



## **R.J. O'BRIEN & ASSOCIATES, LLC**

### **FCM-SPECIFIC DISCLOSURE DOCUMENT**

*The Commodity Futures Trading Commission (Commission) requires each futures commission merchant (FCM), including R.J. O'Brien & Associates, LLC (RJO), to provide the following information to a 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 September 30, 2021.*

*RJO will update this information at least annually and as necessary to take into account any material changes to its business operations, financial condition or other factors that RJO believes may be material to a customer's decision to do business with RJO. Nonetheless, RJO's business activities and financial data are not static and will change frequently throughout any 12-month period in non-material ways.*

**THIS DISCLOSURE DOCUMENT WAS FIRST USED ON NOVEMBER 1, 2021**

## THE FIRM AND ITS PRINCIPALS

### FCM's name, address of its principal place of business, phone number, fax number and email

**FCM's Name:** R.J. O'Brien & Associates, LLC (RJO)

**Business Address:** 222 S. Riverside Plaza  
Suite 1200  
Chicago, IL 60606

**Phone Number:** (312) 548-5000

**Fax Number:** (312) 548-5219

**Website:** [www.rjobrien.com](http://www.rjobrien.com)

**Email Address:** [info@rjobrien.com](mailto:info@rjobrien.com)

Founded in 1914, R.J. O'Brien & Associates is the oldest and largest independent futures brokerage and clearing firm in the United States. RJO offers the latest in electronic order entry technology coupled with 24-hour trade execution and clearing on every futures exchange worldwide. Carrying approximately 80,000 client accounts, RJO services the industry's most expansive global network of Introducing Brokers (IBs), a vast array of middle market firms and many of the world's largest financial, industrial and agricultural institutions. RJO is one of the last 'boutique' futures firms in the industry, with an unwavering commitment to its clients. The last surviving founding member of the Chicago Mercantile Exchange, RJO is a privately held business, majority owned by the O'Brien family of Chicago. The O'Brien Family have been instrumental in the development of the futures industry and remain committed to the continued growth of the company and its leadership within the industry. RJO is a well-diversified, fully integrated FCM. The firm regularly captures top-tier market share in both agricultural and financial futures products at both the Chicago Mercantile Exchange (CME) and Chicago Board of Trade (CBOT).

### FCM's Designated Self-Regulatory Organization (DSRO):

Chicago Mercantile Exchange Inc. (CME) is RJO's Designated Self-Regulatory Organization (DSRO). CME Group's website is [www.cmegroup.com](http://www.cmegroup.com), and the web page for its market regulation is <http://www.cmegroup.com/market-regulation>.

**The Name, Title, Business Address, Business Background, Areas of Responsibility and the Nature of the Duties of each of RJO’s Principals:**

Principal/Title	Business Address	Areas of Responsibility / Nature of Duties / Business background
Gerald F. Corcoran, Chief Executive Officer, Board of Managers	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Gerald F. Corcoran has served as Chief Executive Officer of RJO since 2000 and Chairman of the Board since 2007. Gerry joined RJO in 1987 as Chief Financial Officer and served in this capacity until 1992 when he was promoted to Chief Operating Officer. He currently serves on the Board of the Futures Industry Association (“FIA”); the Board of the National Futures Association (“NFA”); and the Risk Committee of CME Group Gerry graduated from Loyola University with a Bachelor of Business Administration degree in 1977. He is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants and the Illinois CPA Society. Over the last 30 years, he has served on numerous local, community, civic and social boards.
Christopher Bove, Senior Director, Chief Compliance Officer	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Christopher Bove was appointed as Chief Compliance Officer of the Firm in 2021. He joined RJO in 2019 as an Associate Director and was promoted to Director, Compliance, in 2020. As Chief Compliance Officer, Christopher’s responsibilities include overall management of the Firm’s Compliance Department and administering the policies and procedures of the FCM to ensure compliance with applicable rules and regulations. Prior to joining RJO, Christopher worked with in the CME Group Market Regulation Department, where he held several positions. While at CME Christopher investigated of a wide variety of trade practice violation cases and complaints, surveilled trade and order activity for potential manipulative conduct, designed and enhanced trade surveillance programs, provided analysis and expert opinion to Enforcement Attorneys during settlement negotiations and prosecutions of cases, including parallel prosecutions with the NFA and CFTC, and lead trade practice program team. Christopher

