

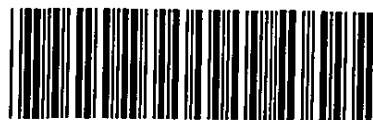
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# DRW Investments, LLC

Financial Report  
December 31, 2015 and 2014

Company Number FC026974

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## Independent Auditor's Report

RSM US LLP

To the Member  
DRW Investments, LLC  
Chicago, Illinois

### Report on the Financial Statements

We have audited the accompanying financial statements of DRW Investments, LLC, which comprise the statements of financial condition as of December 31, 2015 and 2014, and the related statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements)

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DRW Investments, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Chicago, Illinois  
March 30, 2016


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**DRW Investments, LLC**

**Statements of Financial Condition  
December 31, 2015 and 2014**

	2015	2014
<b>Assets</b>		
Cash in bank	\$ 18,670,816	\$ 45,892,503
Securities purchased under agreements to resell	13,866,009,115	11,626,271,269
Securities owned, at fair value	15,800,979,763	8,816,595,025
Derivative financial instruments owned, at fair value	2,259,694,638	2,701,097,577
Receivables from clearing brokers, net	1,705,647,933	1,335,702,279
Stock and memberships in exchanges, at cost	5,372,389	5,250,389
(fair value of \$7,705,440 for 2015 and \$10,024,342 for 2014)		
Promissory notes receivable - affiliates	17,877,348	49,440,585
Receivables from affiliates	382,708	5,580,878
Other assets	3,710,596	3,802,198
<b>Total assets</b>	<b>\$ 33,678,345,306</b>	<b>\$ 24,589,632,703</b>
<b>Liabilities and Member's Equity</b>		
<b>Liabilities</b>		
Securities sold under agreements to repurchase	\$ 15,300,148,663	\$ 9,656,484,713
Securities sold, not yet purchased, at fair value	14,693,994,015	11,972,217,581
Derivative financial instruments sold, at fair value	1,618,886,699	2,245,238,861
Payables to clearing brokers, net	1,605,924,335	343,141,613
Borrowings	74,029,498	70,742,930
Promissory notes payable - affiliates	1,670,000	64,738,216
Payable to affiliates	51,047,150	63,414,261
Accrued expenses	21,541,939	14,663,139
<b>Total liabilities</b>	<b>33,367,242,299</b>	<b>24,430,641,314</b>
<b>Member's equity</b>	<b>311,103,007</b>	<b>158,991,389</b>
<b>Total liabilities and member's equity</b>	<b>\$ 33,678,345,306</b>	<b>\$ 24,589,632,703</b>

These financial statements were approved by the directors and authorized for issue on March 30, 2016 and are signed on their behalf by

  
D R Wilson Jr  
Director

See Notes to Financial Statements

**DRW Investments, LLC**

**Statements of Operations**

**Years Ended December 31, 2015 and 2014**

	2015	2014
Revenue		
Proprietary trading, net	\$ 469,282,112	\$ 354,094,062
Interest and dividends	872,765	3,178,983
Total revenue	<u>470,154,877</u>	<u>357,273,045</u>
Expenses		
Trading expenses		
Commissions, trade execution and related fees	54,498,332	44,505,079
Interest and dividends	4,231,854	4,776,002
Other	643,768	1,254,395
Total trading expenses	<u>59,373,954</u>	<u>50,535,476</u>
Operating expenses		
Employee compensation and benefits	72,180,679	64,445,550
Networking, data and technology costs	38,297,586	18,450,390
Administrative support services	15,112,607	15,177,766
Occupancy	2,625,694	1,190,187
Other	10,144,594	8,489,759
Total operating expenses	<u>138,361,161</u>	<u>107,753,652</u>
Total expenses	<u>197,735,115</u>	<u>158,289,128</u>
Net income	<u>\$ 272,419,762</u>	<u>\$ 198,983,917</u>

See Notes to Financial Statements

**DRW Investments, LLC**

**Statements of Changes in Member's Equity  
Years Ended December 31, 2015 and 2014**

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Balance, December 31, 2013	\$ 142,643,521
Capital contributions	595,165,091
Capital withdrawals	(777,801,140)
Net income	<u>198,983,917</u>
Balance, December 31, 2014	158,991,389
Capital contributions	632,822,898
Capital withdrawals	(753,131,042)
Net income	<u>272,419,762</u>
Balance, December 31, 2015	<u>\$ 311,103,007</u>

