



**HUATAI FINANCIAL USA INC**

**CFTC Reg. 1.55 – FCM Disclosure Document**

Except as maybe noted herein, the information contained in this document is as of 8/5/2021

This disclosure document was first used on April 16, 2019

**TRADING COMMODITY FUTURES AND OPTION PRODUCTS ENTAILS SIGNIFICANT RISK OF LOSS, WHICH MAY EXCEED YOUR INVESTMENT, AND MAY NOT BE SUITABLE FOR ALL INVESTORS. PLEASE CONSIDER WHETHER TRADING IS SUITABLE FOR YOU.**

**Huatai Financial USA Inc.**  
**CFTC Reg. 1.55 – FCM Disclosure Document**

Huatai Financial USA Inc (“Huatai USA”) is registered as a Futures Commission Merchant (FCM) with the Commodity Futures Trading Commission (“CFTC”) and a member of the National Futures Association (“NFA”).

Established in 2015, Huatai USA, a Delaware corporation, is committed to providing its customers with superior service and access to commodity futures and options markets globally.

The CFTC requires each FCM 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, securities or other property with the FCM. Huatai USA will update this information annually or as necessary to take into account any material changes to its operations that may affect a customer’s decision to do business with Huatai USA.

**Principal place of business and contact information**

Huatai Financial USA Inc  
141 West Jackson Blvd., Suite 2130  
Chicago, IL 60604

Telephone Number: 833.213.0635

Website: [www.HuataiUSA.com](http://www.HuataiUSA.com)

Email: [Compliance@HuataiUSA.com](mailto:Compliance@HuataiUSA.com) or [Inquiry@HuataiUSA.com](mailto:Inquiry@HuataiUSA.com)

**Firm Principals**

**Jack Zou**  
President

141 West Jackson Blvd, Suite 2130  
Chicago, IL 60604  
312.637.8196  
[JackZou@HuataiUSA.com](mailto:JackZou@HuataiUSA.com)

Yunjie (Jack) Zou joined Huatai Financial USA Inc in Aug 2016, and is responsible for strategic initiatives and day-to-day management of the firm. Mr.Zou has worked as a risk manager for 5 years for Huatai USA. Prior to joining Huatai, Mr.Zou worked for Bank of China in the Chicago Branch, specializing in corporate banking and commodity finance from 2012 to 2016. Prior, Mr.Zou managed an institutional business department for a Clearing firm in China futures market from 2005 to 2011. Mr.Zou has Master’s degree in Financial Market and Risk Management from University of Illinois Chicago and a Bachelor’s degree in Business Management from Harbin Institute of Technology in China.

**M. Patricia (Patti) Kane**  
Chief Compliance Officer

141 West Jackson Blvd, Suite 2130  
Chicago, IL 60604

312.750.06 42

[PattiKane@HuataiUSA.com](mailto:PattiKane@HuataiUSA.com)

M. Patricia (Patti) Kane joined Huatai Financial USA Inc in July 2017, and is responsible for the finance, treasury, and back office operations of Huatai USA. Ms. Kane has been a member of the Chicago Board of Trade for over 25 years. Prior to joining Huatai, Ms. Kane was the CFO of the Futures and Foreign Exchange Division at Wedbush Securities Inc. from 2014 to 2017, and the CFO of Crossland LLC from 2010 to 2014 when acquired by Wedbush. Ms. Kane has worked for various Futures Commission Merchants, Broker-Dealers, exchanges and technology companies specializing in finance and operations, compliance and technology since 1985. Ms. Kane received a Bachelor's degree in Accounting and minors in Information Systems and Legal Studies from Spring Hill College, where she is currently a member of the Board of Trustees.

**M. Patricia (Patti) Kane**

Chief Financial Officer

141 West Jackson Blvd, Suite 2130

Chicago, IL 60604

312.750.0642

[PattiKane@HuataiUSA.com](mailto:PattiKane@HuataiUSA.com)

N. Patricia (Patti) Kane joined Huatai Financial USA Inc in July 2017, and is responsible for the finance, treasury, and back office operations of Huatai USA. Ms. Kane has been a member of the Chicago Board of Trade for over 25 years. Prior to joining Huatai, Ms. Kane was the CFO of the Futures and Foreign Exchange Division at Wedbush Securities Inc. from 2014 to 2017, and the CFO of Crossland LLC from 2010 to 2014 when acquired by Wedbush. Ms. Kane has worked for various Futures Commission Merchants, Broker-Dealers, exchanges and technology companies specializing in finance and operations, compliance and technology since 1985. Ms. Kane received a Bachelor's degree in Accounting and minors in Information Systems and Legal Studies from Spring Hill College, where she is currently a member of the Board of Trustees.

