



FUTURES  
AND FOREX

# Charles Schwab Futures and Forex LLC FCM-Specific Disclosure Document

150 S. Wacker Dr. ■ Chicago, IL 60606

Phone: 800-435-9050 ■ Fax: 888-526-7252

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## INTRODUCTION

The Commodity Futures Trading Commission ("Commission" or "CFTC") requires each futures commission merchant ("FCM"), including Charles Schwab Futures and Forex LLC ("Schwab Futures and Forex" or the "Firm"), 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 March 2024. Schwab Futures and Forex 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 Schwab Futures and Forex believes may be material to a customer's decision to do business with Schwab Futures and Forex. Nonetheless, Schwab Futures and Forex's business activities and financial data are not static and may change in non-material ways frequently throughout any 12-month period.

Charles Schwab Futures and Forex LLC is a subsidiary of The Charles Schwab Corporation. Information that may be material with respect to Schwab Futures and Forex LLC for purposes of the Commission's disclosure requirements may not be material to The Charles Schwab Corporation for purposes of applicable securities laws.

## FIRM AND ITS PRINCIPALS

Charles Schwab Futures and Forex LLC

150 S. Wacker Dr.

Chicago, IL 60606

800-435-9050 phone

888-526-7252 fax

Futures@Schwab.com

Schwab Futures and Forex's Designated Self-Regulatory Organization (DSRO) is the National Futures Association (NFA) [www.nfa.futures.org](http://www.nfa.futures.org). Prior to a name change in September 2021, Charles Schwab Futures and Forex LLC was known as TD Ameritrade Futures & Forex LLC

The following is a list of Schwab Futures and Forex's Principals along with their title, business address, business background, areas of responsibility, and the nature of the duties of each principal as defined in § 3.1(a):

### **Ben Miller, Managing Director, Charles Schwab Futures and Forex LLC**

**Business Address:** 3000 Schwab Way, Westlake, TX 76262

**Background:** Ben Miller has worked in the financial industry since 1996. Prior to coming to Schwab Futures and Forex, he worked for Penson Futures for more than 10 years and he has experience with Coquest (a registered IB) and ED&F Man where his main focus was with operations. Ben Miller holds a Series 3 and 30 and has a Bachelor of Business Administration from the University of Oklahoma.

**Areas of Responsibility:** Futures and Forex Operations

**Duties:** Ben Miller is responsible for the futures and forex business at Schwab Futures and Forex.

### **John Ehlers, President, Charles Schwab Futures and Forex LLC**

**Business Address:** 3000 Schwab Way, Westlake, TX 76262

**Background:** John Ehlers has worked in the financial industry since 1992. He joined Schwab as part of the TD Ameritrade acquisition. John Ehlers has served in a variety of roles spanning service, risk, and sales for over 25 years, and has been registered as an Associate Person with Schwab Futures and Forex and/or a predecessor since 2010. He holds a Series 3, 4, 7, 24, 30, 34, and 57 and has a Bachelor of Arts in Political Science from the University of Nebraska-Lincoln.

**Areas of Responsibility:** Futures and Forex

**Duties:** John Ehlers leads the futures and forex division for Schwab Futures and Forex as well as the Trader Product and Platforms teams for Schwab.

### **Michael Asmus, Treasurer, Charles Schwab Futures and Forex LLC**

**Business Address:** 200 South 108th Avenue, Omaha, NE 68154

**Background:** Michael Asmus has 20+ years' experience in the banking and brokerage industries. Michael Asmus joined TD Ameritrade in 2010 where he has been responsible for balance sheet management and investments for the futures entities. Previously, he worked for a multi-charter bank holding company where he was responsible for liquidity, capital, asset liability management, and investments. Michael Asmus holds a Bachelor of Science in Business Administration and an MBA from the University of Nebraska at Omaha.

**Areas of Responsibility:** Treasury

**Duties:** Michael Asmus oversees treasury functions for Schwab Futures and Forex.

**Aaron Thompson, Chief Financial Officer, Charles Schwab Futures and Forex LLC****Business Address:** 9875 Schwab Way, Lone Tree, CO 80124

**Background:** Aaron Thompson has worked in the financial industry since 2004. Aaron joined Schwab in 2015 and is currently responsible for accounting and regulatory reporting functions of Charles Schwab Futures and Forex LLC as well as the Company's broker dealers and certain other subsidiaries. Previously, he worked in the banking industry as a Controller and Chief Financial Officer of a State of Florida chartered and Federal Reserve member bank. He holds a Series 27 and has a Bachelor of Science in Accounting from the University of South Florida.

