

# Disclosure Documents CFTC§1.55(k)

March 2017

Phillip Capital Inc. 141 W. Jackson Boulevard, Suite 3050, Chicago, IL 60604

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## TABLE OF CONTENTS

PRINCIPAL INFORMATION	2
PHILLIPUS BUSINESS	2
PHILLIPUS CUSTOMER BUSINESS	3
MATERIAL RISKS	4
CUSTOMER FUNDS SEGREGATED	5
IMPORTANT FINANCIAL INFORMATION	8
COMPLAINTS	10
SUMMARY CFTC	10

## OVERVIEW

The U.S. Commodity Futures Trading Commission (“COMMISSION”) requires each futures commission merchant (FCM), including Phillip Capital Inc. (“PhillipUS”), 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 with the FCM.

Except as otherwise noted below, the information set out is as of **January 31, 2017**. PhillipUS will update this information annually and as necessary to take account of any material change to its business operations, financial condition or other factors that PhillipUS believes may be material to a customer’s decision to do business with PhillipUS. Nonetheless, PhillipUS business activities and financial data are not static and will change in non-material ways frequently throughout any 12-month period.

Phillip Capital Inc. \* The Chicago Board of Trade Building \* 141 W. Jackson Blvd., Suite 3050 \* Chicago, Illinois 60604 \* (312) 356-9000

## PRINCIPAL INFORMATION CFTC §1.55(k)(2)

1. **Phillip Capital (USA) Pte. Ltd.** ("PCPL), 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101. Incorporated February 2, 2010 as a Limited Exempt Private Company. PCPL is the U.S. holding company of Phillip Capital Inc.
2. **Hua Min Lim**, founder and Executive Chairman of PhillipCapital Group of Companies, located at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179 101, is the majority shareholder of PCPL. For the Parent Company headquartered in Singapore, Hua Min Lim founded Phillip Capital Group of Companies in 1975 and is the Executive Chairman. He began his career holding senior positions in the Stock Exchange of Singapore and the Securities Research Institute. He has served on a number of committees and sub-committees of the Stock Exchange of Singapore.
3. **Lynette Lim**, founder, Director and Co-Chief Executive Officer of PhillipUS, located at 141 West Jackson Boulevard, Suite 3050, Chicago, IL 60604, directly overseas risk, IT development, marketing and e-trading functions and indirectly all other areas within PhillipUS. Ms. Lim is a NFA registered Principal since August of 2010, and registered NFA Member and Associated Person since February 2011, and founded PhillipUS in April 2010. Previously Ms. Lim worked for the Phillip Capital Group of Companies for 9 years. While there she managed an IT group that developed internal projects as well as customer projects in the financial industry. She also managed the development of POEMS which was the first online stock trading system in Singapore and launched in 1996. Ms. Lim received a bachelor's degree in computer systems engineering with honors from Warwick in England and an MBA from the University of Chicago.
4. **Cameron Frazier**, Director, Co-Chief Executive Officer and Chief Financial Officer of PhillipUS, located at 141 West Jackson Boulevard, Suite 3050, Chicago, IL 60604, directly overseas accounting, operations, and compliance functions. Mr. Frazier is a NFA registered Principal since August 2010 and NFA registered Principal and Associated Person since February 2011 and Forex Associated Person. Prior to joining Phillip Capital, Mr. Frazier was Senior Manager of Product Design at Apple. While at Apple his team of ten engineers developed 35 new products in the iPod/iPhone accessory space and he is listed on more than 26 patents issued and being pursued by Apple. Prior to Apple Inc., Mr. Frazier worked with several other firms including Motorola and Flextronics involved in product design management, product design, process development, operations, quality, sales, and sourcing. Mr. Frazier received a bachelor's degree with high honors in mechanical engineering from the University of California at Davis and an MBA with honors from the University of Chicago.
5. **Janet Goodridge**, Chief Compliance Officer of PhillipUS, located at 141 West Jackson Boulevard, Suite 3050, Chicago, IL 60604, is mainly responsible for administering policies and procedures, consulting with senior management and resolving conflicts, ensuring compliance with the CEAct rules and the CFTC regulations, remediation of noncompliance issues and overseeing internal or external audit reviews and findings. Ms. Goodridge is a NFA registered Principal, Associated Person and Forex Associated Person with 25 years of compliance experience in the commodity futures industry, working for exchange & clearing regulators, various futures commission merchants and hedge funds. Ms. Goodridge received her bachelor's degree in Finance and Economics from the University of Nebraska.

