Directors

The individuals noted above have held managerial positions with Scotiabank and/or other major international financial institutions, with experience in a variety of front office, back office, finance, legal and compliance roles. Customers can find additional information regarding the business background of each of SCUSA's principals, including previous associations with other institutions in the futures industry, through National Futures Association's ("NFA") Background Affiliation Status Information Center ("BASIC") system (<http://www.nfa.futures.org/basicnet/>).

### **SCUSA's Business Activities and Services**

The FCM is a division of SCUSA, which is an SEC registered broker-dealer under the Securities Exchange Act of 1934, and is part of the larger Scotiabank enterprise. Although not all necessarily offered through SCUSA or the FCM, Scotiabank offers customers access to a variety of services and asset classes through its different business lines. Such business lines and services include corporate debt and equity underwriting, securities borrowing and lending, execution services for exchange traded and OTC equities and other brokerage services.

The following is an approximate percentage of SCUSA's assets and its capital applicable to various business and product lines and services as of May 31, 2016.

<b>Activity/Product Line</b>	<b>Percentage of Assets</b>	<b>Percentage of Capital</b>
Financing (Resales, Borrows)	86%	10.5%
Inventory by Business Line		
FICC	9.1%	32.6%
Equities	0.2%	2.1%
Other Inventory	0.0%	0.8%
Goodwill and Intangible Assets	0.5%	15%
Receivables from Broker-	3.3%	8.9%
Investments in Subsidiaries and Receivable from	0.1%	1.7%
Fixed and All Other Assets	0.8%	28.4%

SCUSA's FCM Customer Business

SCUSA offers FCM services to institutional, commercial and proprietary entities, all of which must be eligible contract participants as defined in the Commodity Exchange Act and CFTC rules. Through SCUSA and its affiliates, customers are able to trade exchange traded and centrally cleared futures and options on futures across sectors and throughout global markets.

SCUSA is a member of the following exchanges: Chicago Mercantile Exchange, Inc., the Board of Trade of the City of Chicago, Inc., the New York Mercantile Exchange, Inc., ICE Futures US, Inc, and Commodity Exchange Inc.

SCUSA is a direct clearing member of the following clearinghouses for futures: Chicago Mercantile Exchange and ICE Clear Europe.

Where SCUSA is not a member of an exchange or clearinghouse, in order to provide its customers with access to the products offered at such exchanges and clearinghouses, SCUSA will use a carrying broker that is either a member of the exchange or clearinghouse or has a relationship with such member. Below are the names of the direct carrying brokers that SCUSA uses:

<b>Carrying Brokers</b>	<b>Affiliated with SCUSA Y/N</b>
J.P. Morgan Securities LLC	N

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J.P. Morgan Securities plc	N
Scotia Capital Inc.	Y

### **Bank Depositories, Custodians and Investment of Funds**

When selecting a depository SCUSA conducts a due diligence of the depository as part of the selection process. Among other things, SCUSA reviews the depository's experience and market expertise; capitalization; creditworthiness; operational reliability; and liquidity. The review is conducted both prior to opening an account and on an annual basis, thereafter. SCUSA does not currently invest customer funds, but rather any excess funds are held at a bank depository or at the clearinghouse in the form provided by the customer. If in the future SCUSA were to invest customer funds it will do so only in accordance with CFTC Rule 1.25.

### **Material Risks**

Although SCUSA takes measures to minimize the risks that its activities have on its customers, when entrusting funds with any FCM a customer is subjecting itself risks associated with that FCM. When selecting an FCM, some of the material risks that a customer should understand include those posed by an FCM's investment of customer funds and its own funds, the FCM's creditworthiness, leverage, capital, liquidity and other lines of business.

SCUSA does not currently invest customer funds, but rather any excess funds are held at a bank depository or at the clearinghouse in the form provided by the customer. In this way, SCUSA is able to return customer funds that are not being used to margin positions in a timely manner without having to liquidate non-cash instruments.

In order to assure compliance with its regulatory capital requirements and that it has sufficient liquidity to meet its ongoing obligations, SCUSA holds a significant portion of its own assets in cash or cash equivalents, such as demand deposits, and also holds assets in US and Canadian government securities. SCUSA also invests in other short-term liquid instruments such as commercial paper, corporate debt, and state, provincial or municipal securities. SCUSA may also place assets in a limited number of less liquid instruments with limited price transparency that are not readily marketable, such as asset-backed securities. In such instances, there is a risk that if SCUSA needs to liquidate such investments in times of stress it may not be able to do so quickly or at the current valuation.

