



# 2016

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## *CFTC Regulation 1.55 Disclosure Documents Rand Financial Services, Inc.*

*This representation is furnished to you by Rand Financial Services, Inc. (Rand) in accordance with Commodity Futures Trading Commission (CFTC) Regulation 1.55, public disclosures by futures commission merchants (FCMs). This document is intended to disclose information about Rand, including its business, operations, risk profile, and affiliates, that would be material to a customer's decision to entrust funds to and otherwise do business with the firm and that is otherwise necessary for full and fair disclosure. Rand will update this information as and when necessary, but at least annually, to keep the information accurate and complete and will promptly disclose the updated information to all of its customers. Rand will also take into account any material change(s) to its business operation, financial condition and other factors material to a customer's decision to entrust their funds and otherwise do business with the firm.*

*August 2016*

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## Rand and its Principals

### Primary business location and contact information

Rand Financial Services, Inc.  
111 West Jackson Blvd.  
Suite 1250  
Chicago, Illinois 60604  
[www.randfinancial.com](http://www.randfinancial.com)  
(312) 559-8800 Phone  
[info@randfinancial.com](mailto:info@randfinancial.com)

The Chicago Mercantile Exchange Inc. ([www.cmegroup.com](http://www.cmegroup.com)) is Rand's designated self-regulatory organization (DSRO).

### Information regarding Rand's principals

Registered principals include Joni Malpede, Mary Ellen Heim and Vickie Lambert from Rand and Jeffrey Cameron and Ian Dickson from Stevens Capital Management LP (SCM). Rand Financial is a wholly-owned subsidiary of Tewksbury Investment Fund Ltd. (TIF). TIF is a commodity pool registered with the National Futures Association and SCM is the commodity pool operator for TIF.

*Rand's registered principals are located at:*

Rand Financial Services, Inc.  
111 West Jackson Blvd.  
Suite 1250  
Chicago, IL 60604  
(312) 559-8800

*Registered principals from SCM are located at:*

Stevens Capital Management LP  
201 King of Prussia Road, Suite 400  
Radnor, PA 19087  
(610) 971-5000

*Business background, areas of responsibility and the nature of the duties of the firm's principals:*

Joni Malpede, President and Chief Executive Officer, has decades of operational and business development experience and is responsible for the direction and strategy of the firm. Ms. Malpede joined Rand as Senior Vice President and Chief Operating Officer in 2008 and was promoted to President and Chief Executive Officer one year later. Prior to joining Rand, she held senior management positions at SunGard Data Systems, ING Barings and First Options of Chicago, Inc. Ms. Malpede is a member of the Chicago Board of Trade.

Mary Ellen Heim, Chief Financial Officer, has spent her career of over 25 years on the financial side of the futures business. After beginning her career with Heinold Commodities, Ms. Heim moved to Gerald Commodities, Inc. where she served as Controller/Treasurer. After serving as Director of Accounting with GMI Software, Inc., Ms. Heim was brought to Rand as the firm's controller and was subsequently promoted to Vice President and Chief Financial Officer in 2004. In this role, Ms. Heim, who is a Certified Public Accountant, is responsible for finance, treasury and accounting functions at Rand.

Vickie Lambert, Chief Compliance Officer and Risk Manager, has worked in the industry in various compliance positions since 1988 when she joined First Options of Chicago, Inc. Ms. Lambert joined Rand as Compliance Officer in 1998. In addition to her responsibilities for all compliance and regulatory matters, Ms. Lambert was given the additional responsibility of Risk Management in 2008. In 2013, she was promoted to Chief Compliance Officer. Ms. Lambert currently serves on the Board of the ICE Clear Europe Energy Risk Committee.

Jeffrey W. Cameron, serves as the Chairman of the Board of Directors of Rand Financial Services, Inc. Mr. Cameron is the General Counsel of Stevens Capital Management LP and is a Director of Tewksbury Investment Fund Ltd., Rand's parent company. As a Director, Mr. Cameron shares responsibility for Rand's mission and vision as well as fiduciary and management oversight of the firm.