See Notes to Financial Statements

**DRW Investments, LLC**

**Statements of Cash Flows**

**Years Ended December 31, 2015 and 2014**

	2015	2014
<b>Cash flows from operating activities</b>		
Net income	\$ 272,419,762	\$ 198,983,917
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of memberships in an exchange	-	(601,500)
Changes in operating assets and liabilities		
Securities purchased under agreements to resell	(2,239,737,846)	(5,164,195,161)
Securities owned	(6,984,384,738)	(3,549,466,815)
Derivative financial instruments owned	441,402,939	(356,574,912)
Receivable from clearing brokers, net	(369,945,654)	(365,308,649)
Receivables from affiliates	5,198,170	(2,005,384)
Other assets	91,602	(854,123)
Securities sold under agreements to repurchase	5,643,663,950	3,597,982,502
Securities sold, not yet purchased	2,721,776,434	5,429,665,452
Derivative financial instruments sold	(626,352,162)	316,538,425
Payable to clearing brokers, net	1,262,782,722	52,245,522
Payable to affiliates	70,238,550	51,512,235
Accrued expenses	6,878,800	2,663,361
<b>Net cash provided by operating activities</b>	<b>204,032,529</b>	<b>209,983,370</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of memberships in an exchange	-	1,350,000
Purchase of membership in an exchange	(122,000)	(70,299)
<b>Net cash provided by (used in) investing activities</b>	<b>(122,000)</b>	<b>1,279,701</b>
<b>Cash flows from financing activities</b>		
Proceeds received from borrowings	2,581,479,438	1,946,685,775
Repayments of borrowings	(2,578,192,870)	(1,920,286,111)
Payments received on promissory notes receivable - affiliates	56,031,013	93,025,000
Advances on promissory notes receivable - affiliates	(24,467,777)	(131,890,585)
Advances received on promissory notes payable - affiliates	380,618,560	647,830,107
Payments made on promissory notes payable - affiliates	(443,686,776)	(595,549,183)
Capital contributions	535,505,641	550,569,241
Capital withdrawals	(738,419,446)	(777,801,140)
<b>Net cash used in financing activities</b>	<b>(231,132,216)</b>	<b>(187,416,896)</b>
<b>Net increase (decrease) in cash</b>	<b>(27,221,687)</b>	<b>23,846,175</b>
<b>Cash</b>		
Beginning of year	45,892,503	21,444,828
End of year	\$ 18,670,816	\$ 45,291,003

(Continued)

**DRW Investments, LLC**

**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Supplemental disclosure of cash flow information		
Cash payments for interest	<u>\$ 4,231,854</u>	<u>\$ 4,776,002</u>
Supplemental schedule of noncash financing activities		
During the years, the Company's parent forgave certain amounts due for expenses paid on the Company's behalf and such amounts were treated as capital contributions, net of noncash capital withdrawals of \$14,711,596 for 2015 and \$9,170,394 for 2014	<u>\$ 97,317,257</u>	<u>\$ 44,595,850</u>

See Notes to Financial Statements



## **DRW Investments, LLC**

### **Notes to Financial Statements**

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

**Nature of business** DRW Investments, LLC (the Company) is an Illinois limited liability company and wholly-owned subsidiary of DRW Holdings, LLC (DRWH). The Company engages in proprietary trading activities. The Company is a member of several exchanges including the Chicago Board of Trade, Chicago Mercantile Exchange, ICE Futures Europe and Eurex.

On August 31, 2006, the Company established DRW Investments, LLC (UK Branch) (the Branch), a branch of the Company registered in England and Wales. The Branch is regulated by the Financial Conduct Authority of the United Kingdom (FCA). The activities of the Branch are included with the Company for financial presentation.

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

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

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

**Foreign currency transactions** The Company's functional currency is the U.S. dollar, however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the date of the statement of financial condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation of transactions denominated in foreign currencies to U.S. dollars are reported in proprietary trading, net on the statements of operations.

**Securities and derivatives transactions** Securities and derivatives transactions and related revenues and expenses are recorded at fair value on a trade-date basis as if they had settled. Realized gains and losses and change in unrealized gains and losses are reflected in proprietary trading, net in the statements of operations. Related trading expenses are recorded on a trade-date basis as transactions occur. Futures transactions are recorded in receivable from/payable to clearing brokers in the statements of financial condition, netted by clearing broker. The remaining derivatives are classified as derivative financial instruments in the statements of financial condition.