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		earned a Juris Doctor from UIC John Marshall Law School.
James Gabriele, Senior Managing Director, Chief Financial Officer JVMC, Board of Managers	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Jim Gabriele joined RJO in 2012 as Chief Financial Officer (CFO) of RJO's parent, JVMC Holdings Corp (f/k/a RJO Holdings Corp.). Jim brings over 20 years of experience in investment operations and financial control. At RJO he oversees all aspects of finance for RJO's operating entities, including futures brokerage and asset management. Prior to joining RJO, he spent eight years in hedge fund administration, where he started his own company providing clients with full-service back-office outsourcing across numerous structures and asset classes. Jim spent two years at Butterfield Fulcrum, a top-tier global hedge fund administrator, as Managing Director and member of the Business Development and the Client Management teams. Prior to Butterfield Fulcrum, he was a Managing Director at Caledonian Global Fund Services. As a shareholder and member of the senior management team, his responsibilities included operations and client management. Prior to that, he served as Managing Director and CFO of ING Barings Futures and Options Clearing Services, part of ING Group. At ING, Jim served as Global Head of Finance and member of the Executive Committee. A Certified Public Accountant, he has a BBS degree in accounting from Loyola University of Chicago and Series 7 and 27 registrations. He is a member of the Illinois CPA Society and the Hedge Fund Association.
Bradley Giemza, Executive Director, Chief Risk Officer, Board of Managers	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Brad Giemza joined R.J. O'Brien & Associates, LLC in 2017 as Executive Director, Chief Risk Officer. At RJO, he manages all aspects of risk including market and operational risk. Mr. Giemza has over 20 years of experience in a progression of roles

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		that cover a broad perspective of risk and operations within the financial services and most recently as Head of Investment Banking and Capital Markets IT for MUFG Americas. Previously, he was Global Head of Risk IT for Societe Generale, (f/k/a Newedge), another CFTC-registered FCM. Mr. Giemza has a Bachelors' Degree from the University of Wisconsin and a Master of Business Administration from DePaul University.
Terrence (Terry) Gilhooly Managing Director Chief Operating Officer	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Terry Gilhooly joined RJO in 2016 as Senior Director of Commercial and Asia Business. Terry was promoted to Chief Operating Officer, North America in spring of 2019. Terry oversees RJO's Operations, Client Service, and Onboarding teams and installing the global corporate strategy within and across each. Terry is responsible for the firm's operations strategy and is RJO's primary contact for exchanges (both direct and indirect clearing relationships) and for RJO's global book of carrying brokers. Terry started his career at RJO in the early 1990's on the CBOT and CME trading floors, then moved to Merrill Lynch in 2000, eventually becoming a Director and Global Head of Client Services. After spending a few years at State Street, Terry was then brought in by RBS as Head of Listed Derivatives Operations- Americas in 2014 before rejoining RJO in late 2016. Terry received both his undergrad and MBA from Indiana University.
Robert Lake, Executive Director, Operations - NY	1500 Broadway Suite 1400 New York, NY 10036	Robert Lake is a 40-year industry veteran who joined RJO in 2001. He is currently Executive Director, Operations in New York, responsible for the Business Management and Operations for the NY Institutional Sales Office. Prior to joining RJO, Robert was a Vice President at Lind-Waldock from 1987 to 2001.
John O'Brien, Sr., Owner	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	John O'Brien, Sr. has over 30 years of experience in the futures industry and is a member of the Board of Directors of RJO's parent, JVMC Holdings Corp. His family indirectly owns a majority interest in RJO.

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Robert O'Brien, Jr., Owner	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Robert O'Brien, Jr. has over 30 years of experience in the futures industry and is a member of the Board of Directors of RJO's parent, JVMC Holdings Corp. His family indirectly owns a majority interest in RJO.
Amar Shah, Senior Director, Chief Financial Officer	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Amar Shah joined RJO in 2016 as Chief Financial Officer of the FCM. He is responsible for oversight of the financial and regulatory function of the firm. Prior to RJO, Amar worked at the CME Group for almost 14 years, which he was most recently Manager in the Financial and Regulatory Surveillance Department. In this function, Amar conducted and supervised risk-based examinations of clearing members. He additionally developed, trained, and evaluated staff. Amar is a Certified Public Accountant registered with the AICPA and holds a Bachelor of Science degree in Accounting and Finance from Marquette University.
Daniel Staniford, President and Chief Sales Officer	1500 Broadway Suite 1400 New York, NY 10036	Daniel Staniford joined RJO in October 2016 and currently serves as Chief Sales Officer. In this role, he is in charge of the firm's institutional business development in New York and London and also oversees RJO's Marketing organization, charged with ensuring the external brand and presence is aligned with sales strategies. Mr. Staniford has more than two decades of experience in sales and management at some of the world's leading banks and financial services institutions. Prior to RJO, Dan spent approximately 13 years at Citigroup Global Markets, Inc, last serving as Managing Director, Retail Sales. Staniford earned a Bachelor of Science degree at Trinity College in Hartford, Connecticut, and an MBA in Finance from Columbia University in New York.
Melissa Zierk, Managing Director, General Counsel, Board of Managers	222 S. Riverside Plaza Suite 1200 Chicago, IL 60606	Melissa Andrews joined RJO in 2010. She serves as General Counsel and is responsible for directing the firm's legal and regulatory strategy. Prior to joining R.J. O'Brien, she worked in the financial services practices of two law firms. She received

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		her JD from Georgetown University Law Center and her BA from Rice University.

