

**COMMODITY FUTURES TRADING COMMISSION RULE 1.55****ADVANTAGE FUTURES LLC****DISCLOSURE DOCUMENT**

The Commodity Futures Trading Commission (Commission) requires each futures commission merchant (FCM), including Advantage Futures LLC (“Advantage” 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 August 4, 2017. Advantage 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 Advantage believes may be material to a customer’s decision to do business with Advantage. Nonetheless, Advantage’s business activities and financial data are not static and will change in non-material ways frequently throughout any 12-month period.

**Firm and its Principals**

**Advantage Futures LLC** is the primary operating subsidiary of Advantage Financial LLC, the holding company. Advantage Futures LLC is registered with the CFTC as a Futures Commission Merchant, Commodity Pool Operator and Commodity Trading Advisor and is a member of the National Futures Association (NFA Member ID # 327359). Advantage does not currently manage any accounts nor have any funds under management. Advantage Securities LLC operates as a subsidiary of Advantage Futures LLC. Advantage Securities LLC is a registered Broker Dealer with FINRA but currently is not conducting any business.

Advantage Financial LLC also has subsidiaries Advantage Capital Resource LLC, LaSalle Street Technology LLC and Advantage Building LLC. Advantage Capital Resource LLC provides margin financing for customers under certain select conditions, but is not currently offering this financing. Advantage Building LLC is an entity formed to hold the ownership of an office building located in Downers Grove, Illinois which serves as the Firm’s disaster recovery site as well as office space for clients. LaSalle Street Technology LLC provides technology and support services.

**Advantage’s Principal Place of Business and contact information:**

**Headquarters:** 231 S. LaSalle Street  
14<sup>th</sup> Floor  
Chicago, IL 60604  
Telephone Number: 312.800.7000  
Fax Number: 312.800.7810  
ContactUs@advantagefutures.com  
www.advantagefutures.com

**Business Continuity Site and Branch Office:**

1501 West Warren Avenue  
Downers Grove, IL 60515  
Telephone Number: 630.353.2700  
Fax Number: 630.353.2748

## **Principals:**

### **Joseph M. Guinan, Jr., Founding Chairman & CEO**

#### **Business Location: Headquarters**

The CEO has the ultimate oversight and responsibility of the overall operations and resources of the Firm and acts as the main point of communication amongst the members.

Mr. Joseph Guinan founded Advantage Futures in 2003. Advantage has since expanded from a boutique with 28 employees to one of the preeminent clearing firms in the futures industry. Mr. Guinan previously held various trading and management positions from 1981 to 1995 at Merrill Lynch, Kidder Peabody and Irving Trust. He later served as President and CEO of Fuji Futures Inc. (one of four companies merged to form Mizuho Securities USA) where he worked from 1995 to 2003. Mr. Guinan is a registered floor broker and a member of the Chicago Board of Trade and NYMEX. He serves on the boards of Mundelein Seminary, Word on Fire Catholic Ministries, Econ Illinois, Trinity High School and the Boy Scouts of America, Chicago Area Council. Mr. Guinan received a BA in economics and an MBA in finance and accounting from Columbia University.

### **William Harrington III, EVP – Business Development**

#### **Business Location: Headquarters**

Reporting to the CEO, EVP – Business Development is responsible for leading the development of new business for Advantage Futures. This encompasses the development and implementation of a firm wide sales plan.

Mr. William Harrington joined Advantage Futures in 2004. Mr. Harrington is responsible for overseeing, managing and coordinating of the Firm's business development activities. Prior to this position, Mr. Harrington served as Senior Vice President of Institutional Business Development at Advantage. Mr. Harrington began his career in the futures industry with Merrill Lynch Futures in 1987, before joining Fuji Securities (later Mizuho Securities USA) in 1995 as Vice President of Institutional Sales. He worked closely with large institutional accounts emphasizing interest rate, foreign currency and equity futures and options trading. Bill earned a BBA in finance from the University of Notre Dame.

### **Lisa C. Jones, Chief Compliance Officer**

#### **Business Location: Headquarters**

Reporting to the CEO, the CCO is responsible for ensuring Advantage Futures related business is conducted in compliance with the current CFTC, NFA, as well as Exchange rules and regulations.