## PHILLIPUS BUSINESS CFTC §1.55(k) (3)

PhillipUS is a registered Futures Commission Merchant, Swap Firm, and Notice Broker Dealer Registered. The majority of our business is clearing commodity futures and options on commodity futures contracts. PhillipUS is a registered broker dealer with the Securities Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and the Depository Trust Clearing Corporation (DTCC) to self-clear equity, government, and corporate debt securities.

PhillipUS' significant types of business activities and product lines and our approximate percentage of assets and capital that are used in each type of activity can be summarized in the following table:

Activity/Product Line	Percentage of Assets	Percentage of Capital
US and non-US Customers trading on US exchanges	75%	45%
US and non-US Customers trading on non-US exchanges	9%	4%
Deposits & memberships to support clearing services for our customers	15%	49%
Other	1%	2%
PhillipUS' does not trade for its own account (no proprietary trading); we pride ourselves on specializing our services to a broad client base, from retail to institutional customers, trading both US and International derivative markets.		

## PHILLIPUS CUSTOMER BUSINESS - FUTURES CFTC §1.55(k) (4)

PhillipUS has a diverse customer base. Customer types include, but are not necessarily limited to retail, commercial, and institutional clients. Markets traded by our customers include, but are not necessarily limited to, financial, equity, agricultural, energy, foreign exchange, and metals. International businesses of our affiliate entities expand through Asia, Europe, Australia and the Middle East. Phillip US' exchange memberships and clearing relationships can be summarized in the tables below:

Exchange Memberships	
Chicago Mercantile Exchange (CME)	ICE Futures US, Inc. (ICE Futures US)
Chicago Board of Trade (CBOT)	CBOE Futures LLC (CFE)
New York Mercantile Exchange (NYMEX)	The Dubai Mercantile Exchange Limited (DME)
Commodity Exchange (COMEX)	Nasdaq Futures, Inc. (NFX)
ICE Futures Europe (ICE Futures EU)	

- Clearinghouses used: member, non-member

Clearing Organizations (for which PhillipUS clears business)	PhillipUS	PhillipUS's Affiliate(s)
Chicago Mercantile Exchange (CME)	Member	
ICE Clear US Inc. (ICE Clear US)	Member	
Options Clearing Corporation (OCC)	Member	
ICE Clear Europe Limited (ICE EU)	Member	
Singapore Exchange (SGX) Member		Member
Singapore Mercantile Exchange (SMX)		Member
Hong Kong Exchanges and Clearing Limited (HKEX)		Member
Indentrust Security International (ISI) Clearing (ICDX)		Member
Japan Commodity Clearing House Co., Ltd. (JCCH)		Member
Japan Securities Clearing Corporation (JSCC)		Member
Bursa Malaysia Derivatives Clearing Sdn Bhd (BMD) Member		Member
Thailand Clearing House Co., Ltd. (TCH) Member		Member
The Multi Commodity Exchange of India Limited (MCX)		Member
Dubai Gold & Commodity Exchange (DGCX)		Member
Minneapolis Grain Exchange Clearing House (MGEX)	Non-Member	
Eurex Clearing (Eurex)	Non-Member	
LCH.Clearnet SA	Non-Member	
ASX Clear (Futures)	Non-Member	

- Carrying brokers used: affiliates, non-affiliates

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Carrying Broker(s): US/Non-US	Relationship
Phillip Futures Pte Ltd (“PFPL”)	Affiliate
Phillip Securities Japan, Ltd.	Affiliate
Macquarie Futures USA LLC	Non-Affiliate
ADM Investor Services, Inc.	Non-Affiliate

- Permitted Depositors and Counterparties:

Permitted Depositors and Counterparties: Permitted counterparties are limited to a bank as defined in section 3(a)(6) of the Securities Exchange Act of 1934, a domestic branch of a foreign bank insured by the Federal Deposit Insurance Corporation, a securities broker or dealer, a futures commission merchant, or a derivatives clearing organization; PhillipUS does not enter into repurchase and reverse repurchase agreements.

All securities representing investments of customer funds trading US exchanges will be segregated in safekeeping only with a bank, trust company, derivatives clearing organization, or to the registered futures commission merchant in accordance with the provisions of CFTC §1.20 part.

All securities representing investments of customer funds trading non-US exchanges will be held in safekeeping only with banks located in the United States, non-US banks qualified under CFTC §30.7, clearing organizations of foreign boards of trade or members of foreign boards of trade.

Securities purchased from a single counterparty, or from one or more counterparties under common ownership or control shall not exceed 25 percent of total assets held in segregation or under §30.7 secured.

Criteria used by PhillipUS to consider when making a decision about a suitable counterparty may include but is not necessarily limited to: Capitalization; Credit Rating; Reliability/Suitability; Access to Liquidity; Presence of Deposit Insurance; Regulatory Oversight; Management Team, Upcoming Capital Expenditures; Industry Changes Effecting Counterparty.