As a customer of SCUSA you are also subject to certain risks based upon the creditworthiness of SCUSA, its capital, leverage ratios and access to liquid assets as well as risks posed to SCUSA by non-FCM business lines. SCUSA, as both an SEC Registered broker-dealer and

CFTC registered FCM is required to maintain minimum adjusted net capital. The purpose of this is to assure that SCUSA maintains sufficient liquid assets so as to meet its financial obligations arising from its day-to-day activities. For example, on a daily and intraday basis, FCMs must satisfy variation margin and other obligations to clearinghouses on behalf of its customers prior to receiving the required margin from its customers. If an FCM does not have sufficient capital and access to liquid assets it may be unable to meet its obligations, possibly putting client positions and assets at risk, including possibly being subject to a bankruptcy proceeding. SCUSA manages its funding and liquidity on a stand-alone basis and as part of the broader enterprise-wide Scotiabank global Framework. As part of its liquidity risk management policy, SCUSA maintains a term funding profile and a significant liquidity portfolio of U.S. Treasuries to support anticipated outflows that may result from an idiosyncratic or market-wide stress. The goal is for SCUSA to be able to maintain its existing business and sustain itself under the stress events for a minimum of 90 days.

The creditworthiness of an entity is one indicator of its ability access liquidity. The creditworthiness of an entity is assessed based upon the entity's range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, liability, accounting and governance. SCUSA is not rated on a stand-alone basis, but the Bank of Nova Scotia, the ultimate parent of SCUSA, as of the date of this disclosure is rated "A+" for long-term counterparty credit and "A-1" for short-term counterparty credit.

The leverage ratio of an FCM provides information on how much of an FCM's assets is made up of borrowed funds or debt. Leverage ratio is calculated as total balance sheet assets, less any instruments guaranteed by the U.S. government and held as an asset or to collateralize an asset divided by total capital. The lower the leverage ratio, the less debt a firm has. If an FCM is excessively leveraged it may not be able to access liquid assets, particularly in a time of stress. As of October 31, 2016, SCUSA's leverage ratio as reported to the CFTC and NFA is 12.30.

As noted above, in addition to being an FCM, SCUSA is an SEC registered broker-dealer engaging in various securities trading and brokerage activities. Securities transactions, as both principal and agent, are executed with individuals and institutions including other brokers and dealers, central clearers and exchanges, pension plans, hedge funds and other financial institutions. In the SCUSA's capacity as a broker-dealer, it is exposed to the credit risk of its customers, other broker-dealers, clearinghouses and issuers in connection with securities and clearing settlements. SCUSA also extends credit to customers, generally on a collateralized basis. The exposure to credit risk can be exacerbated by adverse economic or market trends, as well as increased volatility in relevant markets or instruments. Defaults by a large financial institution could adversely affect financial markets generally and SCUSA specifically as a result of credit, trading, clearing or other relationships between institutions. SCUSA regularly reviews its credit exposure to specific customers, counterparties, industries, countries and regions and sets maximum exposure limits for specific customers and counterparties and groups of customers and counterparties.

As noted above, SCUSA's FCM is only part of the larger Scotiabank group. Specifically, the

FCM is part of Scotiabank's Global and Banking Markets group that is operated across a number of Scotiabank affiliates. At a high level, since SCUSA is a subsidiary and/or affiliate of other Scotiabank entities it is subject to the risk that if such an entity, particularly BNS, were to become insolvent, SCUSA would be impacted. Additionally, SCUSA enters into certain transactions and activities with its affiliates. SCUSA enters into certain financing arrangements with affiliates, including a line of credit with BNS. SCUSA also executes and clears products for its affiliates as well as its affiliate's clients. SCUSA may also place customer funds with affiliated carrying brokers for purposes of providing customer with access to non-U.S. exchanges. The interconnected nature of SCUSA and its affiliates may pose the risk of disruption to various segments of SCUSA's services.

### **Material Complaints and Enforcement or Actions**

As of the date of this Disclosure Document, as set forth below, there have not been any material administrative, civil, enforcement or criminal complaints or actions filed against SCUSA that have not been concluded nor any enforcement complaints or actions filed against SCUSA during the last three years.

A description of complaints and actions brought against SCUSA can be found on NFA's BASIC system (<http://www.nfa.futures.org/basicnet/>) and on the Financial Industry Regulatory Authority's (FINRA) BrokerCheck system (<http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm>).

### **Segregation of Customer Funds**

Below is a basic overview of the segregation and protection of customer funds under the Commodity Exchange Act and Commission Rules.