The Company recognizes interest paid and earned on the accrual basis and dividend income is recognized on the ex-dividend date. The Company accounts for its secured financing activities on an accrual basis with related interest income and expense recorded in proprietary trading revenue, net in the statements of operations.

Proprietary trading, net includes interest and dividend income and interest and dividend expense related to the Company's trading activities of approximately \$634,034,000 and \$576,596,000, respectively, for the year ended December 31, 2015 and approximately \$211,000 and \$1,977,000, respectively, for the year ended December 31, 2014.

## DRW Investments, LLC

### Notes to Financial Statements

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

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

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

**Resale and repurchase agreements** Transactions involving purchases of securities under agreements to resell or securities sold under agreements to repurchase, comprised primarily of Government obligations, are accounted for as collateralized financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the practice of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. Reverse repurchase agreements and repurchase agreements are carried at their contracted amounts as specified in the respective agreements. Interest on such contract amounts is accrued and is included in the statements of financial condition in securities purchased under agreements to resell and securities sold under agreements to repurchase.

**Stock and memberships in exchanges** The Company's stock and memberships in exchanges owned, which represent ownership interest in exchanges and provide the right to conduct business on such exchanges, are recorded at cost, or if any other-than-temporary impairment in value has occurred, at a value that reflects management's estimate of the impairment. Management believes no such impairment in value occurred in 2015 or 2014.

Gains and losses on stock and memberships in exchanges are computed based on specific identification and included in other revenue in the statements of operations.

**Income taxes** The Company is a single member limited liability company and is treated as a disregarded entity for federal tax purposes. Accordingly, it does not file any tax returns, but its taxable income is reported as part of DRWH's tax returns. DRWH is a limited liability company whose income or loss is includable in the tax returns of its members. Additionally, the Branch is subject to taxation in its respective jurisdiction and, accordingly, files a separate return.

For the years ended December 31, 2015 and 2014, the Branch recorded a tax provision of approximately \$4,002,000 and \$4,847,000, respectively, which is included in other operating expenses on the statements of operations. As of December 31, 2015 and 2014, the Branch has recorded a payable of approximately \$3,910,000 and \$3,600,000, respectively, which is included in accrued expenses in the statements of financial condition and will be used to offset the remaining liability after considering estimated payments made during the years ended December 31, 2015 and 2014.

FASB guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing DRWH's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the years ended December 31, 2015 and 2014, management has determined that there are no material uncertain income tax positions. DRWH files income tax returns in U.S. federal jurisdiction, and in various states. DRWH is generally not subject to examination by United

## DRW Investments, LLC

### Notes to Financial Statements

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

States federal or state taxing authorities for tax years before 2012. The Branch is not subject to examination by HM Revenue and Customs (HMRC) for tax years before 2012.

**Recently issued accounting pronouncements** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* (ASU 2016-02). The ASU requires management to recognize lease assets and lease liabilities by lessees for all operating leases. The ASU is effective for periods ending on December 15, 2019, and interim periods therein on a modified retrospective basis. The Company is currently evaluating the impact this guidance will have on the financial statements.

In June 2014, the FASB issued ASU No. 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* (ASU 2014-11). ASU 2014-11 aligns the accounting for repurchase-to-maturity transactions and repurchase financing arrangements with the accounting for other typical repurchase agreements, i.e., these transactions will be accounted for as secured borrowings. The ASU also requires additional disclosures about repurchase agreements and similar transactions. The requirements of ASU 2014-11 are effective for fiscal years that begin after December 15, 2014. The Company has evaluated the impact, if any, that these updates will have on its financial condition or results of operations.

**Subsequent events** The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued.

#### Note 2 Receivable from and Payable to Clearing Brokers

Amounts receivable from and payable to clearing brokers at December 31, 2015 and 2014, consist of the following:

	2015	
	Receivable	Payable
Clearing brokers	\$ 28,135,256	\$ 715,112,417
Unsettled transactions	1,673,073,125	891,169,560
Interest	5,815,756	(574,750)
Exchange-traded futures contracts - open trade equity	(1,376,205)	217,107
	<u>\$ 1,705,647,933</u>	<u>\$ 1,605,924,335</u>
	2014	
	Receivable	Payable
Clearing brokers	\$ 112,452,296	\$ 343,138,372
Unsettled transactions	1,221,758,642	-
Interest	(42,575,272)	115,966
Exchange-traded futures contracts - open trade equity	44,066,613	(112,725)
	<u>\$ 1,335,702,279</u>	<u>\$ 343,141,613</u>