**Areas of Responsibility:** Accounting and Regulatory Reporting

**Duties:** Aaron Thompson oversees the 1-FR-FCM Report, Segregation Computation, Regulatory Reporting and Accounting for Schwab Futures and Forex.

**Lynn Konop, Chief Compliance Officer, Charles Schwab Futures and Forex LLC****Business Address:** 2309 Gracy Farms Lane, Austin, TX 78758

**Background:** Lynn Konop is the designated Chief Compliance Officer ("CCO") for Schwab Futures and Forex. In addition to her responsibilities as the futures CCO, Lynn Konop is responsible for managing the development, implementation, maintenance and administration of reasonably designed and effective compliance programs that meet Corporate Compliance standards and the requirements of the functional regulators of the Schwab Futures and Forex FCM, including, but not limited to, the CFTC and the NFA. Lynn Konop attended St. Peter's College where she received a degree in Marketing with a minor in Economics. Lynn Konop holds Series 4, 7, 9/10[8], 24 and 63 licenses.

**Areas of Responsibility:** Compliance

**Duties:** Lynn Konop oversees the compliance functions of Schwab Futures and & Forex.

**James Kostulias, Director of Charles Schwab Futures and Forex LLC****Business Address:** 70 Hudson St., Jersey City, NJ 07302

**Background:** James Kostulias is a Director on the Board of Charles Schwab Futures and Forex LLC and has been the head of Trading Services since March 1, 2023. In his previous role as Managing Director in the Integration Management Office, James Kostulias was responsible for integration planning and the execution of the TD Ameritrade Client conversion to Charles Schwab. James Kostulias has 25 years of experience in the financial services industry and has spent the bulk of those years with TD Ameritrade in leadership roles across its Retail, Technology, and Active Trader businesses. Prior to his work on the Schwab Integration, James Kostulias was the Head of Retail Experience at TD Ameritrade, where he was responsible for the execution of the firm's Retail Strategy, Client Experience, Digital Platforms, Learning and Development, Client Segmentation, and LEAN Strategy. Kostulias also led the TD Ameritrade and Scottrade Integration, served as Head of eCommerce, leading the digital strategy for web, mobile, social media, market data, and research, and held TD Ameritrade's Chief Information Officer position, overseeing technology relationship management and project delivery for all business units. Prior to joining TD Ameritrade, James Kostulias was with Datek Online, where he held a variety of Operational Management Positions, and with Moody's Investor Services, where he designed and implemented a Global Senior Credit Analyst Professional Development Training Program. James Kostulias is a board member and former President of the Wall Street Technology Association, previously sat on the FINRA Technology Advisory Committee, and is a graduate of the SIFMA Securities Institute Program at Wharton. James Kostulias holds a bachelor's degree in Business Administration from Rutgers University and Series 4, 7, 24 and 63, licenses.

**Areas of Responsibility:** Head of Trading Services

**Duties:** James Kostulias is responsible for leading the end-to-end client experience for traders at Schwab, including overseeing the thinkorswim suite of trading platforms.

**William Quinn, Director of Charles Schwab Futures and Forex LLC****Business Address:** 211 Main St, San Francisco, CA 94104

**Background:** Bill Quinn is a Director on the Board of Charles Schwab Futures and Forex. Additionally, he is currently a Managing Director and Treasurer at Charles Schwab & Co., Inc. and Charles Schwab Bank. Prior to joining Schwab, Bill Quinn was Senior Vice President at Fannie Mae serving most recently as the Chief Risk Officer for the Capital Markets business unit. In that capacity, he was responsible for approvals and oversight for all risks within the business including credit risk, market risk, operational risk, and model risk. Previously, he was Senior Vice President, and head of Capital Markets Strategy where he was responsible for running portfolio strategy and asset/liability management for Fannie Mae's balance sheet. He focused on total return management subject to risk and capital constraints. Prior to joining Fannie Mae in 2000, Bill Quinn was an executive vice president and head of Collateralized Strategies for Smith Breeden Associates, responsible for managing fixed-income portfolio for pension funds, corporations, and financial institutions. He also was part of a 4-member group responsible for asset allocation for all client portfolios. He was also head of the firm's Consulting Division where he assisted clients, mostly banking institutions, in the formulation and implementation of investment and risk management policies and procedures. Education: Bill Quinn has a Master of Science and a Bachelor of Science from the Massachusetts Institute of Technology. He is also a chartered financial analyst (CFA).