#### Customer Accounts

SCUSA maintains two different types of accounts for customers, depending on the products a customer trades: Customer Segregated Account for customers that trade futures and options on futures listed on U.S. futures exchanges; and a 30.7 Account for customers that trade futures and options on futures listed on foreign boards of trade. SCUSA does not maintain accounts for cleared swaps for customers or affiliates.

The requirement to maintain these separate accounts reflects the different risks posed by the 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 Commission may permit by order.

Further, Commission rules require SCUSA to hold funds deposited to margin futures and options on futures contracts traded on U.S. futures exchanges in Customer Segregated Accounts. Similarly, SCUSA must hold funds deposited to margin options on futures contracts traded on foreign boards of trade in a 30.7 Account. In computing its Customer Funds requirements under relevant Commission rules, SCUSA 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 undermargined account.

#### *Customer Segregated Account*

Funds that customers ("Futures 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 Commission Regulation 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;<sup>1</sup> or (iii) in the country of origin of the currency.

An FCM must hold sufficient U.S. dollars in the U.S. to meet all U.S. dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Notwithstanding the foregoing, assets denominated in a currency may be held to meet obligations denominated in another currency (other than the U.S. dollar) as follows: (i) U.S. dollars may be held in the U.S. or in money center countries to meet obligations denominated in any other currency; and (ii) funds in money center currencies<sup>2</sup> may be held in the U.S. or in money center countries to meet obligations denominated in currencies other than the U.S. dollar.

#### *30.7 Account*

Funds that 30.7 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 foreign boards of trade, *i.e.*, 30.7 Customer Funds, and sometimes referred to as the foreign futures and foreign options secured amount, are held in a 30.7 Account in accordance with Commission 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 and held with: (i) a bank or trust company located in the

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<sup>1</sup> Money center countries mean Canada, France, Italy, Germany, Japan and the United Kingdom.

<sup>2</sup> Money center currencies mean the currency of any money center country and the Euro.

US; (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 foreign broker; or (vii) such clearing organization's or foreign broker's designated depositories. 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 30.7 Customers. As explained below, Commission 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 U.S. 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 US 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., Commission Regulation 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. An FCM must deposit 30.7 Customer Funds under the laws and regulations of the foreign jurisdiction that provide the greatest degree of protection to such funds, and an FCM may not by contract or otherwise waive any of the protections afforded customer funds under the laws of the foreign jurisdiction.

#### *Investment of Customer Funds*

Section 4d(a)(2) of the Commodity Exchange Act authorizes FCMs to invest Customer

Segregated Funds in obligations of the U.S., in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the U.S.

Commission Regulation 1.25 authorizes FCMs to invest Customer Segregated Funds and 30.7 Customer Funds in instruments of a similar nature. Commission 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.

Permitted investments include:

- (i) obligations of the U.S. and obligations fully guaranteed as to principal and interest by the U.S. (U.S. government securities);
- (ii) general obligations of any State or of any political subdivision thereof (municipal securities);
- (iii) obligations of any U.S. government corporation or enterprise sponsored by the U.S. government (U.S. agency obligations), except that obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Association are permitted only while these entities operate under the conservatorship or receivership of the Federal Housing Finance Authority with capital support from the U.S.;
- (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 U.S. 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 U.S. 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.

The duration of the securities in which an FCM invests Customer Funds cannot exceed, on average, two years.

An FCM may also engage in repurchase and reverse repurchase transactions with non-affiliated registered broker-dealers, 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 or 30.7 Account. Further, in accordance with the provisions of Commission Regulation 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.

*No SIPC Protection.*

Although SCUSA is a registered broker-dealer, it is important to understand that the funds you deposit with SCUSA for trading futures and options on futures contracts on either U.S. or foreign markets are not protected by the Securities Investor Protection Corporation.

*Additional Information.*

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: [http://www.futuresindustry.org/downloads/PCF\\_questions.pdf](http://www.futuresindustry.org/downloads/PCF_questions.pdf).

**Filing a Complaint**

A customer that wishes to file a complaint about SCUSA or one of its employees with the Commission can contact the Division of Enforcement either electronically at <https://forms.cftc.gov/fp/complaintform.aspx> or by calling the Division of Enforcement toll-free at 866-FON-CFTC (866-366-2382).

A customer that wishes to file a complaint about SCUSA or one of its employees with the Chicago Mercantile Exchange, SCUSA's DSRO, may do so electronically at: <http://www.cmegroup.com/market-regulation/file-complaint.html> or by calling the Chicago Mercantile Exchange at 312-341-3286.