Ms. Lisa Jones joined Advantage Futures in 2004. Ms. Jones began her career in the futures industry in 1990 at Lind-Waldock & Company, a registered Futures Commission Merchant, where she served as Compliance Officer. Ms. Jones later joined the Bank of Montreal and Harris Bank as the US Treasury Compliance Manager in 1995, where she was primarily responsible for overseeing US Treasury activities, including exchange traded and over the counter markets. She later served in a variety of compliance roles within The Fuji Bank Ltd.'s subsidiaries, including Chief Compliance Officer of Fuji Futures Inc. Ms. Jones holds a BBA from Loyola University of Chicago.

### **Michael McLaughlin, President - Institutional Sales**

## **Business Location: Headquarters**

Reporting to the CEO, as President of Institutional Sales at Advantage Futures, Michael McLaughlin oversees the CME, CBOT and Global Execution Desk teams and is responsible for leading the business development in these areas.

Mr. Michael McLaughlin joined Advantage Futures in 2004. He oversees Advantage's CME, CBOT and Global Execution teams. Mr. McLaughlin began his career in the financial industry at Merrill Lynch in 1986, where he served as Manager of short-term interest rates until 1995. He later held the position of Managing Director at Fuji Futures where he managed the CME, CBOT and upstairs sales staff for eight years. Mr. McLaughlin holds a BS in finance from the University of Iowa.

## **Carlos Rodriguez, Chief Financial Officer**

### **Business Location: Headquarters**

Reporting to the CEO, the CFO is responsible for overseeing the entire accounting process of Advantage Futures to protect the assets of the company, ensuring regulatory compliance and protection of customer funds, accurately reporting the Firm's results, and forecasting the Firm's needs for capital.

Mr. Carlos Rodriguez joined Advantage Futures in May 2017. Prior to Advantage, Mr. Rodriguez worked for CME Group over 20 years, most recently serving as Executive Director in CME Group's Financial and Regulatory Surveillance Department. Mr. Rodriguez holds a BS in Accountancy from the University of Illinois at Chicago.

## **Philip Zacharski, Chief Risk Officer**

### **Business Location: Headquarters**

Reporting to the CEO, the CRO provides independent monitoring, controlling and reporting on the nature and extent of material risks and financial exposure, and ensures the implementation of and compliance with enterprise risk management policies and procedures.

Mr. Philip Zacharski joined Advantage Futures in 2010 as Deputy Chief Financial Officer, working closely with the CFO in overseeing finance and accounting functions at Advantage. Mr. Zacharski began his career in the futures industry in 2003 at the Chicago Mercantile Exchange, where he oversaw financial and compliance regulatory examinations of FCM and Broker/Dealer clearing member firms. Mr. Zacharski is a registered CPA and earned a BS in Accountancy from the University of Illinois at Urbana-Champaign.

## **FIRM's Business**

Advantage Futures is a clearing member of the CME Group (including CME, CBOT, NYMEX, COMEX, and KCBOT), ICE Clear US, ICE Futures Europe, ICE Clear Europe, LCH, The Clearing Corp., Options Clearing Corp., CBOE Futures Exchange, NFX (Nasdaq Futures Exchange), and the Dubai Mercantile Exchange as well as a foreign-approved participant of the Montreal Exchange, and a non-clearing member of EUREX. Advantage supports client trading in various markets, including but not limited to: interest rates, energies (NYMEX, ICE US, ICE EUROPE), metals (COMEX), softs (ICE US), grains, livestock, volatility (CFE), foreign interest rates and equity indices (Eurex and Montreal Exchange).

Advantage Futures acts in the capacity of clearing broker on behalf of professional traders, hedge funds, proprietary trading groups, institutional clients and high net worth individuals (i.e. eligible contract participants or ECPs). The vast majority of volume cleared through Advantage is electronic, self-executed trading performed by professional traders. Professional traders are traders that derive their livelihood (i.e. make a living) as speculators in financial markets. Professional traders may be individuals, corporate entities or trading groups. Advantage also offers clearing services to lower volume non-professional clients and non-clearing FCMs on an omnibus basis. In addition, Advantage Futures offers execution services direct to the CME exchange floor, to “upstairs” sales personnel, as well as a 24-hour global execution desk. The Firm does not clear swaps or hold discretionary trading authority over any client accounts.