**Areas of Responsibility:** Treasury

**Duties:** Bill Quinn leads the functional areas of balance sheet management including capital, liquidity, and investments, as well as banking services and securities lending.

**Faris Matalka, Director of Charles Schwab Futures and Forex LLC**

**Business Address:** 150 S. Wacker Dr., Chicago, IL 60606

**Background:** Faris Matalka is a Director on the Board of Charles Schwab Futures and Forex. Additionally, Faris Matalka is a Managing Director at Charles Schwab & Co., Inc. and heads up the Trading Operations and Margin Services. Within this role, he oversees order routing in equities, equity options and futures. His role also entails overseeing all street side relationships with Market Makers and U.S. Exchanges including representing the firm on market structure issues. Faris Matalka also oversees the firm's Margin book intra-day risk and all operational functions in Margin Lending. Faris Matalka has 20+ years in trading operations that includes the last 8 years in retail brokerage. Prior to that he worked at Citadel Securities as part of the team that helped build out the Equities Wholesale and Options smart routing business that catered to all U.S. and Canadian brokerage firms. Faris Matalka started his career on the Chicago Board of Trade and First Options of Chicago Finance department. Faris Matalka holds a B.S. in Accounting and a minor in Business Administration from Jordan University in Amman, Jordan. He holds Series 7, 24, 55 and 66 licenses.

**Areas of Responsibility:** Head of Trading Operations and Margin Services

**Duties:** Faris Matalka oversees order routing in equities, equity options and futures.

**FIRM'S BUSINESS**

Schwab Futures and Forex's business activity caters to self-directed retail futures and forex customers. Our customer base is more than 90% individual or joint accounts. Schwab Futures and Forex clients do not have direct market or API access to the futures markets. Schwab Futures and Forex currently offers the ability to execute orders on the CME Group (CME, CBOT, NYMEX & COMEX) ICE US, CFE, and MGEX. Current futures and futures options product groups offered to our customers to trade include: interest rates; metals; currency; grains; stock index; energy, softs; forest; and livestock futures contracts. Schwab Futures and Forex offers a variety of forex pairs which are outlined on the firm's website. Schwab Futures and Forex is the counterparty to all forex customer trades, and exclusively uses straight-through processing such that it automatically (without human intervention and without exception) enters into the identical but opposite transaction with another liquidity provider (creating an offsetting position in its own name). This business activity is supported by one hundred percent (100%) of the firm's assets and capital.

**FCM CUSTOMER BUSINESS**

On November 25th, 2019, The Charles Schwab Corporation and The TD Ameritrade Holding Corporation announced they entered into a definitive agreement for Schwab to acquire TD Ameritrade in a stock transaction valued at approximately \$26 billion. On October 6, 2020, TD Ameritrade Holding Corporation ("TD Ameritrade") and Charles Schwab Corporation ("CSC") reached deal close and CSC completed the acquisition of TD Ameritrade. As part of integration, on September 24, 2021, TD Ameritrade Futures & Forex LLC was renamed to Charles Schwab Futures and Forex LLC. Additionally, on October 24, 2021, the clients of the individual FCMs of each company (Schwab Futures and Forex and Charles Schwab & Co, Inc.) were consolidated within Schwab Futures and Forex.

Schwab Futures and Forex is an indirect subsidiary of CSC, a publicly-traded company using the symbol SCHW.

Schwab Futures and Forex caters to self-directed retail futures and forex customers. Our customer base is more than 90% individual or joint accounts. Schwab Futures and Forex clients do not have direct market or API access to the futures markets.

Schwab Futures and Forex does not own any futures exchange clearing memberships or self-clear any futures or futures options products. Schwab Futures and Forex utilizes two clearing FCMs, ADM Investor Services, Inc., and ABN AMRO Clearing USA LLC, to clear its futures business. Schwab Futures and Forex is not involved directly or indirectly in taking proprietary trading positions other than error correction trades in listed futures or commodity interests or engaging in arbitrage activities of any kind. However, Schwab Futures and Forex participates in exchange incentive programs.