## THE FIRM'S BUSINESS

The significant types of business activities and product lines engaged in by the futures commission merchant, and the approximate percentage of FCM's assets and capital that are used in each type of activity (as of September 30, 2021):

Activity/Product Line	Percentage of Assets	Percentage of Capital
Futures, options, cleared swaps (execution only)	<b>100%</b>	<b>100%</b>

### FCM Customer Business:

RJO's customer base includes commercial hedgers, institutions, commodity trading advisers (CTAs), IBs and commodity pools (CPOs), traditional farmers and ranchers, individual and joint customers, and non-clearing FCMs.

RJO customers may trade all major global markets.

RJO's business is international with customers residing principally in the United States, but also in Asia, Europe and Latin America. R.J. O'Brien's Canadian affiliate, R.J. O'Brien & Associates Canada Inc. (RJO Canada) has a Canadian customer base. R.J. O'Brien's United Kingdom affiliate, R.J. O'Brien Limited has an international, but primarily European, customer base. RJO's Dubai affiliate, R.J. O'Brien (MENA) Capital Ltd. has an international customer base.

### Exchange Memberships:

Exchange Memberships
Bitnomial, Inc.
CBOE Futures LLC
Chicago Board of Trade
Chicago Mercantile Exchange Inc.
Commodity Exchange Inc.
Dubai Mercantile Exchange Limited
ICE Abu Dhabi (IFAD)
ICE Endex (NDEX)
ICE Futures US
ICE Futures Europe
New York Mercantile Exchange



**Clearinghouse Memberships:**

Clearing Organization	RJO a Member	RJO Affiliate a Member
CME Clearing	<b>X</b>	
ICE Clear US	<b>X</b>	
ICE Clear Europe	<b>X</b>	
OCC	<b>X</b>	
LME Clear		<b>X</b>
MGEX		

**Carrying Brokers Used: Affiliates, Non-Affiliates:**

Carrying Broker	Affiliated with RJO Y/N
R.J. O'Brien & Associates Canada Inc.	Y
R.J. O'Brien Limited (UK)	Y
China Tonghai Securities Ltd	N
CHS Hedging LLC	N
CIMB Securities (Singapore) Pte. Ltd.	N
Nissan Securities Co., Ltd.	N
SG Securities (Singapore) Pte. Ltd. .	N
Societe Generale International Limited	N
SG Americas Securities, LLC	N

**FCM's policies and procedures concerning the choice of bank depositories, custodians and counterparties to permitted transactions under § 1.25:**

RJO conducts due diligence when selecting settlement banks and other depositories that hold customer funds by examining the depositories' capital, asset base, operational liquidity, access to liquidity, concentration risk and creditworthiness.

The Firm's settlement bank is the depository that maintains customer funds that are used to settle payment obligations associated with customers' transactions. The Firm's settlement bank(s) is/are not necessarily the bank(s) where the majority of customer segregated funds are on deposit. With respect to RJO's primary settlement bank relationships, RJO reviews the pre-approved lists provided by the clearing organizations. From that review, RJO determines which banking relationship(s) is/are the best fit, both operationally and financially. All other non-settlement, customer segregated funds depository and counterparty relationships are subject to limits as determined by under the Firm's methodology as set forth in its Risk Management Program whereby it groups depositories into four tiers based on reported asset size and assigns a percentage of the total balance capacity to each tier with the highest tier not to exceed 6 percent of the depository's average assets. The Credit Department also takes into consideration the opinions of external rating agencies, which can provide a broader set of credit risk factors and are not limited in scope for those entities that are rated. The Credit Department may also consider additional credit support facilities, such as FDIC insurance, in determining the acceptable limits.