For Exchanges in which Advantage is not a member, Advantage has established carrying broker relationships in order to facilitate additional products to our clients. Advantage currently has carrying broker relationships in place with ABN Amro Clearing Chicago, RBC Capital Markets, ADM Investor Services International Ltd., Phillip Capital Inc., and Nissan Securities Co., Ltd.

Advantage Futures does not conduct any speculative proprietary trading. The Firm operates as an agency model brokerage company that does not trade for its own account, thus focusing its resources and 100% of the Firm’s capital (except for a de minimis amount of Firm capital used for hedging the Firm’s foreign currency exposure) in support of client business.

Advantage Futures’ Designated Self-Regulatory Organization is the CME Group. Their website is <http://www.cmegroup.com/clearing/financial-and-regulatory-surveillance.html> where additional information can be obtained.

## **Permitted Depositories and Counterparties**

Advantage recognizes its responsibility to protect and separately account for funds in both the Customer Segregated and Customer Secured 30.7 origins (collectively “segregated funds”). This is necessary for the protection of both the customer and the Firm, as the FCM is ultimately responsible for any loss of segregated funds due to their mishandling. To that end, Advantage has developed procedures for:

- Evaluating the suitability of the depositories designated for holding segregated funds of Advantage’s customers;
- Opening and correctly documenting segregated accounts at approved depositories;
- Monitoring approved depositories on an ongoing basis;
- Establishing an appropriate level of FCM residual interest in these segregated accounts, including regular reviews of the suitability of that level;
- Withdrawing funds from segregated accounts when the withdrawal is not for the benefit of customers;
- Assessing the suitability and appropriate allocation of segregated funds to specific investments permitted per CFTC Rule 1.25.

## **Evaluating the Suitability of Customer Fund Depositories**

There are three primary depositories holding the segregated funds of Advantage’s customers: banks, carrying brokers and clearing organizations. Advantage has established policies and procedures

reasonably designed to ensure that the institutions into which Advantage deposits customer segregated funds are financially sound and otherwise appropriate for this purpose.

The criteria utilized in this analysis of banks, clearing organizations and carrying brokers include but are not limited to a review of the following, as applicable:

- Institutional size and capitalization
- Creditworthiness
- Access to liquidity
- Operational reliability
- Concentration of segregated funds with any depository or group of depositories
- Regulatory oversight
- Outside rating agency opinions
- Availability of deposit insurance

## **Material Risks**

Protecting client funds is a top priority and forms the basis for Advantage Futures' firm-wide risk management philosophy and practices. Advantage recognizes that risk for an FCM exists on several levels, from market and counterparty credit risk to the potential for error or other problems during the normal course of business. In light of this knowledge, Advantage has established a culture of risk management in which all departments understand their role in minimizing these risks of loss.

Advantage Futures has a Risk Management Program to establish, maintain, and enforce a system of risk management policies and procedures designed to monitor and manage the risks associated with the activities of the futures commission merchant. These risks include, but are not limited to: credit risk, market risk, operational risk (including execution, error and settlement risk), legal/compliance risk, human resources risk, financial risk (including capital, liquidity, segregation and foreign currency risk), information technology risk (including systems and business continuity risk) and strategic risk.

In order to minimize credit risk, Advantage maintains a review process determining the creditworthiness of counterparties, requires minimum account sizes for specific client activity, monitors performance and financial status changes of clients and counterparties and reviews the credit of prospective new clients. Market risk is mitigated by establishing and maintaining appropriate credit/trading limits, reviewing, setting and maintaining the appropriate risk components of electronic order entry systems (including automated trading systems), monitoring trading activity, position size and account values throughout the day, controlling concentration in particular markets and analyzing the effect of various scenarios on option positions.