**PERMITTED DEPOSITORIES AND COUNTERPARTIES**

Schwab Futures and Forex will invest futures customer funds in cash and/or U.S. Government securities. The customer segregated funds will remain in cash and/or U.S. Government securities held at a domestic depository institution and our clearing FCM firms. The omnibus accounts maintained at our clearing FCMs may hold either cash and U.S. Government securities pursuant to §1.25.

Schwab Futures and Forex adheres to a separate Charles Schwab Corporation Corporate Credit Risk Policy. Schwab Futures and Forex performs regular reviews of their bank depositories, counterparties, and vendors to ensure they can support the futures and forex business. The reviews include, but are not limited to:

- An annual review by Corporate Credit Research which includes, but is not limited to, a review of the depository's capitalization, creditworthiness, and access to liquidity.
- A quarterly operational review focused on any issues or concerns raised during the prior quarter.
- A quarterly review of any regulatory actions or fines as well as any major changes in personnel supporting Schwab Futures and Forex's business with the depository, counterparty, or vendor.

## MATERIAL RISKS

Schwab Futures and Forex believes that it has taken reasonable and adequate precautions to protect the funds of clients entrusted to the Firm. However, the Firm recognizes that it cannot eliminate all conceivable risks no matter how remote, particularly those which could arise from either extreme market movements or the actions or omissions of third parties such as futures exchanges, clearinghouses, bank custodians, and other clearing or executing FCMs. The Firm has in place appropriate and effective policies and procedures to safely and reliably custody client assets deposited with it. Clients who deposit funds with Schwab Futures and Forex are free to withdraw excess funds (to the extent that those funds are not collateralizing a futures position or other instrument) through their securities account held by the Firm's affiliate via customary and established processes such as check-writing, ACH requests, and wire transfers. Nevertheless, funds entrusted by clients to the Firm would potentially be at risk in the unlikely event that the Firm becomes insolvent, particularly in a sudden and abrupt fashion. Theoretically, clients of the Firm are also subject to the indirect risk of the insolvency of a third-party with which the Firm transacts business, such as its clearing FCMs. Similarly, there is also a potential indirect risk to clients based on the insolvency of a futures exchange, clearinghouse, or bank which custodies client funds. An indirect risk to clients for a third-party insolvency exists largely to the extent that client funds entrusted to the third-party and which are not recoverable are of sufficient magnitude that the Firm cannot immediately make good on the obligations owed to clients. The Firm's policy is to perform appropriate due diligence to the extent feasible of its third-party vendor relationships. Since these third-party vendors are independent actors, however, their conduct is normally outside the Firm's control, and therefore, the Firm cannot guarantee that they perform their functions in an entirely risk-free manner. Moreover, certain entities with which the Firm conducts business, such as futures exchanges, clearinghouses, and market data providers, are centralized, mandatory counterparties in financial services transactions. The Firm has little or no ability to conduct due diligence of such entities or assess or impose controls on any risks inherent in their operations.

Schwab Futures and Forex does not believe there exists any material risk of a sudden or unforeseen insolvency of the Firm. The Firm has a long history of profitability and does not risk its capital by engaging in proprietary trading activities. Schwab Futures and Forex is part of the Charles Schwab family of companies, which share a similar history of profitability and are likewise risk-averse by nature. Moreover, the risk that clients would lose funds safeguarded by Schwab Futures and Forex even in the circumstances of an insolvency proceeding of the Firm or its corporate affiliates is not material given the manner in which such funds are custodied. With the exception of warehouse receipts, funds deposited by futures clients with the Firm are custodied with major U.S. banking entities in segregated bank accounts in compliance with all applicable CFTC regulations. For these purposes, a segregated bank account means one which is specifically identified as being for the exclusive benefit of customers. Pursuant to CFTC Regulations, the bank holding funds in a client segregated funds account must agree in writing that funds in that account may not be used by the Firm for its own proprietary purposes, e.g., to secure or obtain credit or to offset or be subject to a lien for Firm obligations or indebtedness. Additional CFTC rules and internal Firm policies restrict the manner and type of investments of such funds to certain conservative investments. Thus, even in the unlikely event that the Firm, or its control affiliates, became insolvent, there does not appear to be a material risk that clients would lose the funds which they had deposited with the Firm. Since all future events cannot be foreseen, however, some risk of loss may exist.