New depository relationships are introduced to the Credit Department by the Treasury Department via application. This ensures that the Credit Department will be provided with necessary information in which to make a determination including, but not limited to, the following:

- Legal name of entity
- Nature of exposure
- Exposure limit required
- Rating (if available)
- Audited financial statements for the past three years (unless public)

After completing its review as described above, the Credit Department will approve or disapprove the selection of the depository. After obtaining an approval to open a new customer funds depository account, the Treasury Department completes all account opening documents and informs the Chief Financial Officer and Chief Compliance Officer that the account is being opened. The CFO then prepares an acknowledgement letter to be executed by the depository to confirm that the account is properly titled and treated as customer funds.

## MATERIAL RISKS

### **The nature of investments made by FCM (including credit quality, weighted average maturity and weighted average coupon):**

In order to assure that it is in compliance with its regulatory capital requirements, including Regulation 1.25, and that it has sufficient liquidity to meet its ongoing business obligations, RJO holds a significant portion of its assets in cash with internally approved bank depositories. Additionally, RJO invests in U.S. Treasury securities, guaranteed as to principal and interest, and other U.S. Agency securities. RJO also invests in Commodity Futures Trading Commission (CFTC) Regulation 1.25 compliant short-term highly liquid instruments, such as money market mutual funds. RJO may also invest a limited amount in state and municipal securities and certain highly rated corporate debt securities. As of September 30, 2021, the average weighted maturity of all investments held is 116 days, and the average weighted coupon is 0.1833 percent.

### **FCM's creditworthiness, leverage, capital, liquidity, principal liabilities, balance sheet leverage and other lines of business:**

RJO, as a private company, is not required to be rated by a rating agency. RJO has been in existence for more than 100 years and has a strong track record of meeting its obligations as they come due, especially with respect to its obligations to customers, as may be shown by its audited financials. RJO has steadily grown over the past 10 years. The firm enjoys a strong reputation in the marketplace. As is described earlier in this disclosure, RJO's well diversified customer base includes agricultural entities, institutional investors, commercial hedgers, individual investors, omnibus FCMs, IBs, foreign brokers, and execution only clients. RJO does not have a large concentration in any particular product or customer segment. RJO has a long history of extraordinarily low expense related to "bad debt." Over the past five years, its practices have resulted in bad-debt expense of less than one percent (1%) of its capital, which reflects the firm's strong know-your-customer procedures, credit review and risk management. It also has strong processes in place to safeguard client funds, some of which are described elsewhere in this disclosure document.

RJO does not extend leverage (margin financing) to customers outside of the normal margin call process.

All of RJO's capital supports its customer business. RJO maintains sufficient capital and excess regulatory capital to support its agency clearing business. RJO is not a dual registrant (FCM/Broker-Dealer), and RJO generally maintains a ratio of Adjusted Net Capital (ANC) to Regulatory Capital Required of between 110% and 125%. RJO's client base represents the single largest liquidity risk to RJO. RJO's liquidity management approach relies upon near real-time assessments of both regulatory liquidity requirements and operating liquidity requirements. Based upon historical and projected liquidity demands under extreme but plausible market conditions, RJO establishes liquidity buffers to meet or exceed the anticipated maximum liquidity requirements under stressed conditions. RJO at any given time keeps a sufficient level of liquidity in its house operating accounts to meet its obligations then coming due. The other lines of business in which RJO is involved include foreign exchange for institutional customers.

RJO's principal liability is customer account balances. Additionally, RJO will regularly have commissions payable to brokers, and general operating payables.

RJO utilizes qualified subordinated debt to supplement its regulatory capital base. RJO has a CFTC debt to regulatory capital ratio of 50% as of September 30, 2021. RJO does not carry any additional leverage on its balance sheet and does not embrace excessive leverage on the business. Its subordinated debt is well below the regulatory maximum. NFA defines an FCM's 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) less required margin requirements customer divided by total capital (the sum of stockholder's equity and subordinated debt) all computed in accordance with U.S. GAAP. According to this definition, RJO's leverage is 1.36 as of September 30, 2021. RJO believes that an important fact to note in reviewing this ratio is that it is not a joint FCM/Broker-Dealer and uses its capital almost entirely to support its futures-related business.

**Risks to FCM created by its affiliates and their activities, including investment of customer funds in an affiliated entity:**

RJO does not invest any customer funds in affiliated entities other than through its clearing relationships with R.J. O'Brien & Associates Canada, Inc. (RJO Canada) and R.J. O'Brien Limited (RJO Limited). However, in the normal course of business, RJO has receivable balances and subordinated debt from related parties and shareholders.