Operational, execution, error and settlement risks are mitigated by monitoring error account activity, controls for avoiding errors in execution by brokers, reconciling the Advantage back office with exchanges for positions, P&L and open trade equity, conducting exchange fee reconciliation daily to ensure no material loss due to incorrect fee collection and payment, evaluating new business line/product ventures to ensure support areas are prepared for launch, monitoring last trading day and delivery periods to prevent unwanted deliveries or delivery failure and ensure proper exchange reporting and monitoring execution only accounts to ensure timely claim of trades by clearing brokers and maintaining give-in and give-up agreements and monitoring give-ins from other firms to assure prompt acceptance.

Advantage mitigates legal and compliance risk by ensuring client documentation and recordkeeping is complete and accurate, particularly client identification and account opening documents, educating and training staff regarding their responsibilities and reviewing public facing statements, conducting periodic training of staff whose responsibilities include handling and managing client funds to ensure knowledge of and compliance with applicable industry regulations, prompt investigation of customer complaints and response to regulatory inquiries, understanding the impact of new rules and regulations and communicating these changes to the appropriate departments, reviewing contractual obligations of the Firm and limiting the authorized signatories committing to contracts on Advantage's behalf and fostering a firm-wide culture of intolerance for rule violations.

Financial risk (which includes capital, liquidity, segregation and foreign currency risk), is mitigated by evaluating the suitability of depositories holding client money and ensuring that accounts are properly handled, establishing procedures to determine and maintain an appropriate amount of excess Customer Segregated and Customer Secured 30.7 funds, reviewing and managing the disbursement and receipt of customer funds, both for the benefit of clients as well as those disbursements not for the benefit of clients, ensuring staff responsible for handling and managing client funds are knowledgeable of and compliant with relevant industry regulations, analyzing intraday margin usage, and procedures for proactively managing unexpectedly large changes in overall client margin levels, reviewing capital measures, including monitoring the usage of firm capital and evaluating foreseeable future capital and liquidity needs, reviewing and monitoring areas that result in a mismatch of cash flows, due to predictable or unpredictable cash flow or collateral requirements, monitoring the accounting procedures employed by Advantage and making enhancements as necessary, and review of the Firm's foreign currency exposure and appropriately hedging foreign currency exposure as deemed necessary.

Information technology risk is mitigated by maintaining redundant mission critical systems for processing and data storage, restricting system access to areas necessary for employee (least privilege principal), deploying protective measures including prudent industry practices to safeguard the network ensuring client and firm data are secure and conducting regular employee training related to cyber security risk and other areas where human actions can affect system resilience. Business continuity risk is mitigated by establishing, maintaining and periodically testing a Business Continuity Plan, maintaining back-ups of essential documents and data, maintaining an off-site facility sufficient distance from the primary location to serve as the Firm's base of operations if necessary, providing access to mission critical systems with sufficient capacity from off-site facility and insurance coverage for Business Interruption, extra expenses and electronic data processing equipment insurance.

Human resources and strategic risks are mitigated by maintaining standards for employee supervision and conduct, ensuring the execution of the firm's strategy, fostering a strong reputation and establishing a corporate governance structure over the Firm's activities.

Advantage Futures does not conduct any speculative proprietary trading. Therefore, no conflicts exist when the Firm acts as a client's executing broker or clearing firm as we are not competing against customer trading or on the other side of customer orders. We operate as an agency model brokerage company that does not trade for our own account, thus focusing our resources and 100% of the Firm's capital (except for a de minimis amount of Firm capital used for hedging the Firm's foreign currency exposure) in support of our client business.

(i) Nature of Investments made by the Firm

To assure it is in compliance with its regulatory capital requirements and it has sufficient liquidity to meet its ongoing business obligations, Advantage holds its assets in cash, US Treasury and Agency securities and US Treasury/Agency Reverse Repurchase Agreements.

Based on the Firm conducting no speculative proprietary trading, house investments are limited in nature. The Firm has a house account to hedge the Firm's foreign currency exposure to minimize risk in foreign currency price fluctuation.