## MATERIAL RISKS CFTC §1.55(k) (5)

In order to assure PhillipUS is in compliance with its regulatory capital requirements and that it has sufficient liquidity to meet its ongoing business obligations, PhillipUS holds a significant portion of its assets in cash and US Treasury securities guaranteed as to principal and interest. PhillipUS also invests in other short-term highly liquid instruments such as money market instruments. The average weighted maturity of all investments held is 20 months and the average weighted coupon is 1.06% percent.

**Creditworthiness:** PhillipUS maintains lines of credit totaling \$60 million (or 11.9 times the average daily CME settlement amount for the past 6 months) with a group of US and International banks and may use the proceeds to provide temporary liquidity in the unlikely event of a large customer default, constraint or default by a depository, or if there’s a temporary problem with US or international payments of settlements.

**Capital risk:** Capital risk management is vital to any FCM’s approach to financial stability. PhillipUS maintains this financial stability by not participating in its own proprietary trading and investing in short-term liquid assets to cover current, forecasted and stress tested business needs. By not participating in proprietary trading, PhillipUS may forego capital growth through profitable trading but more importantly, PhillipUS does not jeopardize its capital through poor performances by proprietary trading losses.

**Liquidity risk:** PhillipUS’ objective is to promote short-term resilience of liquidity by ensuring PhillipUS has adequate funds of unencumbered high-quality liquid assets that can be converted easily and immediately into cash to meet our liquidity needs to cover any client shortfalls (debits/deficits), settlement payment obligations that may be impacted by non-US banking hours and house asset write-downs. The following financial information was obtained from our unaudited financial statement dated January 31, 2017:

**Leverage calculation:** Equaled 5.48 (total balance sheet assets, less any instruments guaranteed by the U.S. government and held as an asset or to collateralize an asset (e.g., a reverse repo) divided by total capital (the sum of stockholder's equity and subordinated debt capital). A higher leverage results in additional risk to clients as less capital is available to cover increased liabilities.

**Principal liabilities risk:** PhillipUS' principal liabilities (which largely consists of accounts payable and accrued expenses) are approximately \$1.8 million or less than 1% of its \$242.2 million total liabilities (which largely consists of customer equities trading on US and foreign exchanges).

**Other lines of business:** Risks to PhillipUS created by its affiliates and their activities, including investment of customer funds in an affiliated entity pose slight risk. PhillipUS is a privately held company that's a member of the PhillipCapital Group of Companies. One affiliate holding multiple customer omnibus accounts with PhillipUS comprises over 72% of the total funds held for futures customers trading US markets. Large clearing house settlement payments may pose a temporary liquidity risk should international banking holidays exist.

PhillipUS does not have any significant liabilities, contingent or otherwise, or any material commitments.

A material risk to any customer is placing funds with a depository (or FCM) then such depository defaults and is unable to fulfill its financial obligation to its customers, resulting in the customer's partial or full loss of their deposit. Therefore, it's important to know your counterparty and understand the various risks involved.

## CUSTOMER FUNDS SEGREGATED **CFTC §1.55(k)(8)**

A basic overview of customer fund segregation, futures commission merchant collateral management and investments, futures commission merchants, and joint futures commission merchant/broker dealers is noted below:

**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 that trade futures and options on futures listed on US futures exchanges;
- (ii) a **30.7 Account** for customers that 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 US, 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 US; (ii) a bank or trust company located outside of the US 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 US; (ii) in a money center country;<sup>1</sup> or (iii) in the country of origin of the currency.

An FCM must hold sufficient US dollars in the US to meet all US 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 US dollar) as follows: (i) US dollars may be held in the US 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 US or in money center countries to meet obligations denominated in currencies other than the US 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 US; (ii) a bank or trust company located outside the US 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 US.

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 US 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 US Bankruptcy Code. Return of 30.7 Customer Funds to the US 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 US customers' transactions on foreign markets.

If the foreign broker does not fail but the 30.7 Customers' US 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 US FCM were to fail, potential differences between the trustee for the US 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.

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<sup>1</sup> Money center countries means 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.



To reduce the potential risk to 30.7 Customer Funds held outside of the US, Commission Rule 30.7 generally provides that an FCM may not deposit or hold 30.7 Customer Funds in permitted accounts outside of the US 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 US, an FCM may maintain in accounts located outside of the US 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.

**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 US; (ii) a bank or trust company located outside of the US 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.

**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>

**No SIPC Protection.** PhillipUS is a registered futures commission merchant, it is important to understand that the funds deposited with PhillipUS for trading futures and options on futures contracts on either US or foreign markets or cleared swaps are not protected by the Securities Investor Protection.