**Chenggang Yu**

Director

Unit 02, F29, T1

No. 1788, 1800, Center Avenue

Pilot Free Trade Zone, Shanghai

China

Mr. Yu is the CEO for Huatai Great Wall International Trade Co., Ltd. Huatai Great Wall International Trade Co is a wholly-owned subsidiary of Huatai Great Wall Capital Management Co. Ltd, focusing on the import and export of goods and technology, asset management, industrial investment, investment management, investment consultancy and e-commerce. Its operations include sales of metal material, perish metal, building material, minerals, chemical products and raw material, fabricated rubber, hardware and pay electricity, textile products, paper products, food and agricultural products, articles of daily use, sports good, mechanical products and computers and accessories. The company's focus is on future and cash combinations, keeps exploring new business models, dedicates to develop risk management expertise in industry and finance. Prior to joining Huatai Great Wall, Mr. Yu was employed by China Grain & Logistics Corporation as a Manager of the Investment Research Department. Mr. Yu obtained a bachelor degree from Southwest Jiaotong University and a Masters in Financial Engineering from Institute of Finance and Banking, Chinese Academy of Social Sciences.

**Board of Directors**

**Chenggang Yu**  
Director  
See above

### **Huatai USA's Business**

Huatai USA is a non-clearing FCM, providing customers with execution and clearing related products and services for regulated exchanges around the world. Huatai USA maintains omnibus relationships with exchange clearing member firms.

Huatai USA is registered as an FCM with the Commodity Futures Trading Commission ("CFTC") and is a member of National Futures Association ("NFA"). Huatai USA is subject to the rules and regulations of the above organizations and each exchange for which it offers services. The NFA is Huatai USA's designated self-regulatory organization ("DSRO").

One hundred percent (100%) of Huatai USA's assets and net capital are devoted to the business of being an FCM.

Huatai USA offers execution and clearing services for listed derivatives on the following regulated exchanges:

- Chicago Board of Trade (CBOT)
- Chicago Mercantile Exchange (CME)
- Commodity Exchange (COMEX)
- Eurex Exchange (EUREX)
- Hong Kong Futures Exchange (HKFE)
- ICE Futures Europe (ICE-EU)
- ICE Futures US (ICE-US)
- New York Mercantile Exchange (NYMEX)
- Singapore Commodity Exchange (SGX)

Clearing services on additional futures exchanges may be offered based on customer demand.

Huatai USA is currently not a clearing member of any exchange.

### **FCM's Designated Self-Regulatory Organization (DSRO) and Financial Related Information**

The National Futures Association ("NFA") is Huatai USA's designated Self-Regulatory Organization ("DSRO"). NFA's website is <http://www.nfa.futures.org/>, the NFA contact number is 312.781.1300.

Customers may find Huatai USA and other FCM capital and customer funds related information on the CFTC's website, please note the following link:

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

The National Futures Association (NFA) publishes on its website financial information regarding Huatai USA and other FCMs. The NFA provides each FCM's most recent month-end adjusted net capital, required net capital, and excess net capital. (Information for a 12-month period is available.) NFA also publishes on its website a twice-monthly Customer Segregated Funds report, which shows total funds held in Customer Segregated Accounts, total funds required to be held in Customer Segregated Accounts and excess segregated funds (FCM's Residual Interest) for each FCM. The report indicates whether the FCM held any Customer Segregated Funds during that month at a depository

that is an affiliate of the FCM and the percentage of Customer Segregated Funds that are held in cash and permitted investments under Commission Rule 1.25. A similar report for 30.7 Secured Customer Funds will provide the same information.

The above financial information reports can be found in NFA's BASIC system (<http://www.nfa.futures.org/basicnet/>)

### **Huatai USA Affiliates and Ownership**

Huatai USA has many affiliated companies globally, including but not limited to Huatai Securities, Co., Ltd., Huatai Futures Co. Ltd., Huatai Capital Management (Hong Kong) Ltd., and Huatai (Hong Kong) Futures Ltd. Huatai USA does not guarantee any affiliates nor is guaranteed by any affiliates.

Huatai Capital Management (Hong Kong) Ltd., the parent of Huatai USA, is wholly owned by Huatai Futures Co., Ltd.