Advantage Futures' investments of customer funds comply with CFTC Regulation 1.25. As permitted under CFTC regulations, client funds are invested in cash, US Treasury and Agency securities and Reverse Repurchase Agreements with US Treasury/Agency securities. Advantage Futures' daily financial and quarterly investment information can be found on the Firm's website [www.advantagefutures.com](http://www.advantagefutures.com) under section About/Financials.

(ii) FCM's creditworthiness, leverage, capital, liquidity, principal liabilities, balance sheet leverage and other lines of business

Advantage Futures takes great pride in its creditworthiness. The Firm pays its financial obligations in a timely manner. The Firm has never failed to meet a payment to an exchange, clearing organization or carrying broker. When and as needed, the Firm has been able to establish new banking, exchange and carrying broker relationships. As an LLC and non-publicly held company, Advantage does not have a formal credit rating with major credit rating agencies; nevertheless, our long history operating as a responsible financial counterparty has earned the Firm a well-deserved and highly creditworthy reputation.

Advantage's measure of balance sheet leverage as computed under NFA Financial Requirements Section 16 was 0.91 as of June 30, 2017. The Firm prides itself on maintaining leverage at a prudent level.

Advantage strives to maintain capital in excess of that necessary to support and maintain our business needs and regulatory requirements. As of June 30, 2017, Advantage had Net Capital of \$27,190,252, Adjusted Net Capital of \$26,626,079 and Excess Net Capital of \$16,902,016. If and as business needs for capital increase, the Firm will seek to increase its capital through either equity or debt contributions.

Advantage seeks to maintain the highest level of liquidity. We also strive to transparently reflect our preference for liquidity by continually displaying a graph on our website depicting how we invest our Customer Segregated and Customer Secured 30.7 funds. Additional liquidity for Advantage is provided via a \$25,000,000 delivery line of credit by one of our banking relationships as well as a \$3,000,000 line of credit from an additional banking relationship. If, when and as additional liquidity may be needed, Advantage will seek equity or debt funding from the private sources of capital that have provided us such liquidity over the past history of the Firm.

The principle liabilities for Advantage are the balances in our customer accounts. As of June 30, 2017, 96% of the Firm's liabilities were comprised of equity in customer commodity accounts carried by the Firm. Of the remaining liabilities, 2% represents liabilities subordinated to claims of general creditors subject to a satisfactory subordination agreement approved by the Firm's Designated Self-Regulatory Organization. Various other payables and accrued expenses

(including compensation and accounts payable) represent the remaining 2% of the liabilities carried by Advantage as of June 30, 2017.

(iii) Risks to FCM created by its affiliates and their activities, including investment of customer funds in an affiliated entity

Advantage does not invest any customer funds or house funds with an affiliated entity.

Advantage Securities LLC is a 100% owned subsidiary of Advantage Futures LLC. Advantage Securities LLC is a registered Broker Dealer with FINRA and the Securities and Exchange Commission. At this time, Advantage Securities does not conduct any securities business, however, maintains excess net capital of \$3,091,830. Although a regulated entity with separate risk management policies and procedures in place, as the parent company Advantage Futures may have financial exposure if the broker dealer became illiquid or required additional capital to support its business activities.

No other affiliates of the Firm pose a material risk to the FCM business.

(iv) Any significant liabilities, contingent or otherwise, and material commitments

Advantage has a long-term liability in the form of its sub-sub-lease on its headquarters located at 231 South LaSalle Street, Suite 1400, Chicago, IL. The sub-sub-lease is a non-cancellable operating lease with rental commitments totaling \$6,117,120 beyond June 30, 2017.

Advantage also has a contingent liability as the guarantor of various loans collateralized by memberships on various commodities exchanges totaling in aggregate approximately \$690,160 as of June 30, 2017.

### **Customer Funds Segregation**

Below is a basic overview of the handling of customer funds prescribed under CFTC regulations relating to customer fund segregation, futures commission merchant collateral management and investments, futures commission merchants and dually registered futures commission merchant/broker dealers. Please note that Advantage Futures is not a registered Swap Dealer and does not support Swap business nor hold Cleared Swaps Customer Accounts. Therefore, any reference to such is not applicable to Advantage.