RJO clears certain Canadian futures markets through its affiliate, RJO Canada. RJO Canada clears all non-Canadian markets through RJO, and RJO earns a handling fee for this service, which is immaterial to RJO's financial statements. RJO Canada is regulated by the Investment Industry Regulatory Organization of Canada, which performs annual audits of it. If RJO Canada were to fail, RJO would utilize one of its other carrying broker relationships to clear the Canadian markets. As such, RJO does not believe that its relationship with RJO Canada constitutes a material risk to its customers.

Additionally, RJO clear certain European markets (i.e. LME metals) through its affiliate, RJO Limited. RJO Limited clears certain markets through RJO, and RJO earns a handling fee for this service, which is immaterial to RJO's financial statements. RJO Limited is regulated by the Financial Conduct Authority of the UK, which performs periodic audits of it. If RJO Limited were to fail, RJO would utilize one of its other carrying broker relationships to clear the LME metals markets. As such, RJO does not believe that its relationship with RJO Limited constitutes a material risk to its customers.

In sum, RJO does not believe that any material risks to customers exist as a result of its affiliates and their activities.

**Any significant liabilities, contingent or otherwise, and material commitments:**

As a normal part of conducting its business, RJO is occasionally party to legal and regulatory actions relating to customers' accounts and regulatory requirements. Such actions should not have a material effect on RJO's financial condition and should not constitute a material risk to investing funds with RJO. RJO's other commitments include its rent commitment under non-cancelable operating leases.

## MATERIAL COMPLAINTS OR ACTIONS

### **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:**

On July 30, 2018, without admitting or denying the findings, RJO settled a CFTC action asserting that RJO violated CFTC Regulation 166.3 and Section 6(c)(4) of the Commodity Exchange Act. The CFTC order found that between January 2013 and February 2014, RJO did not diligently supervise its employees to ensure that they properly processed bunched orders allocated post-execution and that they appropriately monitored post-execution trade allocations for unusual activity. These failures delayed the detection of a post-execution trade allocation scheme carried out by a CTA/CPO client, which the order finds allocated trades to its benefit and to the detriment of certain of the client's customers. The order further finds that RJO did not make a reasonably sufficient inquiry into the client's allocation practices, did not adhere to its internal protocols governing the processing of bunched orders, and did not employ adequate compliance procedures to monitor, detect, and deter unusual activity concerning bunched orders allocated post-execution. The order also finds that RJO did not prevent the client, who was prohibited from doing so by regulatory actions, from opening and handling client managed accounts and withdrawing funds. The order finds that these supervisory failures violated a 2013 Commission Order, in which RJO was charged with failure to supervise its employees in their processing of certain bunched orders. The NFA took action the same day on the basis of the same events, finding that RJO violated NFA Compliance Rule 2-9(a). In connection with the settlement, RJO paid the CFTC a civil monetary penalty of \$600,000 and agreed to cease and desist from further violations of Regulation 166.3, and paid the NFA a \$150,000 fine and agreed, to the extent it had not already done so, to enhance its existing procedures where appropriate to ensure the efficient and adequate supervision of the firm's process for handling allocations of bunched orders and to ensure compliance with its Member Responsibility Actions. The NFA acknowledged the substantial work that RJO has undertaken since 2014 to review and enhance its supervisory policies and procedures. The CFTC also acknowledged the remedial steps RJO has taken since 2014, including improving and enhancing its policies, procedures and practices.

On August 15, 2019, without admitting or denying the findings, RJO settled a CME action asserting that RJO violated CME Rules 526, 526.F., and 576. The CME Business Conduct Committee panel found that on June 16, 23 and 24, 2016, an RJO employee pre-hedged block trades in Euro FX options strategies by executing trades on Globex on the opposite side of the market in the same product as the requested block trade prior to consummation of the block trade. As a result of this activity, RJO realized an aggregate profit of \$110,050, including portions paid to the introducing broker for the trade. The panel also found that the RJO employee failed to report two of the block trades to the Exchange within the required time period following execution. In addition, two RJO employees used each other's Tag50 User

IDs to execute trades. In settlement of the matter, RJO paid a fine of \$80,000, and disgorgement in the amount of \$110,050.

On August 4, 2020, without admitting or denying the findings, RJO settled a Chicago Board of Trade (“CBOT”) action in which a Panel of the CBOT Business Conduct Committee found that RJO violated CBOT Rule 432.W in that between June 1, 2017, and June 6, 2018, RJO failed to diligently supervise its employee and futures broker who traded his personal trading account opposite RJO’s customers’ orders he worked in the Treasury Options pit. Specifically, RJO failed to adequately monitor the employee’s personal trading account despite permitting the employee to trade the personal account while working customer orders. The employee did not profit from the trades. Although RJO conducted an internal investigation, RJO failed to detect the employee trading opposite customer orders for one year, both before and after the internal investigation. In settlement of the matter, RJO paid a fine of \$150,000,

### **Filing a Complaint:**

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

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

A customer who wishes to file a complaint about RJO or one of its employees with RJO’s DSRO may do so by contacting CME at <http://www.cmegroup.com/market-regulation/dispute-resolution/seeking-restitution.html>.