While Schwab Futures and Forex does not believe any of the following risks to be material, Schwab Futures and Forex recognizes that customers may be subject to liquidity, credit, and/or counterparty risks by entrusting funds with Schwab Futures and Forex. Schwab Futures and Forex attempts to limit these risks by maintaining excess capital and investments in cash or highly liquid, readily accessible products.

In order to ensure that it is in compliance with its regulatory capital requirements and has sufficient liquidity to meet its ongoing business obligations, Schwab Futures and Forex holds a significant portion of its segregated and nonsegregated liquid assets in cash, highly liquid money market mutual funds, and/or U.S. Treasury securities guaranteed as to principal and interest. As of the date of this disclosure, all nonsegregated liquid funds are held in either 1) cash in a bank account or 2) highly liquid money market mutual funds, both of which are in the name of Schwab Futures and Forex. Therefore, all nonsegregated liquid assets are available on demand.

Schwab Futures and Forex carries no debt on the balance sheet and is therefore not financially leveraged. Schwab Futures and Forex currently has approximately US\$317 million of net capital as of January 31, 2024. Schwab Futures and Forex holds 100% of firm investments in overnight cash or cash equivalents, and therefore has adequate available liquidity at all times. Principal liabilities are payables to clients, accounts payable, and deferred income taxes.

With regard to Schwab Futures and Forex investment of customer funds, the Firm holds customer funds in cash within properly established \$1.20 accounts in the name of Schwab Futures and Forex LLC and in compliance with §1.25. Customer funds are not invested in any affiliated entities. Schwab Futures and Forex holds futures customer funds in cash; therefore, the weighted average maturity is .003 years and the weighted average yield is 0.0 percent.

Schwab Futures and Forex parent corporation, CSC, is rated A and A2 by S&P and Moody's, respectively. Schwab Futures and Forex has no material commitments.

## MATERIAL COMPLAINTS OR ACTIONS

Material administrative, civil, enforcement, or criminal complaints or actions filed against Schwab Futures and Forex can be accessed on the NFA BASIC system, accessible on the NFA's website at: <https://www.nfa.futures.org/basicnet> (Charles Schwab Futures and Forex LLC; NFA ID # 477394);

*Other Legal and Regulatory Matters* – Schwab Futures and Forex may be subject to a number of other lawsuits, arbitrations, claims, and other legal proceedings in connection with its business. Some of these legal actions include claims for substantial or unspecified compensatory and/or punitive damages. In addition, in the normal course of business, Schwab Futures and Forex discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, penalties, or other sanctions. In light of the uncertainties involved in such matters, Schwab Futures and Forex is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, fines, penalties, or equitable relief, if any, that may result, and it is possible that the ultimate resolution of one or more of these matters may be material to Schwab Futures and Forex's results of operations for a particular reporting period.

## CUSTOMER FUNDS SEGREGATION

Funds and other assets segregated and on deposit for regulatory purposes include interest-bearing cash deposits, including open trade equity and cash deposits with a clearing FCM, that have been segregated for the benefit of futures clients according to the regulations of the CFTC governing an FCM.

Pursuant to CFTC regulations, funds of futures clients are maintained in a segregated bank account ("Customer Segregated Account"). As noted above, the banks holding these assets are required to keep them in a separate account which is specifically identified as being for the exclusive benefit of the Firm's customers. CFTC Regulations require that any custodial bank agree in writing that it will not permit those funds to be used to pay, offset or secure any obligation or indebtedness of the Firm. Client funds deposited in the Customer Segregated account are permitted to be commingled with funds deposited by other customers of the Firm. Net additions or subtractions to the Customer Segregated Account are based on changes in clients' margin requirements. The Treasury Department will determine the required minimum balance to be maintained in the account and direct the Cash Management Department to make any required deposit or withdrawal not for the benefit of customers.