**Customer Accounts.** FCMs may maintain up to three different types of accounts for customers, depending on the products a customer trades:

- (i) a **Customer Segregated Account** for customers that trade futures and options on futures listed on US futures exchanges;
- (ii) a **30.7 Account** for customers that trade futures and options on futures listed on foreign boards of trade; and
- (iii) a **Cleared Swaps Customer Account** for customers trading swaps that are cleared on a DCO registered with the Commission.

The requirement to maintain these separate accounts reflects the different risks posed by the different products. Cash, securities and other collateral (collectively, **Customer Funds**) required to be held in one type of account, e.g., the Customer Segregated Account, may not be commingled with funds

required to be held in another type of account, e.g., the 30.7 Account, except as the Commission may permit by order. For example, the Commission has issued orders authorizing ICE Clear Europe Limited, which is registered with the Commission as a DCO, and its FCM clearing members: (i) to hold in Cleared Swaps Customer Accounts Customer Funds used to margin both (a) Cleared Swaps and (b) foreign futures and foreign options traded on ICE Futures Europe, and to provide for portfolio margining of such Cleared Swaps and foreign futures and foreign options; and (ii) to hold in Customer Segregated Accounts Customer Funds used to margin both (c) futures and options on futures traded on ICE Futures US and (d) foreign futures and foreign options traded on ICE Futures Europe, and to provide for portfolio margining of such transactions.

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

Customer Segregated Funds may be commingled in a single account, *i.e.*, a customer omnibus account, and held with: (i) a bank or trust company located in the US; (ii) a bank or trust company located outside of the US that has in excess of \$1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers. Unless a customer provides instructions to the contrary, an FCM may hold Customer Segregated Funds only: (i) in the US; (ii) in a money center country;<sup>1</sup> or (iii) in the country of origin of the currency.

An FCM must hold sufficient US dollars in the US to meet all US dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Notwithstanding the foregoing, assets denominated in a currency may be held to meet obligations denominated in another currency (other than the US dollar) as follows: (i) US dollars may be held in the US or in money center countries to meet obligations denominated in any other currency; and (ii) funds in money center currencies<sup>2</sup> may be held in the US or in money center countries to meet obligations denominated in currencies other than the US dollar.

**30.7 Account.** Funds that **30.7 Customers** deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on foreign boards of trade, *i.e.*, **30.7 Customer Funds**, and sometimes referred to as the **foreign futures and foreign options secured amount**, are held in a **30.7 Account** in accordance with Commission Rule 30.7.

Funds required to be held in the 30.7 Account for or on behalf of 30.7 Customers may be commingled in an omnibus account and held with: (i) a bank or trust company located in the US; (ii) a bank or trust company located outside the US that has in excess of \$1 billion in regulatory capital; (iii) an FCM; (iv) a DCO; (v) the clearing organization of any foreign board of trade; (vi) a foreign broker; or (vii) such clearing organization's or foreign broker's designated depositories. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's 30.7 Customers. As explained below, Commission Rule 30.7 restricts the amount of such funds that may be held outside of the US.

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<sup>1</sup> Money center countries means Canada, France, Italy, Germany, Japan, and the United Kingdom.

<sup>2</sup> Money center currencies mean the currency of any money center country and the Euro.

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

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

To reduce the potential risk to 30.7 Customer Funds held outside of the US, Commission Rule 30.7 generally provides that an FCM may not deposit or hold 30.7 Customer Funds in permitted accounts outside of the US except as necessary to meet margin requirements, including prefunding margin requirements, established by rule, regulation, or order of the relevant foreign boards of trade or foreign clearing organizations, or to meet margin calls issued by foreign brokers carrying the 30.7 Customers' positions. The rule further provides, however, that, in order to avoid the daily transfer of funds from accounts in the US, an FCM may maintain in accounts located outside of the US an additional amount of up to 20 percent of the total amount of funds necessary to meet margin and prefunding margin requirements to avoid daily transfers of funds.

