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SEC  
**ANNUAL AUDITED REPORT** Processing  
**FORM X-17A-5** Section  
**PART III** APR 18 2017

SEC FILE NUMBER
B-51241

FACING PAGE Washington DC  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **DRW SECURITIES, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**540 W. MADISON**

(No. and Street)  
**CHICAGO** **IL** **60661**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**JAMES B. LANGE** 312-542-1011  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**RSM US LLP**

(Name - if individual, state last, first, middle name)  
**ONE SOUTH WACKER DRIVE, SUITE 800 CHICAGO** **IL** **60606**  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

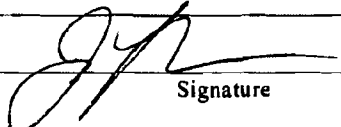
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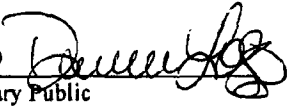
*AKB*

OATH OR AFFIRMATION

I, JAMES B. LANGE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DRW SECURITIES, LLC of DECEMBER 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature  
DIRECTOR OF TAX & REGULATED ENTITIES  
Title

DANIELLE LOIZZO   
Notary Public



- This report \*\* contains (check all applicable boxes):
- (a) Facing Page.
  - (b) Statement of Financial Condition.
  - (c) Statement of Income (Loss).
  - (d) Statement of Changes in Financial Condition.
  - (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
  - (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
  - (g) Computation of Net Capital.
  - (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
  - (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
  - (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
  - (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
  - (l) An Oath or Affirmation.
  - (m) A copy of the SIPC Supplemental Report.
  - (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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RSM US LLP

## Report of Independent Registered Public Accounting Firm

To the Member  
DRW Securities, LLC

We have audited the accompanying statement of financial condition of DRW Securities, LLC (the Company) as of December 31, 2016, and the related notes (the financial statement). This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of DRW Securities, LLC as of December 31, 2016, in conformity with accounting principles generally accepted in the United States.

*RSM US LLP*

Chicago, Illinois  
February 27, 2017

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AUDIT | TAX | CONSULTING

**DRW Securities, LLC**

**Statement of Financial Condition  
December 31, 2016**

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**Assets**

Cash	\$	54,504
Receivable from clearing brokers, net		15,387,681
Securities owned, at fair value		406,328,873
Derivative financial instruments owned, at fair value		203,949,767
Receivable from affiliated company		43,529
Stock and memberships in exchanges owned, at cost (fair value \$606,000)		986,000
Other assets		132,319
		<hr/>
<b>Total assets</b>	<b>\$</b>	<b>626,882,673</b>

**Liabilities and Member's Equity**

**Liabilities**

Payable to clearing broker, net	\$	177,881,618
Securities sold, not yet purchased, at fair value		177,164,075
Derivative financial instruments sold, at fair value		182,014,100
Payable to Parent		34,568,156
Note payable - affiliate		3,705,000
Payables to affiliated companies		204,915
Other accrued expenses		206,717
		<hr/>
		575,744,581
<b>Member's Equity</b>		<hr/>
		51,138,092
		<hr/>
<b>Total liabilities and member's equity</b>	<b>\$</b>	<b>626,882,673</b>

See Notes to Statement of Financial Condition.

## **DRW Securities, LLC**

### **Notes to Statement of Financial Condition**

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#### **Note 1. Nature of Business and Significant Accounting Policies**

**Nature of business:** DRW Securities, LLC (the Company) is an Illinois limited liability company and a wholly owned subsidiary of DRW Holdings, LLC (DRWH or the Parent). The Company engages in proprietary trading activities. The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of several exchanges including the Chicago Board Options Exchange (CBOE), BATS Global Markets, International Securities Exchange, Nasdaq Stock Market and NYSE Arca.

Although the Company is not exempt from Rule 15c3-3, it does not transact business in securities with or for customers and it does not carry margin accounts, credit balances or securities for any person defined as a customer under Rule 17a-5(c)(4).

The following is a summary of the Company's significant accounting policies:

The Company follows United States Generally Accepted Accounting Principles (GAAP), as established by the Financial Accounting Standards Board (the FASB), to ensure consistent reporting of financial condition, results of operation and cash flows.

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Foreign currency transactions:** The Company's functional currency is the U.S. dollar; however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the date of the statement of financial condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period.

**Securities and derivative transactions:** Securities and derivative transactions and related revenues and expenses are recorded at fair value on a trade-date basis as if they had settled. Related trading expenses are recorded on a trade-date basis as transactions occur. Futures transactions are recorded in receivable from and payable to clearing brokers in the statement of financial condition, netted by clearing broker. The remaining derivatives are classified as derivative financial instruments in the statement of financial condition.