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

## **DRW Investments, LLC**

### **Notes to Financial Statements**

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

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

The three levels of the fair value hierarchy are described below:

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

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

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

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

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

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

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

**DRW Investments, LLC**

**Notes to Financial Statements**

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

Over-the-counter (OTC) derivative contracts include forwards, swaps and swaption contracts. Fair value of these OTC derivative products is determined using models that take into account the terms of the transactions and the counterparties' creditworthiness. Certain swap contracts are cleared at designated clearing organizations or central counterparties rather than remaining bilateral agreements, however, the designated clearing organizations or central counterparties generally utilize pricing models to price these cleared swaps. Generally, the inputs for models to value swaps and swaptions do not have a material amount of subjectivity. Pricing inputs, such as relevant interest rates and yield curves, are observed from actively quoted markets. The OTC derivatives products valued by the Company using pricing models fall into this category and are categorized within Level 2 of the fair value hierarchy.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2015.

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Securities owned				
Exchanged-traded funds	\$ 3,641,409	\$ 3,641,409	\$ -	\$ -
Government securities	15,797,338,354	15,797,338,354	-	-
Derivative financial instruments owned				
Equity options	108,448,990	108,448,990	-	-
Options on futures contracts	2,059,028,898	2,059,028,898	-	-
Currency forwards	9,020,190	-	9,020,190	-
Swaps	81,948,031	-	81,948,031	-
Swaptions	1,248,529	-	1,248,529	-
Receivable from clearing brokers				
Futures contracts	2,531	2,531	-	-
Payable to clearing brokers				
Futures contracts	190,065,948	190,065,948	-	-
	<u>\$ 18,250,742,880</u>	<u>\$ 18,158,526,130</u>	<u>\$ 92,216,750</u>	<u>\$ -</u>
<b>Liabilities</b>				
Securities sold, not yet purchased				
Exchanged-traded funds	\$ 2,668,920	\$ 2,668,920	-	-
Government securities	14,691,325,095	14,691,325,095	\$ -	\$ -
Derivative financial instruments sold				
Equity options	8,571,950	8,571,950	-	-
Options on futures contracts	1,437,431,973	1,437,431,973	-	-
Currency forwards	3,828,309	-	3,828,309	-
Swaps	168,607,173	-	168,607,173	-
Swaptions	447,294	-	447,294	-
Receivable from clearing brokers				
Futures contracts	1,378,736	1,378,736	-	-
Payable to clearing brokers				
Futures contracts	190,283,055	190,283,055	-	-
	<u>\$ 16,504,542,506</u>	<u>\$ 16,331,659,729</u>	<u>\$ 172,882,776</u>	<u>\$ -</u>

**DRW Investments, LLC**

**Notes to Financial Statements**

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

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2014

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
<b>Assets</b>				
Securities owned				
Exchanged-traded funds	\$ 25,159,196	\$ 25,159,196	\$ -	\$ -
Government securities	8,791,435,827	8,791,435,827	-	-
Derivative financial instruments owned				
Equity options	102,620,073	102,620,073	-	-
Options on futures contracts	2,524,156,324	2,524,156,324	-	-
Currency forwards	9,565,093	-	9,565,093	-
Swaps	64,756,088	-	64,756,088	-
Swaptions	-	-	-	-
Receivable from clearing brokers				
Futures contracts	198,843,262	198,843,262	-	-
	<u>\$ 11,716,535,863</u>	<u>\$ 11,642,214,682</u>	<u>\$ 74,321,181</u>	<u>\$ -</u>
<b>Liabilities</b>				
Securities sold, not yet purchased				
Exchanged-traded funds	\$ 28,348,025	\$ 28,348,025	\$ -	\$ -
Government securities	11,943,869,556	11,943,869,556	-	-
Derivative financial instruments sold				
Equity options	4,769,345	4,769,345	-	-
Options on futures contracts	2,072,564,054	2,072,564,054	-	-
Currency forwards	41,170,690	-	41,170,690	-
Swaps	105,096,046	-	105,096,046	-
Swaptions	21,638,726	-	21,638,726	-
Receivable from clearing brokers				
Futures contracts	154,663,924	154,663,924	-	-
	<u>\$ 14,372,120,366</u>	<u>\$ 14,204,214,904</u>	<u>\$ 167,905,462</u>	<u>\$ -</u>

The Company assesses the levels of its investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that cause the transfer in accordance with the Company's accounting policy. There were no transfers among Levels 1, 2 and 3 during the years ended December 31, 2015 and 2014.