**Cleared Swaps Customer Account.** Funds deposited with an FCM, or otherwise required to be held for the benefit of customers, to margin swaps cleared through a registered DCO, *i.e.*, **Cleared Swaps Customer Collateral**, are held in a **Cleared Swaps Customer Account** in accordance with the provisions of section 4d(f) of the Act and Part 22 of the Commission's rules. Cleared Swaps Customer Accounts are sometimes referred to as LSOC Accounts. LSOC is an acronym for "legally separated, operationally commingled." Funds required to be held in a Cleared Swaps Customer Account may be commingled in an omnibus account and held with: (i) a bank or trust company located in the US; (ii) a bank or trust company located outside of the US that has in excess of \$1 billion of regulatory capital; (iii) a DCO; or (iv) another FCM. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's Cleared Swaps Customers.

**Investment of Customer Funds.** Section 4d(a)(2) of the Act authorizes FCMs to invest Customer Segregated Funds in obligations of the United States, in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the United States. Section 4d(f) authorizes FCMs to invest Cleared Swaps Customer Collateral in similar instruments.

Commission Rule 1.25 authorizes FCMs to invest Customer Segregated Funds, Cleared Swaps Customer Collateral and 30.7 Customer Funds in instruments of a similar nature. Commission rules further provide that the FCM may retain gains earned and is responsible for investment losses incurred

in connection with the investment of Customer Funds. However, the FCM and customer may agree that the FCM will pay the customer interest on the funds deposited.

Permitted investments include:

- (i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);
- (ii) General obligations of any State or of any political subdivision thereof (municipal securities);
- (iii) Obligations of any United States government corporation or enterprise sponsored by the United States government (U.S. agency obligations);
- (iv) Certificates of deposit issued by a bank (certificates of deposit) as defined in section 3(a)(6) of the Securities Exchange Act of 1934, or a domestic branch of a foreign bank that carries deposits insured by the Federal Deposit Insurance Corporation;
- (v) Commercial paper fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (commercial paper);
- (vi) Corporate notes or bonds fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (corporate notes or bonds); and
- (vii) Interests in money market mutual funds.

The duration of the securities in which an FCM invests Customer Funds cannot exceed, on average, two years.

An FCM may also engage in repurchase and reverse repurchase transactions with non-affiliated registered broker-dealers, provided such transactions are made on a delivery versus payment basis and involve only permitted investments. Funds or securities received in repurchase and reverse repurchase transactions with Customer Funds must be held in the appropriate Customer Account, *i.e.*, Customer Segregated Account, 30.7 Account or Cleared Swaps Customer Account. Further, in accordance with the provisions of Commission Rule 1.25, such funds or collateral must be received in the appropriate Customer Account on a delivery versus payment basis in immediately available funds (NFA publishes twice-monthly a report, which shows for each FCM, *inter alia*, the percentage of Customer Funds that are held in cash and each of the permitted investments under Commission Rule 1.25. The report also indicates whether the FCM held any Customer Funds during that month at a depository that is an affiliate of the FCM).

It is important to understand that the funds you deposit with Advantage Futures LLC for trading futures and options on futures contracts on either US or foreign markets are not protected by the Securities Investor Protection Corporation.

Further, Commission rules require Advantage Futures to hold funds deposited to margin futures and options on futures contracts traded on US designated contract markets in Customer Segregated Accounts.

Similarly, Advantage Futures must hold funds deposited to margin options on futures contracts traded on foreign boards of trade in a 30.7 Account. In computing its Customer Funds requirements under relevant Commission rules, Advantage Futures may only consider those Customer Funds actually held in the applicable Customer Accounts and may not apply free funds in an account under identical ownership but of a different classification or account type (e.g., securities, Customer Segregated, 30.7) to an account's margin deficiency. In order to be used for margin purposes, the funds must actually transfer to the identically-owned undermargined account.

For additional information on the protection of customer funds, please see the Futures Industry Association's "Protection of Customer Funds Frequently Asked Questions" located at <http://www.futuresindustry.org/downloads/PCF-FAQs.PDF>.

### **Filing a Complaint**

**A customer that wishes to file a complaint may directly contact Advantage's compliance department either electronically at [compliance@advantagefutures.com](mailto:compliance@advantagefutures.com) or by calling 312.800.7000.**

### **Additional options are as follows:**

A customer that wishes to file a complaint about Advantage Futures or one of its employees with the Commodity Futures Trading Commission can contact the Division of Enforcement either electronically at <https://forms.cftc.gov/fp/complaintform.aspx> or by calling the Division of Enforcement toll-free at 866-FON-CFTC (866.366.2382).