Pursuant to futures industry regulations, the Firm is required to maintain a residual interest consisting of its own proprietary funds in the client segregated funds accounts. The Firm's residual interest must exceed the "undermargined amount" of clients' futures accounts as defined by CFTC Regulation 1.22 (basically, the amount, if any, by which the total amount of collateral required to support the futures positions in clients' accounts exceeds the value of futures clients' funds in the futures account, calculated daily at the end of the business day). The Firm may not withdraw proprietary funds held in the clients' segregated funds accounts beyond its residual interest. Furthermore, under applicable regulations, the FCM must ensure that management properly authorizes any withdrawal of more than 25% of its targeted residual interest from the clients' segregated funds accounts not for the benefit of customers, and must immediately notify the NFA of the withdrawal.

### INVESTMENT POLICY FOR CLIENT SEGREGATED FUNDS

The objective of the Firm's Investment Policy is to ensure that the investments of the Segregated Portfolio ("Segregated Portfolio") are managed in a sound and prudent manner and in line with CFTC Regulation 1.20. Within this context, the primary investment considerations are to safeguard excess customer credit balances, ensure the safety and preservation of the FCM's capital and principal, set forth permissible securities and investments for the portfolio, provide adequate liquidity for the Firm to meet anticipated cash needs through maturing investments, provide adequate liquidity to meet unanticipated cash needs through the selection of investments with liquid and efficient markets or investments for which an efficient repurchase market exists, achieve an optimal rate of return consistent with the proper appraisal and control of credit and market risk, and take into account regulatory capital haircuts applied on investments in the portfolio.

Investments of funds in the Segregated Funds Portfolio will be limited to the following classes of securities, which are all permissible under CFTC Regulation 1.25:

- Direct U.S. Government obligations in the form of bills, notes, bonds and STRIPS and other instruments explicitly guaranteed by the U.S. Government;
- Participation Certificates or Mortgage-Backed Securities guaranteed by the Government National Mortgage Association ("GNMA"), including GNMA REMIC Collateralized Mortgage Obligations;
- Certificates of Deposit of approved U.S. Banks and Thrifts as defined by Section 3(a)(6) of the Exchange Act;
- Reverse Repurchase Agreements collateralized by any of the above, subject to certain repurchase transaction requirements;
- Cash or Trust Deposit accounts.

Prior to establishing any omnibus account on behalf of a Segregated Portfolio, the custodian bank ("Bank") must execute an acknowledgement letter which provides that the Bank will hold the funds in a separate account titled for the exclusive benefit of customers of the FCM and by which the Bank agrees not to use the funds in the account to secure or guarantee any obligation of the FCM to the Bank or assert any right of offset or lien for any indebtedness, obligation or liability of the FCM owed to the Bank, as required by applicable law. U.S. Government and Agency-backed investments do not require prior credit approval; all other investment and counterparties can only be made subject to approved credit limits.

Schwab Futures and Forex currently does not support trading in foreign futures or in Cleared (or Uncleared) Swaps and the Firm therefore does not maintain a Secured Funds account pursuant to CFTC Regulation 30.7 or a Cleared Swaps Customer Account in accordance with the provisions of section 4d(f) of the Commodity Exchange Act and Part 22 of the CFTCs rules.

Certain of the Firm's affiliates operate as broker-dealers registered with the SEC and FINRA and the Firm's futures clients are required to maintain a linked securities brokerage account at one of these affiliates in order to establish a futures account with the Firm. Clients who maintain these separate accounts for their futures and securities trading should understand that different rules apply to the segregation and custody of funds held in those respective accounts.

**No SIPC Protection.** Although TD Ameritrade, Inc. and Charles Schwab & Co., Inc. are registered broker dealers, it is important to understand that the funds you deposit with Schwab Futures and Forex for trading futures and options on futures contracts on either U.S. or foreign markets or cleared swaps are not protected by the Securities Investor Protection Corporation.

Further, CFTC rules require Schwab Futures and Forex to hold funds deposited to margin futures and options on futures contracts traded on U.S. designated contract markets in Customer Segregated Accounts. Similarly, Schwab Futures and Forex 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 CFTC rules, Schwab Futures and Forex 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.

## FILING A COMPLAINT

A customer that wishes to file a complaint about Schwab Futures and Forex or one of its employees with CFTC can contact the Division of Enforcement either electronically at <https://www.cftc.gov/complaint> or by calling the Division of Enforcement toll-free at 866-FON-CFTC (866-366-2382).