Further, Commission rules require PhillipUS to hold funds deposited to margin futures and options on futures contracts traded on US designated contract markets in Customer Segregated Accounts. Similarly, PhillipUS] must hold funds deposited to margin cleared swaps and futures and options on futures contracts traded on foreign boards of trade in a Cleared Swaps Customer Account or a 30.7 Account, respectively. In computing its Customer Funds requirements under relevant Commission rules, PhillipUS 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.]

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-FAQs.PDF>

## IMPORTANT FINANCIAL INFORMATION CFTC §1.55(k)(10)

PhillipUS' annual audited financial statement(s) are made available on our website [www.phillipcapital.com](http://www.phillipcapital.com).

PhillipUS' financial data (our most recent month-end when this Disclosure Document was prepared) is as follows:

As of January 31, 2017	
Total Ownership Equity:	\$40,192,996
Net Capital:	\$34,337,224
Adjusted Net Capital:	\$31,494,882
Excess Net Capital:	\$17,308,658
Dollar value of PhillipUS' proprietary margin requirements as a % of total customer margin Requirements (futures, 30.7 and cleared swaps):	\$0

<sup>4</sup> As discussed below, 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.



Aggregate notional value (by asset class), of all non-hedged, principal over-the counter transactions into which Phillip Capital has entered:	\$0
Amount of short term funding available from various international banks that PhillipUS has obtained but not yet drawn upon: such amount reflects additional available resources of PhillipUS in the unlikely event that the resources of PhillipUS are exhausted:	\$100,000,000*
Aggregate amount of financing PhillipUS provides for customer transactions involving illiquid financial products for which it is difficult to obtain timely and accurate prices:	\$0
Percentage of futures customer, cleared swaps customer, and 30.7 customer receivable balances that the FCM had to write-off as uncollectable during the past 12-month period, as compared to the current balance of funds held for futures customers, cleared swaps customers, and 30.7 customers:	0%

\*Ninety percent of such funds are available to cover PFPL's variation/settlement risk; PhillipUS' largest client which holds the largest concentration of variation/settlement risk.

PhillipUS carries multiple customer omnibus accounts on behalf of PFPL (an affiliated entity); PFPL is the only client that comprises 50% or more of PhillipUS' total funds held for futures customers. PhillipUS carries one 30.7 customer that comprise 79% of the total funds held for 30.7 customers. As of the date of the financial information presented above, PhillipUS did not carry any cleared swap customers.

Additional financial information on all FCMs is also available on the Commission's website at: <http://www.cftc.gov/MarketReports/financialfcmdata/index.htm>.

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 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 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 twelve-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.

**Regulatory and Financial Information** CFTC§1.55(k) (6):

- PhillipUS' designated self-regulatory organization is The CME Group, Inc.
- PhillipUS' annual audited financial statement is available on our website: [www.phillipcapital.com](http://www.phillipcapital.com)

## COMPLAINTS

Material Complaints or Actions: PhillipUS has no material administrative, civil, enforcement, or criminal complaints or actions filed against it or any of its Principals, either pending or concluded. *CFTC §1.55(k)(7)*

Filing a Complaint: A customer that wishes to file a complaint about PhillipUS, 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 PhillipUS, or one of its employees, with the Chicago Mercantile Exchange electronically at: <http://www.cmegroup.com/market-regulation/file-complaint.html> or by calling the CME at 312.341.3286. *CFTC §1.55(k)(9)*

### *Complaints*

#### *CFTC:*

- *<https://forms.cftc.gov/fp/complaintform.aspx>; or*
- *toll-free at 866-FON-CFTC (866-366-2382)*

#### *CME:*

- *<http://www.cmegroup.com/market-regulation/file-complaint.html>; or*
- *312.341.3286*

## SUMMARY CFTC §1.55(k)(11)

A summary of FCM's current risk practices, controls and procedures.

Risk management is an essential part of PhillipUS' business practice on all levels. A summary of PhillipUS' current risk practices, controls and procedures take into account market, credit, liquidity, foreign currency, legal, operational, settlement, segregation, technological, capital, and any other applicable risks together with risk tolerance limits set by PhillipUS which are reviewed and approved quarterly by PhillipUS' CEO and CFO. PhillipUS' Risk Management Program takes into account risks posed by affiliates, all lines of business, and all other trading activity engaged by the firm along with how to detect breaches to tolerance limits and when such breaches are escalated to Sr. Management.

Risk management discipline has become a key necessity in order to maintain a market advantage; PhillipUS maintains this discipline by holding our clients to higher standard through pre-trade & post trade risk controls while only making conservative investments in customer funds resulting in less return.

This Disclosure Document was first used on July 12, 2014. This document was updated as of **March 20, 2017**.