Ian Dickson serves as a member of the Board of Directors of Rand Financial Services, Inc. and is the Chief Financial Officer and Director of Fund Accounting of Stevens Capital Management LP. As a Director, Mr. Dickson shares responsibility for Rand's mission and vision as well as fiduciary and management oversight of the firm.

## **Rand's Business**

### **Significant types of business activities and product lines engaged in by Rand**

Rand's business activity is exclusively in exchange traded derivatives and includes execution and clearing for futures and options on futures and facilities management services. This business activity is supported by one hundred percent (100%) of the firm's assets and capital.

*The types of customers, markets traded, international businesses, and clearinghouses and carrying brokers used by Rand:*

Rand offers execution and clearing services to commercial clients, hedge funds, CTAs, non-clearing FCMs and high net-worth individuals trading futures and options on futures as well as facilities management services for clearing and non-clearing FCMs. Rand's customers primarily trade financial and agricultural products.

*Rand is a clearing member (futures and options on futures only) of the following exchanges:*

- Chicago Board of Trade
- Chicago Mercantile Exchange, Inc.
- Commodity Exchange Inc.
- ICE Futures U.S., Inc.
- ICE Futures Europe
- Minneapolis Grain Exchange, Inc.
- New York Mercantile Exchange, Inc.

*Rand is a non-clearing member (futures and options on futures only) of the following exchanges:*

- Eurex Exchange
- Australian Securities Exchange
- ICE Futures Canada
- NYSE Euronext Paris
- NYSE Euronext Amsterdam

*Rand uses the following carrying brokers (all are non-affiliates) for the exchanges listed below:*

- Credit Suisse Securities (USA) LLC:
  - Australian Securities Exchange
  - Tokyo Commodity Exchange
  - Tokyo Stock Exchange
  - Tokyo Grain Exchange
  - Osaka Stock Exchange
  - Hong Kong Futures Exchange
- BMO Nesbitt Burns, Inc.:
  - ICE Futures Canada
- Credit Suisse International:
  - Eurex Exchange
  - NYSE Euronext Paris
  - NYSE Euronext Amsterdam

*Rand's process and criteria for the evaluation of depositories of segregated funds includes:*

- Exchange approved settlement bank
- Insured bank
- Regulated entity
- Member of exchange or foreign board of trade
- Review of disciplinary history
- Review of financial statements
- Geographic location
- Evaluation of credit report
- Interaction with senior management at depository

- Analysis of negative public information

## Permitted Depositories and Counterparties

*Bank depositories used by Rand are:*

- BMO Harris Bank
- Barclays Bank PLC, New York and London branches

*Rand assesses the appropriateness of specific investments of segregated funds in permitted investments in accordance with CFTC Regulation 1.25 and takes into consideration the market, credit, counterparty, operational, and liquidity risks associated with these investments, including that the permitted investments be managed consistent with the objectives of preserving principal and maintaining liquidity.*

## Material Risks

*Entrusting funds to Rand:*

A material risk to customers depositing funds at any entity is the possibility of losing a portion of their deposit or all of their deposit. In order to ensure that it is in compliance with its regulatory capital requirements and that it has sufficient liquidity to meet its ongoing business obligations:

- Rand holds cash and investments which are comprised of United States (U.S.) treasury bills with maturities of less than one (1) year.
- Rand does not engage in proprietary trading and does not have any affiliates.
- The firm does not have any short-term or long-term debt and does not plan on acquiring any debt of this nature.
- Rand's primary focus is on clearing and executing orders for futures and options on futures contracts on behalf of our customers.

## Material Complaints or Actions

There are no material administrative, civil, enforcement or criminal complaints pending against Rand and the firm has had none filed against it in the past three (3) years.

## Customer Funds Segregation

*Overview of customer fund segregation, collateral management and investments:*

### Customer Accounts

Rand may maintain up to two (2) different types of accounts for customers, depending on the products a customer trades:

- A **Customer Segregated Account** for customers that trade futures and options on futures listed on U.S. futures exchanges
- A **30.7 Account** for customers that trade futures and options on futures listed on foreign boards

of trade

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 CFTC may permit by order.