### **Huatai USA Customer Base & Business**

Huatai USA's customer base includes, but not limited to, individual and professional traders, institutional investors, brokerage firms, commercial hedgers, introducing brokers, hedge funds, and commodity pool operators. As of December 31, 2020, Huatai USA's client base was 60% institutional and 40% retail.

### **Huatai USA Carrying Brokers**

Huatai USA maintains a carrying broker relationship with Phillip Capital, Inc. ("Phillip") and R.J. O'Brien & Associates, LLC ("RJOA"), both registered FCM's with the CFTC, members of the NFA and clearing member of various exchanges globally.

Huatai USA also maintains a carrying broker relationship with G.H. Financials (Hong Kong) Ltd., ("GHHK") licensed by the Securities and Futures Commission of Hong Kong, and holds a CFTC 30.10 foreign firm exemption.

Each carrying broker may clear any products for which they are authorized to do business.

The above listed Carrying Brokers are not affiliated with Huatai USA.

### **Huatai USA Bank Relationships**

Huatai USA maintains banking relationships with JPMorgan Chase Bank, N.A., CIBC Bank USA ("CIBC"), and BMO Harris Bank NA ("Harris"). All customer segregated and secured funds will be maintained at Harris, CIBC or at various carrying brokers. Both banking institutions are properly capitalized and registered to do business with Huatai USA.

### **Overview of Customer Segregated and Secured Funds**

Huatai USA maintains two different types of accounts relating to customers depending on the products traded.

1. A customer segregated funds account (CFTC Regulation 1.20) for customers that trade futures and options listed on U.S. futures exchanges as well as ICE Futures Europe.
2. A customer secured funds account (CFTC Regulation 30.7) for customers that trade futures and options listed

on foreign boards of trade.

Customer money, securities and property held in one type of account may not be commingled with another type of account. For example, segregated funds may not be co-mingled with secured funds. The requirement to maintain separate accounts reflects the different risks posed by the different products and counterparties.

Customers trading on foreign markets assume additional risks. Laws or regulations may vary depending on the foreign jurisdiction where transactions occur and funds held in a customer secured account outside the U.S. may not receive the same level of protection as customer segregated accounts.

All customer segregated funds may be commingled in a single account and held with a bank, clearing organization or another FCM that clearly identifies the account as “customer segregated funds”. Each bank or FCM signs a written acknowledgement letter that indicates (i) the segregated funds are held in the account in accordance with the Commodity Exchange Act and CFTC regulations, (ii) the bank or FCM will separately account for and segregate the customer funds, (iii) the CFTC has the right to examine the customer segregated account without permission from Huatai USA, (iv) customer segregated ending account balances are electronically transmitted to the CFTC at the end of each business day for verification, and (v) a copy of the written acknowledgement letter is provided to the CFTC.

All customer secured funds may be commingled in a single account and held with a bank, clearing organization of a foreign board of trade, another FCM or foreign broker that clearly identifies the account as “customer secured funds”. Each bank, FCM or foreign broker signs a written acknowledgement letter that indicates (i) the secured funds are held in the account in accordance with the Commodity Exchange Act and CFTC regulations, (ii) the bank, other FCM or foreign broker will keep separate and separately account for the customer funds, (iii) the CFTC has the right to examine the customer secured account without permission from Huatai USA, (iv) customer secured funds ending account balances are electronically transmitted to the CFTC at the end of each business day for verification, and (v) a copy of the written acknowledgement letter is provided to the CFTC.

Laws or regulations vary depending on foreign jurisdictions therefore customers that trade in foreign markets have additional risks. Funds which are held in a 30.7 secured account outside of the U.S. may not receive the same level of protection as customer segregated funds. In the event a foreign entity which is carrying 30.7 secured customer positions fails, the broker will be liquidated in accordance with the laws of the jurisdiction in which it is organized. The return of 30.7 secured customer funds to the U.S. will be delayed and likely will be subject to the costs of administration of the failed foreign entity in accordance with the laws of the applicable jurisdiction, as well as other intervening foreign entities, if multiple foreign brokers were used to process the U.S. customers’ transactions on foreign markets. In the event a U.S. FCM holding 30.7 secured customers’ is insolvent, but the foreign broker is solvent, the foreign broker may want to assure that appropriate authorization has been obtained before returning the 30.7 secured customer funds to the FCM’s trustee, this may delay the return of customer money.

In the event that both the U.S. FCM and the foreign broker were to fail, potential differences between the trustee for the U.S. FCM and the administrator for the foreign broker, each with different fiduciary obligations, may result in delays and additional administrative expenses.