Substantially all of the Company's assets and liabilities are considered financial instruments and are reported in the statements of financial condition at fair value, or at carrying amounts that approximate fair value.

## **DRW Investments, LLC**

### **Notes to Financial Statements**

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#### **Note 4 Borrowings**

The Company has a risk-based margin finance demand loan facility in the amount of \$130,000,000 with an affiliate of one of its clearing brokers which matures on March 31, 2017. The borrowing with this facility accrues interest at a market rate based on the one-month London Interbank Offered Rate, as defined. The borrowing is secured by the assets of the Company that are on deposit with the related clearing broker. As of December 31, 2015 and 2014, the Company had drawn approximately \$74,029,000 and \$70,743,000, respectively, on this demand loan facility. This arrangement requires the Company to satisfy certain financial reporting and other covenants, as defined.

During 2015, the Company entered into a margin loan facility in the amount of \$50,000,000 with an affiliate of another clearing broker that accrues interest at a market rate based on the three-month London Interbank Offered Rate, as defined. The borrowing is secured by the assets of the Company that are on deposit with the related clearing broker. As of December 31, 2015, the Company had not drawn on this loan facility. This arrangement requires the Company to satisfy certain financial reporting and other covenants, as defined.

The Company and its affiliate, DRW Strategies, LLC (DRWST), shared a term margin loan facility in the amount of \$150,000,000 with an affiliate of another clearing broker that accrued interest at a market rate based on the one-month London Interbank Offered Rate, as defined. The borrowing was secured by the assets of the Company and the affiliate that were on deposit with the related clearing broker. As of December 31, 2014, the Company had not drawn on this demand. This arrangement terminated on June 8, 2015.

#### **Note 5. Related Party Transactions**

The Company pays all direct expenses associated with its trading activities. The Company has an agreement with DRWH whereby certain operating expenses, approximately \$109,082,000 and \$79,131,000, respectively, for the years ended December 31, 2015 and 2014, are paid by DRWH and charged to the Company based on a series of usage factors. At December 31, 2015 and 2014, payable to affiliates of approximately \$29,983,000 and \$34,333,000, respectively, is related to these activities. The Branch has an agreement with an affiliate whereby certain operating expenses, approximately \$22,801,000 and \$23,323,000, respectively, for the years ended December 31, 2015 and 2014, are paid and charged to the Branch on performance fee and series of usage factors. At December 31, 2015 and 2014, payable to affiliates of approximately \$22,801,000 and \$23,323,000, respectively, is related to these activities.

Additionally, the Company transacts business with and incurs amounts due from and payable to other affiliates in the ordinary course of business. At December 31, 2015, approximately \$2,119,000 and \$0 represent receivables from affiliates and payables to affiliates, respectively, in connection with such transactions. At December 31, 2014, approximately \$5,581,000 and \$5,758,000 represent receivables from affiliates and payables to affiliates, respectively, in connection with such transactions.

The Company has an unsecured demand loan facility (Revolver) with an affiliated entity. The outstanding amount receivable under the Revolver at December 31, 2015 and 2014, is approximately \$9,221,000 and \$33,325,000, respectively, and is included in promissory notes receivable – affiliates in the statements of financial condition. The loan is non-interest bearing. Due to the demand nature of the Revolver, carrying value approximates fair value as of December 31, 2015 and 2014.

## **DRW Investments, LLC**

### **Notes to Financial Statements**

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#### **Note 5      Related Party Transactions (Continued)**

The Company has an interest bearing unsecured promissory note receivable to an affiliated entity. The outstanding amount receivable at December 31, 2015 and 2014, is approximately \$8,656,000 and \$16,100,000, respectively, which is included in promissory notes receivable – affiliates in the statements of financial condition. The promissory note accrues interest at an annual rate of 1.5 percent. The promissory note matures on February 10, 2021 and its carrying value approximates fair value as of December 31, 2015 and 2014.