## CUSTOMER FUNDS SEGREGATION

### Customer Accounts:

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

- (i) a **Customer Segregated Account** for customers who trade futures and options on futures listed on U.S. futures exchanges;
- (ii) a **30.7 Account** for customers who trade futures and options on futures listed on foreign boards of trade; and
- (iii) a **Cleared Swaps Customer Account** for customers trading swaps that are cleared on a DCO registered with the Commission.

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. For example, the Commission has issued orders authorizing ICE Clear Europe Limited, which is registered with the Commission as a DCO, and its FCM clearing members: (i) to hold in Cleared Swaps Customer Accounts Customer Funds used to margin both (a) Cleared Swaps and (b) foreign futures and foreign options traded on ICE Futures Europe, and to provide for portfolio margining of such Cleared Swaps and foreign futures and foreign options; and (ii) to hold in Customer Segregated Accounts Customer Funds used to margin both (c) futures and options on futures traded on ICE Futures US and (d) foreign futures and foreign options traded on ICE Futures Europe, and to provide for portfolio margining of such transactions.

Customer Segregated Account. Funds that customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on futures exchanges located in the U.S., *i.e.*, designated contract markets, are held in a **Customer Segregated Account** in accordance with section 4d(a)(2) of the Commodity Exchange Act and Commission Rule 1.20. **Customer Segregated Funds** held in the Customer Segregated Account may not be used to meet the obligations of the FCM or any other person, including another customer.

All Customer Segregated Funds may be commingled in a single account, *i.e.*, a customer omnibus account, and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside of the U.S. that has in excess of \$1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers. Unless a customer provides instructions to the contrary, an FCM may hold Customer Segregated Funds only: (i) in the U.S.; (ii) in a money center country;<sup>1</sup> or (iii) in the country of origin of the currency.

An FCM must hold sufficient U.S. dollars in the United States to meet all U.S. dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Notwithstanding the

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

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 U.S.; (ii) a bank or trust company located outside the U.S. that has in excess of \$1 billion in regulatory capital; (iii) an FCM; (iv) a DCO; (v) the clearing organization of any foreign board of trade; (vi) a 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 U.S. FCM to process the trades of 30.7 Customers on foreign markets may cause additional delays and administrative expenses.

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

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



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.

Cleared Swaps Customer Account Funds deposited with an FCM, or otherwise required to be held for the benefit of customers, to margin swaps cleared through a registered DCO, *i.e.*, **Cleared Swaps Customer Collateral**, are held in a **Cleared Swaps Customer Account** in accordance with the provisions of section 4d(f) of the Act and Part 22 of the Commission's rules. Cleared Swaps Customer Accounts are sometimes referred to as LSOC Accounts. LSOC is an acronym for "legally separated, operationally commingled." Funds required to be held in a Cleared Swaps Customer Account may be commingled in an 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) a DCO; or (iv) another 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 Cleared Swaps Customers. RJO does not hold any cleared swaps customer funds.

### **Investment of Customer Funds:**

Section 4d(a)(2) of the Act authorizes FCMs to invest Customer Segregated Funds in obligations of the United States, in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the United States. Section 4d(f) authorizes FCMs to invest Cleared Swaps Customer Collateral in similar instruments.

Commission Rule 1.25 authorizes FCMs to invest Customer Segregated Funds, Cleared Swaps Customer Collateral 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. However, the FCM and customer may agree that the FCM will pay the customer interest on the funds deposited.

Permitted investments include:

- (i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);
- (ii) General obligations of any State or of any political subdivision thereof (municipal securities);
- (iii) Obligations of any United States government corporation or enterprise sponsored by the United States government (U.S. agency obligations);<sup>3</sup>
- (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);

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<sup>3</sup> 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 United States.

(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.

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, 30.7 Account or Cleared Swaps Customer Account. Further, in accordance with the provisions of Commission Rule 1.25, all such funds or collateral must be received in the appropriate Customer Account on a delivery versus payment basis in immediately available funds.<sup>4</sup>

*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).*

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<sup>4</sup> As discussed elsewhere in this disclosure document, NFA publishes twice-monthly a report, which shows for each FCM, *inter alia*, the percentage of Customer Funds that are held in cash and each of the permitted investments under Commission Rule 1.25. The report also indicates whether the FCM held any Customer Funds during that month at a depository that is an affiliate of the FCM.