### Customer Segregated Accounts

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

All Customer Segregated Funds may be commingled in a single account, *i.e.*, a customer omnibus account, and held with:

- A bank or trust company located in the U.S.
- A bank or trust company located outside of the U.S. that has in excess of \$1 billion of regulatory capital
- An FCM
- A Derivatives Clearing Organization (DCO)

Such commingled accounts 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:

- In the U.S.
- In a money center country (Canada, France, Italy, Germany, Japan, and the United Kingdom)
- In the country of origin of the currency

An FCM must hold sufficient U.S. dollars in the U.S. to meet all U.S. dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Notwithstanding the foregoing, assets denominated in a currency may be held to meet obligations denominated in another currency (other than the U.S. dollar) as follows:

- U.S. dollars may be held in the U.S. or in money center countries to meet obligations denominated in any other currency
- Funds in money center currencies (the currency of any money center country and the Euro) may be held in the U.S. or in money center countries to meet obligations denominated in currencies other than the U.S. dollar 30.7 Accounts

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 CFTC Regulation 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:

- A bank or trust company located in the U.S.
- A bank or trust company located outside the U.S. that has in excess of \$1 billion in regulatory capital
- An FCM
- A DCO
- The clearing organization of any foreign board of trade
- A foreign broker
- Such clearing organization's or foreign broker's designated depositories.

Such commingled accounts 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, CFTC Regulation 30.7 restricts the amount of such funds that may be held outside of the U.S.

Customers trading on foreign markets assume additional risks. Laws or regulations will vary depending on the foreign jurisdiction in which the transaction occurs, and funds held in a 30.7 Account outside of the U.S. may not receive the same level of protection as Customer Segregated Funds. If the foreign broker carrying 30.7 Customer positions fails, the broker will be liquidated in accordance with the laws of the jurisdiction in which it is organized, which laws may differ significantly from the U.S. Bankruptcy Code. Return of 30.7 Customer Funds to the U.S. will be delayed and likely will be subject to the costs of administration of the failed foreign broker in accordance with the law of the applicable jurisdiction, as well as possible other intervening foreign brokers, if multiple foreign brokers were used to process the U.S. customers' transactions on foreign markets.

If the foreign broker does not fail but the 30.7 Customers' U.S. FCM fails, the foreign broker may want to assure that appropriate authorization has been obtained before returning the 30.7 Customer Funds to the FCM's trustee, which may delay their return. If both the foreign broker and the U.S. FCM were to fail, potential differences between the trustee for the U.S. FCM and the administrator for the foreign broker, each with independent fiduciary obligations under applicable law, may result in significant delays and additional administrative expenses. Use of other intervening foreign brokers by the U.S. FCM to process the trades of 30.7 Customers on foreign markets may cause additional delays and administrative expenses.

To reduce the potential risk to 30.7 Customer Funds held outside of the U.S., CFTC Regulation 30.7 generally provides that an FCM may not deposit or hold 30.7 Customer Funds in permitted accounts outside of the U.S. except as necessary to meet margin requirements, including prefunding margin requirements, established by rule, regulation, or order of the relevant foreign boards of trade or foreign clearing organizations, or to meet margin calls issued by foreign brokers carrying the 30.7 Customers'



positions. The rule further provides, however, that, in order to avoid the daily transfer of funds from accounts in the U.S., an FCM may maintain in accounts located outside of the U.S. an additional amount of up to 20% of the total amount of funds necessary to meet margin and prefunding margin requirements to avoid daily transfers of funds. Customer funds deposited with a foreign bank or trust company that qualifies as a depository under Regulation 30.7 are allowed to be excluded from the calculation of the 120 percent limit of the total funds outside of the U.S.