The Company has both an interest bearing unsecured promissory note payable to and receivable from an affiliated entity. The outstanding amount payable at December 31, 2015 and 2014 is approximately \$0 and \$20,878,000, respectively, which is included in promissory notes payable – affiliates in the statements of financial condition. The promissory note accrues interest at an annual rate of 0.93 percent and the promissory note matures on September 17, 2021. Its carrying value approximates fair value as of December 31, 2015 and 2014. As of December 31, 2015 and 2014, the Company has no amounts due from this affiliate in connection with this promissory note.

The Company has a non-interest bearing unsecured promissory note payable with an affiliated entity totaling approximately \$1,670,000 and \$43,860,000 for the years ended December 31, 2015 and 2014, respectively, which is included in promissory notes payable – affiliates in the statements of financial condition. The promissory note matures on September 17, 2021, and the carrying values approximate fair value as of December 31, 2015 and 2014, due to the demand nature of the note.

The Branch has an interest bearing unsecured demand promissory note receivable from an affiliated entity. The outstanding amount receivable at December 31, 2015 and 2014 is approximately \$0 and \$16,000, respectively, which is included in promissory notes receivable – affiliates in the statements of financial condition. The promissory note accrues interest at an annual rate of 1 percent plus the federal short-term rate compounded semiannually. Due to the demand nature of the note, carrying value approximates fair value as of December 31, 2015 and 2014.

#### **Note 6      Risks and Guarantees**

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

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



## **DRW Investments, LLC**

### **Notes to Financial Statements**

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#### **Note 6     Risks and Guarantees (Continued)**

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

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

Since the Company does not clear its own securities and futures transactions, it has established accounts with clearing brokers for this purpose. This can and often does result in concentrations of credit risk with these firms. Such risk, however, is mitigated by each clearing broker's obligation to comply with rules and regulations governing clearing brokers in the United States and Europe, as well as the Company's periodic monitoring of each clearing broker's creditworthiness.

The Company maintains certain cash deposits with a financial institution. These deposits regularly exceed the maximum insurance level provided by the Federal Deposit Insurance Corporation.

In accordance with GAAP, a company is required to disclose information about its obligations under certain guarantee arrangements. Guarantees are also defined as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

The Company has provided a letter of support on behalf of an affiliated entity, DRW Securities, LLC (DRWS), in order to enable the affiliate to enter into an Institutional Futures Client Account Agreement. In accordance with this letter of support, the Company has agreed to make payments directly to the counterparty if DRWS fails to make such payments.

The Company has provided a letter of support on behalf of DRWST in order to enable the affiliate to qualify as an Eligible Contract Participant, as defined by Section 1a(18)(A)(v)(II) of the Commodity Exchange Act (CEA) and enter into swap transactions with certain counterparties. In accordance with this letter of support, the Company has agreed to make payments directly to the counterparty to any swap transaction if DRWST fails to make such payments.

The Company and DRWST have provided guarantees to clearing firms and certain other related parties of the clearing firms. In these arrangements, the Company and DRWST cross-guarantee each other's indebtedness and monetary and other obligations as it relates to the specified clearing firms and their related parties.

As of and for the years ended December 31, 2015 and 2014, the Company has not been required to fund any obligations under its letter of support or guarantees.

## DRW Investments, LLC

### Notes to Financial Statements

#### Note 7 Derivative Instruments and Hedging Activities

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

Derivative contracts are recorded on the statements of financial condition as assets or liabilities measured at fair value or as a component of receivables from or payables to clearing brokers and the related realized and unrealized gains or losses associated with these derivatives are recorded on the statements of operations.

As of December 31, 2015 and 2014, and for the years then ended, the Company's derivative activities had the following impact on the statements of financial condition and the statements of operations:

Contract Type	Gross Asset Derivatives at Fair Value December 31, 2015		Gross Liability Derivatives at Fair Value December 31, 2015		Gains/(Losses) on Derivatives for the Year Ended December 31, 2015	
Fixed income contracts						
Futures	\$	183,765,681 (3)	\$	182,710,840 (3)	\$	43,642,545
Swaps		73,793,086 (1)		168,319,623 (2)		(171,894,009)
Swaptions		1,248,529 (1)		447,294 (2)		69,380,614
Options on futures		737,525,907 (1)		1,249,393,120 (2)		252,461,197
Equity index contracts						
Equity options		108,448,990 (1)		8,571,950 (2)		10,686,204
Futures		130,852 (3)		41,130 (3)		1,989,439,640
Swaps		8,154,946 (1)		287,549 (2)		8,470,691
Options on futures		1,105,412,950 (1)		350,370 (2)		(1,984,415,333)
Energy contracts						
Futures		73,200 (3)		11,843 (3)		7,364,284
Options on futures		30 (1)		- (2)		(4,804,840)
Agriculture contracts						
Futures		5,951,457 (3)		7,846,387 (3)		40,452,594
Options on futures		151,902,501 (1)		140,555,518 (2)		(12,284,007)
Precious metals contracts						
Futures		-		-		549,625
Options on futures		18,540 (1)		20,040 (2)		(400,135)
Currency contracts						
Futures		147,288 (3)		1,051,591 (3)		(3,232,640)
Currency forwards		9,020,190 (1)		3,828,309 (2)		(6,225,378)
Options on futures		64,168,970 (1)		47,112,925 (2)		59,667,403
	\$	<u>2,449,763,118</u>	\$	<u>1,810,548,490</u>	\$	<u>298,858,453</u> (4)