## RELEVANT FINANCIAL DATA

### The location where RJO's annual audited financial statements are made available:

RJO's annual audited financial statements are [made](https://www.rjobrien.com/legal/firm-disclosures/) available at <https://www.rjobrien.com/legal/firm-disclosures/>

### Financial data:

*The FCM's total equity, regulatory capital, and net worth, all computed in accordance with U.S. Generally Accepted Accounting Principles and Rule 1.17, as applicable:*

**As of September 30, 2021, RJO's total equity was \$173 million; RJO's regulatory capital was \$310 million; and RJO's net worth was \$173 million.**

*The dollar value of the FCM's proprietary margin requirements as a percentage of the aggregate margin requirement for futures customers, cleared swaps customers, and 30.7 customers:*

**RJO provides execution services whereby the Firm enters into proprietary, non-speculative positions that are immediately matched with a counterparty. By doing so, minimum margin is required of the Firm. Such margin requirements represent less than 1% of RJO's aggregate margin requirement for futures customers and 30.7 customers.**

*The number of futures customers, cleared swaps customers, and 30.7 customers that comprise 50 percent of the FCM's total funds held for futures customers, cleared swaps customers, and 30.7 customers, respectively:*

**As September 30, 2021, 109 clients comprise 50 percent of RJO's total segregated funds held for futures customers. Sixteen (16) clients comprise 50 percent of RJO's total secured funds held for 30.7 customers. RJO does not carry any cleared swaps accounts.**

*The aggregate notional value, by asset class, of all non-hedged, principal over-the counter transactions into which the FCM has entered:*

**Zero**

*The amount, generic source and purpose of any unsecured lines of credit (or similar short-term funding) the FCM has obtained but not yet drawn upon (as of September 30 31, 2021):*

**\$35 million (Woodforest Bank); \$15M (Bank of Hope)**

*The aggregated amount of financing the FCM provides for customer transactions involving illiquid financial products for which it is difficult to obtain timely and accurate prices:*

**Zero**

*The percentage of futures customer, cleared swaps customer, and 30.7 customer receivable balances that the FCM had to write-off as uncollectible 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:*

## **Less than One Percent (1%)**

### **Additional Information:**

Customers should be aware that the National Futures Association (NFA) publishes on its website certain financial information with respect to each FCM. The FCM Capital Report provides each FCM's most recent month-end adjusted net capital, required net capital, and excess net capital. (Information for a 12-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 Rule 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.

The report shows the most recent semi-monthly information, but the public will also have the ability to see information for the most recent 12-month period. A 30.7 Customer Funds report and a Customer Cleared Swaps Collateral report provides the same information with respect to the 30.7 Account and the Cleared Swaps Customer Account.

The above financial information reports can be found by conducting a search for a specific FCM in NFA's BASIC system (<http://www.nfa.futures.org/basicnet/>) and then clicking on "View Financial Information" on the FCM's BASIC Details page.

## RISK MANAGEMENT

RJO has a robust risk management program, which has been honed over a series of years with significant investments in the program and a knowledgeable, experienced team of employees. The strength of the risk management program has resulted in extremely low levels of bad-debt expense.

### **Summary of FCM's current risk practices, controls and procedures:**

RJO's risk management procedures address the methods, limits and controls RJO uses to manage its counterparty risks and market exposures. These procedures describe the standard methods and processes by which RJO assesses credit risks and assigns trading limits, with the objective of minimizing risk exposures and potential credit losses.

RJO has established specific credit and financials requirements for all customer accounts. It has developed a standard set of criteria for assessing each customer's qualifications and creditworthiness and establishing limits and controls which correspond to that assessment. Customer accounts are reviewed on a regular basis to determine their financial strength, credit standing, and potential risks, for the purposes of establishing, monitoring and adjusting trading limits, and managing actual and potential risk exposures.

The Risk Group at RJO is composed of three core functional areas overseen by the Chief Risk Officer (CRO):

1. *Credit* is responsible for assessing customer credit risks and setting appropriate limits risk limits for each customer account;
2. *eRisk* is responsible for monitoring and managing the electronic trading platforms utilized by RJO's customers, traders and employees, stress testing, and generating risk management reports; and
3. *Margins* is responsible for making sure each customer has sufficient equity in their account to support their open positions.

The Risk Group focuses on three primary missions:

1. Assessing potential and existing customers to determine if they present acceptable counterparty risk to RJO;
2. Establishing risk limits for each customer and exercising appropriate controls to manage the customer's account within these limits; and
3. Monitoring RJO's current and potential risk exposures to identify and mitigate those situations and risks which are deemed to be excessive, significant or otherwise unacceptable.