A customer may file a complaint about Schwab Futures and Forex or one of its employees with the NFA electronically at <https://www.nfa.futures.org/complaintnet/FileAComplaint.aspx> or by calling NFA directly at 800-621-3570.

## RELEVANT FINANCIAL DATA

Schwab Futures and Forex's annual audited financial statements are available here:  
<https://www.schwab.com/resource/schwab-futures-and-forex-most-current-certified-annual-report>

### Financial Data as of month end January 2024

Total Equity	US\$698,137,538
Regulatory Capital	US\$316,657,412
Net Worth	US\$698,137,538
Proprietary margin requirements as a percentage of the aggregate margin requirement for:	
futures customers	0%
cleared swaps customers	N/A
30.7 customers	N/A
Number of futures customers, cleared swaps customers, and 30.7 customers that comprise 50% of the FCM's total funds held for:	
futures customers	660
cleared swaps customers	N/A
30.7 customers	N/A
Aggregate notional value of all nonhedged, principal over-the-counter transactions	N/A
Unsecured lines of credit the FCM has obtained but not yet drawn upon*	US\$500,000,000
Aggregated amount of financing the FCM provides for customer transactions involving illiquid financial products	0
Percentage of futures customer, cleared swap customer, and 30.7 customer receivable balances that the FCM had to write off as uncollectable during the past 12-month period	Less than 1%

At this time, Schwab Futures and Forex customers do not engage in activity that requires a 30.7 account or in cleared swap activity. As such, Schwab Futures and Forex does not have any data to report 30.7 activity or cleared swap activity.

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

Customers should be aware that the 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, that is, 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 CFTC Regulation 1.25. Finally, the report indicates whether the FCM held any Customer Segregated Funds during that month at a depository that is an affiliate of the FCM.

The report shows the most recent semimonthly 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 NFA BASIC Details page.

\*The generic source is CSC and the purpose is contingent liquidity.

## RISK MANAGEMENT SUMMARY

As noted above, Schwab Futures and Forex is part of the CSC corporate hierarchy. As such, it benefits from the risk management framework of this network of companies. For example, many of the support services discussed below are provided by Charles Schwab & Co., Inc. or TD Ameritrade employees or departments or by using Charles Schwab & Co., Inc. and TD Ameritrade systems and control processes. In addition, Schwab Futures and Forex leverages the existing risk management control structure at the Charles Schwab & Co., Inc. consolidated entity level, supplemented by systems and activities of Charles Schwab & Co., Inc. and Schwab Futures and Forex personnel, as described herein.

As part of the CSC family of companies, Schwab Futures and Forex is committed to the highest standards of ethical conduct. The Code of Business Conduct and Ethics ("Code") applies to an individual's service as a director, officer, or employee of CSC and its subsidiaries and affiliates. The Code outlines ethical conduct in several key areas:

- Ethical behavior and legal compliance;
- Conflicts of interest;
- Confidentiality of information;
- Employment practices;
- Business practices; and
- Compliance and reporting

While the Code outlines key areas of ethical conduct, more detailed information is set forth throughout the Compliance Manual applicable to the Firm, policies and procedures for individual business units, and policies with which employees must comply as a condition of employment with the Firm (collectively referred to as "company policies"). Employees are responsible for reviewing the Code and company policies that apply to them and their business unit and are expected to act in compliance with the Code and company policies in their daily activities.

Schwab Futures and Forex has adopted a Risk Management Program pursuant to CFTC Regulation 1.11 which is designed to help the Firm identify risks and set reasonably appropriate risk tolerance limits across a number of areas, such as Market, Operational, Technology, Legal, Liquidity, Segregation, Settlement, Credit, and Capital risk. The departments overseeing functional areas of the Firm's business are responsible for monitoring and managing relevant risks to the Firm. In addition, these departments are expected to maintain procedures and systems which are reasonably designed to comply with this Policy. Such procedures must include the following essential elements:

- Description of applicable risks in the functional areas or business activities overseen by the department, along with specific risk tolerance limits;
- Methodology for monitoring these risks and the risk tolerance limits;
- A process for detecting breaches of these tolerance limits and alerting the appropriate members of the Firm's senior management and the Firm's Risk Management Unit Steering Committee ("RMU Committee") in the event of breaches;
- Policies for determining when exceptions to the risk tolerance limits are allowed, and a process for seeking and receiving approval for any such exceptions; and
- Regular reports, not less than quarterly, to the Firm's RMU Committee.