The Company recognizes interest paid and earned on the accrual basis and dividend income is recognized on the ex-dividend date. The Company accounts for its financing activities on an accrual basis.

**Receivables from and payables to clearing brokers:** Receivables and payables relating to trades pending settlement are netted in receivables from and payables to clearing brokers in the statement of financial condition, netted by clearing broker. The Company may obtain short-term financing against its positions.

**DRW Securities, LLC**

**Notes to Statement of Financial Condition**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

Additionally, when the requirements are met, the Company offsets certain amounts recognized for cash collateral receivables or payables against fair value amounts recognized for net derivative positions held at the same clearing broker.

**Stock and memberships in exchanges:** The Company's stock and memberships in exchanges owned, which represent ownership interests in exchanges and provide the right to conduct business on such exchanges, are recorded at cost, or if any other-than-temporary impairment in value has occurred, at a value that reflects management's estimate of the impairment. Management believes no such impairment in value occurred in 2016.

Stock in exchanges not held for operating purposes is carried at fair value and is included in securities owned in the statement of financial condition. Gains and losses on stock and memberships in exchanges are computed based upon specific identification.

**Income taxes:** The Company is a single-member limited liability company and is treated as a disregarded entity for federal tax purposes. Accordingly, it does not file any tax returns, but its taxable income is reported as part of DRWH's tax returns. DRWH is a limited liability company whose income or loss is includable in the tax returns of its members.

FASB guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing DRWH's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Through December 31, 2016, management has determined that there are no material uncertain tax positions. DRWH files income tax returns in U.S. federal jurisdiction and in various states. DRWH is generally not subject to examination by United States federal or state taxing authorities for tax years before 2013.

**Recent accounting pronouncements:** In May 2015, the FASB issued Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2015. The Company has adopted this update for the year ended December 31, 2016. The impact of adopting this update is reflected in Note 3.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial condition a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee

**DRW Securities, LLC**

**Notes to Statement of Financial Condition**

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**Note 1. Nature of Business and Significant Accounting Policies (Continued)**

have not significantly changed from current U.S. GAAP. ASU 2016-02 retains a distinction between finance leases (i.e. capital leases under current U.S. GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current U.S. GAAP. For public business entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is evaluating the impact this ASU will have on the Company's' statement of financial condition.

**Subsequent events:** The Company has evaluated subsequent events for potential recognition and/or disclosure through the date this financial statement was issued.



**DRW Securities, LLC**

**Notes to Statement of Financial Condition**

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**Note 2. Receivables from and Payables to Clearing Brokers**

Receivables from and payables to clearing brokers at December 31, 2016 consist of the following:

	Receivable	Payable
Clearing brokers	\$ (40,906,862)	\$ 180,554,038
Unsettled transactions	52,302,038	(3,258,016)
Futures contracts - open trade equity	3,992,505	585,596
	<u>\$ 15,387,681</u>	<u>\$ 177,881,618</u>

Payable to clearing brokers relates to the proprietary transactions cleared through such clearing brokers, which amounts are collateralized by securities and derivative financial instruments owned by the Company.

**Note 3. Fair Value of Financial Instruments**

Fair value is the price that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Private equity investments measured using net asset value as a practical expedient are not categorized within the fair value hierarchy.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

**DRW Securities, LLC**

**Notes to Statement of Financial Condition**

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**Note 3. Fair Value of Financial Instruments (Continued)**

The following describes the valuation techniques used by the Company to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

Equity securities, equity options, futures contracts, options on futures contracts, and exchange-traded funds are recorded at fair value based on quoted market prices, which are generally the exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

U.S. Government securities are generally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. U.S. Government securities are categorized in Level 1 or Level 2 of the fair value hierarchy depending on the inputs used and market activity levels for specific securities. The Company has determined that U.S. Government securities are classified as Level 1 in the fair value hierarchy based on broker quotes for identical securities with an active market.

Corporate bonds are recorded at fair value based on various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers or securities, market price quotations (where observable), evaluated prices from pricing sources, bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate bonds can be categorized as Level 1, 2 or 3 in the fair value hierarchy depending on the inputs (i.e., observable or unobservable) used and market activity levels for specific bonds. The Company has determined that corporate bonds are classified as Level 1 in the fair value hierarchy based on broker quotes for identical securities with an active market.