## Filing a Complaint

Rand requests and encourages any customer with a complaint to contact Rand initially in an effort to resolve said complaint. However, if a resolution cannot be reached between parties, information on filing a complaint against Rand or one of its employees follows.

- CFTC: Contact by calling the Division of Enforcement at (866) 366-2382 or file electronically at <https://forms.cftc.gov/fp/complaintform.aspx>.
- Rand's DSRO (CME): Contact by calling the CME at (312) 341-3286 or file electronically at <http://www.cmegroup.com/market-regulation/file-complaint.html>.

## Relevant Financial Data

Rand's most recent audited financial statement can be found at:

<http://www.randfinancial.com/Financial%20Information/Certified%20Annual%20Report/>

*The following financial data is as of the most recent month-end, June 30, 2015, when this Disclosure Document was prepared:*

- The dollar value of Rand's proprietary margin requirement is zero as the firm does not engage in proprietary trading.
- The number of futures customers and 30.7 customers that comprise 50% of Rand's total funds held for futures customers and 30.7 customers, respectively, is 10.
- Rand's notional value of non-hedged, principal over-the-counter transactions is zero.
- The firm has no unsecured lines of credit.
- Rand does not provide financing for customer transactions involving illiquid financial products.
- During the past 12-month period, there have been no uncollectable receivables from customers in the segregated or 30.7 accounts.
- Total shareholder's equity (net worth) and adjusted net capital, computed in accordance with U.S. Generally Accepted Accounting Principles and §1.17, as applicable:
  - **\$84,675,800.00**
  - **\$81,326,200.00**

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 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 and a Customer Secured Amount Funds report which show for each FCM:

- Total funds held in Customer Segregated and Secured Accounts
- Total funds required to be held in Customer Segregated and Secured Accounts
- Excess segregated and secured funds, i.e., the FCM's Residual Interest

This report also shows the percentage of Customer Segregated and Secured Funds that are held in cash and each of the permitted investments under CFTC Regulation 1.25. The report indicates whether the FCM held any Customer Segregated or Secured Funds during that month at a depository that is an affiliate of the FCM. The report shows the most recent semi-monthly information, but you will also have the ability to see information for the most recent twelve-month period.

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

## Risk Practices

Rand's clients consist primarily of professional, institutional and industry hedgers and, with the exception of bank holidays, are expected to meet margin requirements each business day by wire transfer. Rand's experienced and dedicated personnel are tasked with the responsibility to review and monitor risk levels at both the customer and firm level. Periodic reviews and testing are conducted with results reported to senior management.

As part of its ongoing commitment to strict adherence to regulatory requirements, Rand continually reviews and monitors risks including, but not limited to, the following:

- Market Risk
  - Daily measurement of market movement risk and independent valuation of open positions and noncash collateral
  - Monitor illiquid market positions
  - Analyze market concentration risk
- Credit Risk
  - Creditworthiness
  - Specific customer trading limits
  - Assessment of depository and counterparty balances to reduce excessive exposure
  - Monitoring of physical delivery participation
- Liquidity risk
  - Daily measurement of liquidity requirements
  - Assessment of ability to timely liquidate customer positions or investments without significant effect on segregated fund balances

- Securities haircuts for segregated fund investments and customer collateral reflecting market and credit risk
- Foreign Currency Risk
  - Daily analysis of segregated funds' foreign currency exposure
  - Procedures to minimize adverse currency fluctuations
- Legal Risk
  - Sound legal basis for transactions
  - Comprehensive documentation
- Operational and Technology Risk
  - Procedures to prevent fraud
  - Secure and reliable operating and information systems with safeguards to detect and identify inadequacies in systems programs
  - Independent reconciliation of data and information
- Settlement Risk
  - Standard settlement / repetitive banking instruction templates
  - Tracking of outstanding settlement items
  - Timely payments to and from counterparties and resolution of any late payments
- Segregation Risk
  - Procedures to ensure segregated and secured funds are properly held and maintained
  - Confirmation of depository balances
- Capital Risk
  - Residual interest threshold assessment
  - Capital expenditures controls



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