The risk management process at the Firm is delivered through three lines of defense, with clearly defined responsibilities at each level. In many cases, these activities may be performed on behalf of the FCM by employees of other units within CSC. The first level of risk management lies with the employees and managers of the Firm. Working with staff, management of Schwab Futures and Forex has the ownership, responsibility, and accountability for identifying, assessing, controlling, and mitigating risks in accordance with corporate standards, vision, values and strategy. Each business unit within the Firm has an appropriate business leader, who is responsible for designing, maintaining, and testing a system of staff-level and supervisory processes and procedures to comply with applicable laws and regulations, as well as company policies. Known risk events of sufficient magnitude are required to be escalated to Management, as well as the Supervision & Controls team.

The second level of risk management consists of the regular oversight of its business activities by the Firm's RMU Committee and Senior Management. In general, the governance committee and management work to manage risk by setting standards, monitoring the risk management practices, and reporting on risk activities and emerging risks. The RMU Committee meets periodically throughout the year to review the Firm's activities in their respective areas of responsibility and make decisions on the futures risk management program of the Firm.

Additionally, the RMU Committee receives and reviews a Risk Exposure Report ("RER") from the various operational units of the Firm, as well as affiliates performing services for the Firm, within its purview. The RERs are generated through the certain risk and controls identification and self-assessment process utilized broadly within CSC. These processes leverage the risk management frameworks used by CSC to identify risk exposures and assess the strength of the control activities in place to mitigate those risks. RERs are issued no less than quarterly. The RERs will set forth all applicable risk exposures of the Firm, establish risk tolerance limits, disclose any breaches of risk tolerance limits, recommend changes to the Risk Management Program for the business unit to address or mitigate such risks, and review the status of any previously recommended changes. The Firm's RMU Committee, which is composed of persons with sufficient authority and qualifications who are independent of the Business Unit of the Firm, reviews the RERs and discusses the material aspects of the reports with the Firm's Senior Management for futures on at least a quarterly basis. The Program also specifies that the FCM's Senior Management will review and approve the risk tolerance limits described in the RERs quarterly and that the Firm's Board of Directors will review and approve such risk tolerances annually.

At both levels, management and the various CSC committees are supported by a number of other units and advisors. Examples of these advisory units include Compliance, Supervision and Controls, Human Resources, Corporate Vendor Management, Anti-Money Laundering Office, Global Security Organization and Fraud Prevention Departments.



The final level of risk management consists of the review by CSC's Internal Audit department of the policies and procedures of Schwab Futures and Forex, including the consistent application and compliance with those policies and procedures. Findings and recommendations made by Internal Audit are provided to appropriate members of the Firm's management and staff for implementation. Internal Audit tracks the resolution of its recommendations and reports on progress to the Firm's management and the Audit Committee of Schwab. Additional audits and reviews of the Firm may be performed from time to time by the Firm's Compliance Department. The Firm's annual year-end financial statements are audited by an independent, third-party auditor.

Schwab Futures and Forex's Risk Management Program must be reviewed and independently tested by the Internal Audit Department on at least an annual basis, or more frequently upon any material change in the Firm's business that is reasonably likely to alter its risk profile. The annual review will include an analysis of adherence to, and the effectiveness of, the Firm's policies and procedures required by this Policy and any recommendations for changes or enhancements. Legal support to all levels of the Firm's risk management process is provided by CSC's Corporate Legal Services department.

#### **Distribution of the Risk Management Policies and Procedures**

Schwab Futures and Forex's written risk management procedures are distributed to supervisory personnel and a record of such distribution is maintained. Written approvals and all records or reports are maintained in accordance with §1.31.

Despite Schwab Futures and Forex's efforts to manage risk through policies, procedures, and governance structures, there can be no assurance that Schwab Futures and Forex will not sustain material losses as part of its operation.

#### **LEVERAGE RATIO**

The Firm's Leverage Ratio is provided pursuant to CFTC Rule 1.55(k)(5). As of January 31, 2024, the Firm's Leverage Ratio was 1.11.

This Disclosure Document was first used on March 11, 2024.

Charles Schwab Futures and Forex LLC, a CFTC-registered Futures Commission Merchant and NFA Forex Dealer Member.

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