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

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

(3) - Included in both Receivables from clearing brokers, net and Payables to clearing brokers, net on the statements of financial condition

(4) - Included in Proprietary trading, net on the statements of operations

**DRW Investments, LLC**

**Notes to Financial Statements**

**Note 7 Derivative Instruments and Hedging Activities (Continued)**

Contract Type	Gross Asset Derivatives at Fair Value December 31, 2014			Gross Liability Derivatives at Fair Value December 31, 2014			Gains/(Losses) on Derivatives for the Year Ended December 31, 2014		
Fixed income contracts									
Futures	\$	156,469,764	(3)	\$	148,131,131	(3)	\$	(109,753,493)	
Swaps		60,741,737	(1)		102,251,652	(2)		(3,588,330)	
Swaptions		-	(1)		21,638,725	(2)		20,705,065	
Options on futures		980,684,831	(1)		1,573,162,677	(2)		355,658,746	
Equity index contracts									
Equity options		102,620,073	(1)		4,769,345	(2)		25,079,169	
Futures		434,480	(3)		323,036	(3)		1,441,748,866	
Swaps		4,014,351	(1)		2,844,394	(2)		20,220,468	
Options on futures		921,791,375	(1)		5,597,128	(2)		(1,444,430,644)	
Energy contracts									
Futures		5,086	(3)		3,445,275	(3)		(3,132,951)	
Options on futures		258,719,030	(1)		14,348,400	(2)		3,351,400	
Agriculture contracts									
Futures		21,172,466	(3)		1,924,641	(3)		110,463,063	
Options on futures		253,784,681	(1)		277,526,475	(2)		(49,929,064)	
Precious metals contracts									
Futures		194,260	(3)		536,945	(3)		348,913	
Options on futures		8,917,190	(1)		8,304,915	(2)		(728,780)	
Currency contracts									
Futures		20,567,206	(3)		302,895	(3)		66,188,520	
Currency forwards		9,565,093	(1)		41,170,690	(2)		37,121,146	
Options on futures		100,259,216	(1)		193,624,459	(2)		(78,557,852)	
	\$	2,899,940,839		\$	2,399,902,783		\$	390,764,242	(4)

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

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

(3) - Included in both Receivable from clearing broker, net and Payable to clearing broker, net on the statements of financial condition

(4) - Included in Proprietary trading, net on the statements of operations

## DRW Investments, LLC

### Notes to Financial Statements

#### Note 7. Derivative Instruments and Hedging Activities (Continued)

The gross amounts of assets and liabilities subject to netting and gross amounts offset in the statements of financial condition as of December 31, 2015 and 2014 were as follows