A customer may file a complaint about Advantage Futures or one of its employees with the National Futures Association electronically at <http://www.nfa.futures.org/basicnet/Complaint.aspx> or by calling NFA directly at 800.621.3570.

A customer may file a complaint about Advantage Futures or one of its employees with the Firm's DSRO, the Chicago Mercantile Exchange, electronically at: <http://www.cmegroup.com/market-regulation/file-complaint.html> or by calling the CME at 312.341.3286.

At any given time, Advantage may be involved in or the subject of investigations or regulatory reviews, which may or may not seek significant damages. There are no material administrative, civil, enforcement, or criminal complaints or actions filed against the FCM where such complaints or actions have not concluded. In the three years preceding the date of this disclosure, an enforcement action was filed against the Firm and its principal(s). All regulatory actions (including enforcement action) taken against the Firm by any Exchange, CFTC or NFA are documented and summarized on the NFA website at:

<http://www.nfa.futures.org/basicnet/CaseInfo.aspx?entityid=0327359&type=reg>

[As a regulated entity, complaints or actions filed against Advantage are generally accessed by the above link. The section of this disclosure document is updated with any material actions or complaints filed against the FCM not otherwise available on the source provided above.](#)

### **Relevant Financial Data**

Advantage Futures' annual audited financial statements are made available on the Firm's website at <http://www.advantagefutures.com/about/financials/>. Also included are for at least the past 12 months,

monthly net capital summaries, monthly segregation statements, daily and monthly segregation and secured statements and investment of client funds historical data.

**Other Financial data as of June 30, 2017:**

Total Ownership Equity: \$21,605,123  
Net Capital: \$27,190,252 Tangible  
Net Worth: \$19,083,716

Firm's proprietary margin requirement:

Advantage Futures does not conduct speculative proprietary trading. The Firm does maintain an immaterial margin requirement from time to time which represents open positions which hedge the Firm's currency exposure. This margin requirement represented .106% of the Firm's aggregate margin requirement for futures customers and 30.7 customers.

- \* 10 customers represent 50% of the FCMs total funds held for futures customers.
- \* 5 customers represent 50% of the FCMs total funds held for 30.7 futures customers.
- \* Advantage Futures does not enter into any principal over the counter transactions.
- \* Advantage Futures does not maintain any unsecured lines of credit or similar short-term funding.
- \* Advantage Futures does not provide financing for customer transactions involving illiquid financial products.
- \* During the past 12-month period Advantage Futures has written off as uncollectable futures customer receivables amounting to .025% of the current balance of funds held for futures customers.
- \* Advantage Futures has not written off any 30.7 customer receivables as uncollectable during the past 12 month period.

Additional financial information on all FCMs is also available on the Commission's website at:

<http://www.cftc.gov/MarketReports/financialfcmdata/index.htm>

Customers should be aware that the National Futures Association (**NFA**) publishes on its website certain financial information with respect to each FCM. The FCM Capital Report provides each FCM's most recent month-end adjusted net capital, required net capital, and excess net capital (information for a twelve-month period is available). In addition, NFA publishes twice-monthly a Customer Segregated Funds report, which shows for each FCM: (i) total funds held in Customer Segregated Accounts; (ii) total funds required to be held in Customer Segregated Accounts; and (iii) excess segregated funds, *i.e.*, the FCM's Residual Interest. This report also shows the percentage of Customer Segregated Funds that are held in cash and each of the permitted investments under Commission Rule 1.25. Finally, the report indicates whether the FCM held any Customer Segregated Funds during that month at a depository that is an affiliate of the FCM.

The report shows the most recent semi-monthly information, but the public will also have the ability to see information for the most recent twelve-month period. A 30.7 Customer Funds report and a

Customer Cleared Swaps Collateral report provides the same information with respect to the 30.7 Account and the Cleared Swaps Customer Account.

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

This disclosure document was first used August 4, 2017.