The Risk Group has developed methods, policies and procedures designed to help achieve its mission goals.

- New Account Review and Approval Credit establishes the financial and credit standards that all account holders must demonstrate to obtain and hold an account at RJO.
- Financial Analysis Financial analysis is performed on any account that is required to provide audited financial information as part of its initial account application

- Annual Account Reviews All customer accounts are reviewed at least annually to re-assess their financial strength and resolve any issues uncovered during the review. These reviews can also be triggered to occur more frequently or be initiated in response to issues or concerns that arise regarding the account.
- Screening Introducing Brokers (IBs, GIBs, and FIBs) All new producers undergo a credit screening process before they are allowed to introduce customer business that will be cleared by RJO.
- Reviewing CTA Trading Strategies In addition to performing a credit screening process similar to the IB screening process outlined above, RJO may choose to review the trading strategies of CTAs and hedge funds prior to approving them to trade customer accounts.
- Trading Platforms and Technology Assessments Qualified customers may be allowed to enter their own orders directly on an RJO supported trading platform. RJO supports both proprietary and third party (ISV) platforms to route orders through RJO's trading infrastructure and is supported by RJO's eRisk group.
- Market Risk Credit Allowance (MRCA) Credit assigns Market Credit Risk Allowances (MRCAs) to identify and calculate RJO's principal risk exposures to its largest accounts. The MRCA is added to the difference between the account's risk exposure and its net liquidating value when determining account risk. It represents the maximum loss that RJO believes the account is reasonably capable of sustaining based on its credit reviews. MRCAs can be used no matter what products (or combinations of products) an account is trading to manage an account's total position with RJO. MRCA's are only applied to risk evaluations and can never be applied to margin requirements.
- Pre-Trade Risk Controls RJO's pre-trade risk systems automatically screen electronic orders prior to execution to help ensure the orders are in compliance with the customer's approved position limits. The screening process allows RJO to block pending orders if those orders would create an unacceptable risk exposure in a customer account when executed. All orders that are executed electronically are subject to pre-trade risk analysis.
- Post-Trade Risk Controls RJO's post-trade risk tools enable the Risk Team to monitor accounts on a real-time basis. The Risk Team monitors positions, margin and P&L in real-time using proprietary and third-party systems. The team can also perform multi-scenario stress tests using real-time positions, market value and pricing. These systems are monitored during all market hours. The Team is required to escalate risk issues in accordance with RJO policy.
- High-Risk Strategies The Risk Team will establish elevated levels of monitoring for accounts that they believe could pose substantial risk to the firm due to the trading strategies employed. Examples include accounts that maintain large positions, trade in illiquid markets, are holding high concentrations in volatile markets, are engaged in option premium selling, or are otherwise engaged in high-risk trading activities.

- Stress Testing RJO conducts stress tests on a regular basis to assess the potential exposure carried by its counterparts. Accounts are tested using a 3 standard deviation model derived from recent market conditions. Accounts that carry risk in excess of assigned MRCA are reported to the CRO.
- Market Volatility Stress Tests Market volatility testing is conducted to observe the impact of various world events and economic conditions (e.g., wars, extreme weather, sovereign debt crises, etc.) on selected markets and products. RJO reviews its entire portfolio of customer positions to determine the cumulative P&L impact to RJO's customers during extreme price movements. The products and customers that are most susceptible under a given scenario are subjected to further analysis, and RJO may require customers to reduce positions or may impose super margins and/or trading restrictions on those customers/products to limit liquidity exposures, based on the likelihood of the scenario in question. These tests are conducted periodically, as dictated by conditions, but no less than monthly.
- Concentration Stress Tests Concentration stress testing is similar to market volatility testing. RJO identifies products in which it has a significant concentration of positions. Those positions are subjected to hypothetical market moves to determine the potential liquidity exposures that could occur. RJO may impose trading limits or super margins against those positions to help offset the risks.
- Trading Platform Management eRisk is responsible for the ongoing operation and effective risk management performance of the order routing platforms. This includes setting up limits and controls within the systems and monitoring those limits and controls on an ongoing basis to ensure they remain in place and perform as intended.
- Margin Collection Customers are expected to meet calls promptly. Accounts with calls greater than \$100,000 are requested to wire funds to cover the full call amount on the first day of the call. Accounts that allow calls to age more than two days are subject to penalties and trading restrictions. Accounts are monitored throughout the day and intra-day calls may be issued as deemed necessary for losses, increases in margin and upcoming global bank holidays.