A customer that wishes to file a complaint about SCUSA or one of its employees with NFA electronically at <http://www.nfa.futures.org/basicnet/Complaint.aspx> or by calling NFA directly at 800-621-3570.

**Financial Data as of October 31, 2016**

SCUSA's annual audited financial statements, as well as current financial information required to be made publicly available pursuant to CFTC Rule 1.55(o), may be found on SCUSA's website at: [www.gbm.scotiabank.com](http://www.gbm.scotiabank.com).

NFA publishes on its website certain financial information with respect to each FCM. The FCM Financial Data Reporting provides each FCM's most recent month-end adjusted net capital, required net capital, and excess net capital. (Information for a twelve-month period is available.) In addition, NFA publishes twice-monthly a Customer Segregated Funds report, which shows for each FCM: (i) total funds held in Customer Segregated Accounts; (ii) total funds required to be held in Customer Segregated Accounts; and (iii) excess segregated

funds, *i.e.*, the FCM's residual interest. This report also shows the percentage of Customer Segregated Funds that are held in cash and each of the permitted investments under Commission Regulation 1.25. Finally, the report indicates whether the FCM held any Customer Segregated Funds during that month at a depository that is an affiliate of the FCM. A 30.7 Customer Funds report provides the same information with respect to the 30.7 Account.

The above financial information reports can be found in NFA's BASIC system (<http://www.nfa.futures.org/basicnet/>) by clicking on "View Financial Information" on SCUSA's BASIC Details page.

Additionally, financial information on all FCMs is also available on the Commission's website at: <http://www.cftc.gov/>.

Below is financial data regarding SCUSA as of October 31, 2016:

- Total equity/Net Worth \$659 million,
- Regulatory capital \$1.1billion
- SCUSA's proprietary (house accounts) margin requirements<sup>3</sup> as a percentage of the aggregate margin requirement for each regulatory client account origin are:
  - Segregated: 99.9%
  - 30.7 Secured: 0% (as of the date of the Disclosure Document, SCUSA did not hold any customer 30.7 Secured funds)
  - Cleared Swaps Customers 0% (SCUSA does not clear swaps for affiliates or customers)
- The smallest number of Futures Customers that comprise 50 percent of SCUSA's total funds held in segregated accounts<sup>4</sup> is: 1 (as of the date of the Disclosure Document SCUSA only held one customer account).
- The smallest number of 30.7 Customers that comprise 50 percent of SCUSA's total funds held for 30.7 Customers; (as of the date of the Disclosure Document SCUSA did not hold any customer 30.7 Secured funds).
- The smallest number of cleared swaps customers that comprise 50 percent of SCUSA's total funds held for cleared swaps customers is: (SCUSA does not clear swaps for affiliates or customers).
- SCUSA has not entered into any non-hedged principal over-the-counter transactions.
- SCUSA does not have any committed lines of credit.
- The FCM does not provide financing for customer transactions.
- Over the past 12 months, SCUSA has not written-off any futures customer or 30.7 customer receivable balances.

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<sup>3</sup> As defined in CFTC Rules, proprietary margin includes margin held for positions of SCUSA and its affiliates.

<sup>4</sup> As of the date of the Disclosure Document SCUSA only held one customer account.

## **Risk Practices, Controls and Procedures**

Scotiabank has in place an enterprise-wide risk management framework that provides the foundation and basis for all risk management programs across Scotiabank and its affiliates, including SCUSA. As part of this Scotiabank has established a risk-appetite framework to clearly articulate its risk appetite and how its risk profile will be managed in relation to that appetite and provide clear levels of risk tolerance and risk limits. The risk appetite framework is informed by maintaining appropriate financial strength and liquidity, measuring, monitoring and managing all aspects of Scotiabank's risk appetite and profile, meeting the needs and expectations of its customers, employees, shareholders and other key stakeholders and operating in an efficient, secure and compliant manner. As part of Scotiabank's risk managements framework, Global Risk Management (GRM), which is independent of the business units, provides oversight of and challenge over a risks, including, among others, credit, market, operational, liquidity and capital. SCUSA's risk is managed on a business line, entity and global enterprise level. With regard to SCUSA's FCM activities, its risk management controls and procedures include, among other things, setting and monitoring credit, trading and clearing limits. Additionally, SCUSA monitors customer and affiliate margin requirements as well as its liquidity pool to assure that it has the ability to cover expected margin requirements.

A complete description of Scotiabank's global risk management framework may be found in Scotiabank's Annual Report at: <http://www.scotiabank.com/ca/en/0,,915,00.html>.

This Disclosure Document was first used on December 22, 2016.