	2015					
	Gross Amounts Recognized	Gross Amounts Offset In the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition	Financial Instruments	Net Amount
<b>Assets</b>						
Securities purchased under agreements to resell	\$ 13,866,009,114	\$ -	\$ 13,866,009,114	\$ (13,703,988,724)	\$ -	\$ 162,020,389
Futures contracts	190,068,479	(190,068,479)	-	-	-	-
	<u>\$ 14,056,077,593</u>	<u>\$ (190,068,479)</u>	<u>\$ 13,866,009,114</u>	<u>\$ (13,703,988,724)</u>	<u>\$ -</u>	<u>\$ 162,020,389</u>
<b>Liabilities</b>						
Securities sold under agreements to repurchase	\$ 15,300,148,663	\$ -	\$ 15,300,148,663	\$ (14,011,636,733)	\$ -	\$ 1,288,511,930
Futures contracts	191,661,791	(190,068,479)	1,593,312	-	-	1,593,312
	<u>\$ 15,491,810,454</u>	<u>\$ (190,068,479)</u>	<u>\$ 15,301,741,975</u>	<u>\$ (14,011,636,733)</u>	<u>\$ -</u>	<u>\$ 1,290,105,242</u>
	2014					
	Gross Amounts Recognized	Gross Amounts Offset In the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition	Financial Instruments	Net Amount
<b>Assets</b>						
Securities purchased under agreements to resell	\$ 11,626,271,269	\$ -	\$ 11,626,271,269	\$ (6,653,438,900)	\$ -	\$ 4,972,832,369
Futures contracts	198,843,262	(154,663,924)	44,179,338	-	-	44,179,338
	<u>\$ 11,825,114,531</u>	<u>\$ (154,663,924)</u>	<u>\$ 11,670,450,607</u>	<u>\$ (6,653,438,900)</u>	<u>\$ -</u>	<u>\$ 5,017,011,707</u>
<b>Liabilities</b>						
Securities sold under agreements to repurchase	\$ 9,656,484,713	\$ -	\$ 9,656,484,713	\$ (3,501,005,170)	\$ -	\$ 6,155,479,543
Futures contracts	154,663,924	(154,663,924)	-	-	-	-
	<u>\$ 9,811,148,637</u>	<u>\$ (154,663,924)</u>	<u>\$ 9,656,484,713</u>	<u>\$ (3,501,005,170)</u>	<u>\$ -</u>	<u>\$ 6,155,479,543</u>

For non-exchange traded derivatives, under standard derivatives agreements, the Company may be required to post collateral if the Company is in a net liability position with the counterparty exceeding certain amounts. Additionally, counterparties may terminate derivatives contracts if the Company fails to maintain sufficient asset coverage for its contracts or its net assets decline by stated percentages.

For the years ended December 31, 2015 and 2014, the average number of exchange traded derivative contracts bought and sold was approximately 18,898,000 and 16,070,400, respectively, contracts per month.

#### Note 8 Repurchase Agreements

The following table presents the remaining contractual maturity of securities under agreements to repurchase included in the statements of financial condition as of December 31, 2015 and 2014.

Remaining Contractual Maturity of the Agreements		
	2015	2014
Overnight and Continuous	\$ 15,002,965,270	\$ 9,656,484,713
Up to 30 days	247,869,359	-
30-90 days	49,314,034	-
<b>Total</b>	<u>\$ 15,300,148,663</u>	<u>\$ 9,656,484,713</u>

It is the practice of the Company to value collateral daily and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

## DRW Investments, LLC

### Notes to Financial Statements

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#### Note 9. Commitments and Contingencies

The Company holds a lease for office space in connection with its operations. The lease for this office space expires in 2029 and provides for payment of base rent plus adjustments for real estate taxes and operating expenses. At December 31, 2015, future minimum lease payments, exclusive of the adjustments for real estate taxes and operating expenses, under the lease are as follows:

	Total Commitment
December 31	
2016	\$ 3,875,705
2017	3,972,598
2018	4,071,913
2019	2,884,988
2020	4,278,054
Thereafter	<u>47,570,035</u>
	<u>\$ 66,653,293</u>

Rent expense for the years ended December 31, 2015 and 2014, was approximately \$1,067,000 and \$50,000, respectively. The Company recognizes rent on a straight-line basis over the term of the lease agreement. The difference between recognized rent expense and actual cash payments for rent results in a deferred rent obligation recorded in accrued expenses in the statements of financial condition of approximately \$5,506,000 and \$6,590,000 as of December 31, 2015 and 2014, respectively.

On November 6, 2013, the U.S. Commodity Futures Trading Commission (CFTC) filed a complaint against the Company and Donald R. Wilson, Jr. (collectively, the Defendants), alleging manipulation and attempted manipulation in connection with certain interest rate swap futures. The Defendants are contesting the claims. The Company believes that at this stage of litigation it is too early to predict the outcome of the above matter or estimate the possible loss or range of loss, if any. The CFTC is seeking civil monetary penalties, restitution, disgorgement, damages and equitable relief. Although the matter is subject to uncertainties inherent in the process and the ultimate disposition of this matter is not presently determinable, the Company's management believes that the allegations are without merit and the ultimate resolution of the matter will not have a material impact to the ongoing operations of the Company.

#### Note 10 Indemnifications

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

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