**DRW Securities, LLC**

**Notes to Statement of Financial Condition**

**Note 3. Fair Value of Financial Instruments (Continued)**

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2016:

	Total	Fair Value Measurements Using			Net Asset Value
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets</b>					
<b>Securities owned</b>					
Exchange-traded funds	\$ 21,630,523	\$ 21,630,523	\$ -	\$ -	\$ -
Equity securities	316,138,086	316,138,086	-	-	-
U.S. Government securities	50,043,941	50,043,941	-	-	-
Corporate bonds	17,572,573	17,572,573	-	-	-
Private equity investment	943,750	-	-	-	943,750
<b>Derivative financial instruments owned</b>					
Equity options	87,455,434	87,455,434	-	-	-
Options on futures contracts	116,494,333	116,494,333	-	-	-
<b>Receivable from clearing broker</b>					
Futures contracts - open trade equity	3,992,505	3,992,505	-	-	-
	<b>\$614,271,145</b>	<b>\$ 613,327,395</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 943,750</b>
<b>Liabilities</b>					
<b>Securities sold, not yet purchased</b>					
Exchange-traded funds	\$ 79,505,732	\$ 79,505,732	\$ -	\$ -	\$ -
Equity securities	91,447,244	91,447,244	-	-	-
U.S. Government securities	1,758,986	1,758,986	-	-	-
Corporate bonds	4,452,113	4,452,113	-	-	-
<b>Derivative financial instruments sold</b>					
Equity options	94,147,970	94,147,970	-	-	-
Options on futures contracts	87,866,130	87,866,130	-	-	-
<b>Payable to clearing broker</b>					
Futures contracts - open trade equity	585,596	585,596	-	-	-
	<b>\$359,763,771</b>	<b>\$ 359,763,771</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

At December 31, 2016, the Company had a private equity investment of \$943,750 measured using net asset value as a practical expedient, which is not categorized in the fair value hierarchy.

## **DRW Securities, LLC**

### **Notes to Statement of Financial Condition**

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#### **Note 4. Related Party Transactions**

The Company pays all direct expenses associated with its trading activities. The Company has an agreement with DRWH whereby certain operating expenses are paid by DRWH and charged to the Company based on a series of usage factors. Payable to Parent on the statement of financial condition of approximately \$34,570,000 is related to these activities.

Additionally, the Company transacts business with and incurs amounts due from and payable to other affiliates in the ordinary course of business. At December 31, 2016, approximately \$205,000 represents payables to affiliated companies and approximately \$43,500 represents receivable from affiliated companies in connection with such transactions.

The Company has an unsecured demand loan facility (Revolver) with an affiliated entity. The outstanding amount payable under the Revolver at December 31, 2016 is \$3,705,000 and is included in note payable - affiliate in the statement of financial condition. The loan is non-interest bearing. Due to the demand nature of the Revolver, carrying value approximates fair value as of December 31, 2016.

#### **Note 5. Risks**

In the normal course of business, the Company enters into transactions in financial instruments with varying degrees of market and credit risk. These financial instruments include equity and debt securities and derivatives such as equity options, futures contracts and options on futures contracts. A significant portion of the trading of these financial instruments is conducted on securities and futures exchanges throughout the United States. Settlement of these transactions generally takes place through clearing brokers utilized by the Company. These instruments involve elements of market and credit risk that may exceed the amounts reflected in the statement of financial condition.

The Company's market risk is attributable to potential changes in the market value of portfolios of financial instruments and is affected by various factors including the size and composition of positions held, interest rates, volatility and liquidity. Theoretically, the Company's exposure is equal to the cost of securities or contracts purchased and unlimited on securities or contracts sold short. The Company's overall exposure to market risk is impacted by its use of hedging strategies. The Company controls its exposure to market risk through various hedging strategies, analytical measures and techniques.

Purchased options on securities or futures contracts may provide the Company with the opportunity to deliver or to take delivery of securities or futures contracts at a contracted price. Options written on securities or futures contracts may obligate the Company to deliver or to take delivery of securities or futures contracts at a contracted price in the event the option is exercised by the holder. This may result in market risk not reflected in the statement of financial condition to the extent that the Company is obligated to purchase or sell the underlying securities or futures contracts in the open market. To minimize these risks, the Company may be long or short the underlying instrument, which can be used to settle these transactions.

Securities sold, not yet purchased, represent obligations of the Company to deliver specific securities and thereby create a liability to purchase the securities in the open market at prevailing prices. These transactions may result in market risk not reflected in the statement of financial condition as the Company's ultimate obligation may exceed the amount reflected in the statement of financial condition. To minimize this risk, the Company may hold other financial instruments, which can be used to settle or offset the risk of these obligations.

**DRW Securities, LLC**

**Notes to Statement of Financial Condition**

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**Note 5. Risks (Continued)**

Since the Company does not clear its own securities and futures transactions, it has established accounts with clearing brokers for this purpose. This can and often does result in a concentration of credit risk with these brokers. Additionally, as part of these clearing relationships, the Company's market-making activities are cleared by broker-dealers pursuant to Rule 15c3-1(a)(6) agreements. Per these agreements, the Company's clearing brokers are required to make certain calculations to assure compliance with the rule. This can also result in credit risk with these clearing brokers in the event a clearing broker does not fulfil its obligations under the agreements. Such risk, however, is mitigated by each clearing broker's obligation to comply with rules and regulations governing brokers in the United States, as well as the Company's periodic monitoring of each clearing broker's creditworthiness.

The Company maintains cash deposits with a financial institution. On occasion, these deposits may exceed the maximum insurance level provided by the Federal Deposit Insurance Corporation.

In the normal course of business, the Company is subject to regulatory oversight. Although open matters are subject to uncertainties inherent in the process and ultimate disposition is not presently determinable, management believes that the ultimate resolution will not have a significant impact to the ongoing operations of the Company.

**Note 6. Derivative Instruments and Hedging Activities**

The Company's activities may result in notional value of open derivative positions that is not representative of the risk in the outstanding derivatives contracts. The Company's trading activities may involve the use of hedging strategies to reduce directional and non-directional risks. There is no guarantee that the hedging strategies will achieve their desired result. The Company does not consider any derivative instruments to be hedging instruments, as those terms are generally understood under GAAP.

Derivative contracts are recorded on the statement of financial condition as assets or liabilities measured at fair value or as a component of receivables from or payables to clearing broker.

**DRW Securities, LLC**

**Notes to Statement of Financial Condition**

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**Note 6. Derivative Instruments and Hedging Activities (Continued)**

As of December 31, 2016, and for the year ended, the Company's derivative activities had the following impact on the statement of financial condition:

Contract Type	Gross Asset Derivatives at Fair Value December 31, 2016	Gross Liability Derivatives at Fair Value December 31, 2016
Equity index contracts		
Equity options	\$ 87,455,434 (1)	\$ 94,147,970 (3)
Options on futures	116,494,333 (1)	87,866,130 (3)
Futures	6,444,697 (2)	3,394,665 (2)
Fixed income contracts		
Futures	17,156 (2)	- (2)
Precious metals		
Futures	5,397,990 (2)	5,058,270 (2)
	\$ 215,809,610	\$ 190,467,035

(1) - Included in Derivative financial instruments owned, at fair value on the statement of financial condition

(2) - Included in Receivables from or payable to clearing brokers on the statement of financial condition

(3) - Included in Derivative financial instruments sold, at fair value on the statement of financial condition

**DRW Securities, LLC****Notes to Statement of Financial Condition****Note 6. Derivative Instruments and Hedging Activities (Continued)**

The gross amounts of assets and liabilities subject to netting and gross amounts offset in the statement of financial condition as of December 31, 2016 were as follows:

	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		
				Financial Instruments	Cash Collateral Received	Net Amount
<b>Assets</b>						
Futures contracts	\$11,859,843	(\$7,867,338)	\$3,992,505	\$ -	\$ -	\$3,992,505
	<u>\$11,859,843</u>	<u>(\$7,867,338)</u>	<u>\$3,992,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,992,505</u>
<b>Liabilities</b>						
Futures contracts	(\$8,452,935)	\$7,867,339	\$585,596	\$ -	\$ -	\$585,596
	<u>(\$8,452,935)</u>	<u>\$7,867,339</u>	<u>\$585,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$585,596</u>

**Note 7. Indemnifications**

In the normal course of its business, the Company indemnifies certain service providers, such as clearing brokers, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

Additionally, the Company enters into contracts and agreements that contain a variety of representations and warranties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of any future obligations under these representations and warranties to be remote.

**Note 8. Regulatory Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1) which requires the maintenance of minimum net capital. The Company has elected to use the alternative method permitted by the rule, which requires the Company to maintain net capital, as defined, equal to the greater of \$1,000,000 or 2 percent of aggregate debit balances arising from customer transactions, as defined. The rule also provides that equity capital may not be withdrawn if the resulting net capital would be less than 5 percent of aggregate debits. At December 31, 2016, the Company had net capital of \$33,584,196 which was \$32,584,196 in excess of its required minimum net capital of \$1,000,000.