CFTC Rule 30.7 requires that an FCM may not deposit or hold 30.7 Customer Funds in permitted accounts outside of the U.S. except as necessary to meet margin requirements, including prefunding margin requirements, established by rule, regulation, or order of the relevant foreign boards of trade or foreign clearing organizations, or to meet margin calls issued by foreign brokers carrying the 30.7 Customers’ positions. However, in order to avoid the daily transfer of funds from accounts in the U.S., an FCM may maintain in accounts located outside of the U.S. an additional amount of up to 20 percent of the total amount of funds necessary to meet margin and prefunding margin requirements to avoid daily transfers of funds.

Huatai USA does not clear any swaps therefore CFTC section 4d(f) and Part 22 are not relevant to Huatai USA procedures.

All customer accounts, segregated and secured funds and collateral, all reconciled on a daily basis.

### **Overview of Investment of Customer Funds**

CFTC Regulation 1.25 permits FCMs to invest customer segregated and secured funds in certain financial instruments. Commission rules further provide that the FCM may retain gains earned and is responsible for investment losses incurred in connection with such investments.

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.

An FCM may engage in repurchase and reverse repurchase transactions in accordance with CFTC Regulation 1.25. The duration of securities in which an FCM may invest Customer Funds cannot exceed, on average, two years.

### **FCM's policies and procedures concerning depositories/custodians and permitted transactions under § 1.25, with counterparties holding customer funds and positions**

Huatai USA values the trust it receives when clients deposit and maintain accounts with Huatai USA. Huatai USA endeavors to choose solid financial services companies as counterparties and custodians of its assets as well as the customer related assets. New relationships are presented by Treasury personnel to the Huatai USA Credit and Risk Committee, which will in turn review and approve banks, custodians and carrying brokers initially as well as on an annual basis. Information to be reviewed will include:

- Legal name of entity
- Nature of the relationship
- Registration of counterparty
- Audited financial statements or public entity information
- Rating (if available)
- Counterparties' capital and assets
- Review of day-to-day operations and interactions

The goal of the initial and various periodic reviews is to determine that each counterparty maintains the strength and stability to maintain Huatai USA customer assets. Huatai USA Credit and Risk Committee may place various restrictions on the accounts and balances that may be carried with each counterparty. After approval by the Credit and Risk Committee, appropriate senior management will open a new customer funds depository account and commence

business.

Huatai USA will invest all customer segregated and secured funds in accordance with CFTC Regulation 1.25. CFTC Regulation 1.25 permits Huatai USA to invest customer segregated and secured funds in certain financial instruments. Huatai USA's current policies limit investments to bank demand deposits, U.S. government securities with the duration of any government security limited to five years or less, reverse repurchase transactions, and approved money market mutual funds. CFTC regulations further provide that each FCM may retain gains earned and is responsible for investment losses incurred in connection with such investments.

The average duration of the government securities in which Huatai USA invests in customer segregated and secured funds will not exceed, on average, two years.

Huatai USA may engage in repurchase and reverse repurchase transactions provided such transactions are made on a delivery versus payment basis and involve only permitted investments. All funds and securities received in repurchase and reverse repurchase transactions with customer segregated and secured funds must be held in the appropriate customer segregated or secured funds account. Huatai USA's investments in reverse repurchase transactions are collateralized with only U.S. government securities and no other permitted investments.

Huatai USA is under no obligation to pay interest or gains it may receive on customer invested assets, either segregated or 30.7 Secured.

### **Material Risks**

#### **The nature of investments made by Huatai USA (including credit quality, weighted average maturity, and weighted average coupon)**

Huatai will meet all CFTC Regulation 1.25 compliance requirements and will ensure that it is sufficiently liquid, therefore it will hold a large portion of its assets in cash with approved depositories. Huatai may invest in Regulation 1.25 approved investments which are highly liquid and short-term investments such as commercial paper, certificates of deposit, money market instruments, U.S. Treasury Securities or other U.S. Agency securities. Funds are held in Huatai USA approved depositories and customer assets are held in CFTC Reg 1.20 segregated accounts or CFTC Reg 30.7 Accounts, as applicable.

#### **Huatai USA's creditworthiness, leverage, capital, liquidity, principle liabilities, balance sheet leverage and other lines of business:**

The Huatai name maintains a strong reputation globally. Huatai USA is wholly owned by Huatai Capital Management (Hong Kong) Limited, which may be a source for additional liquidity. In addition, Huatai USA operates in a highly regulated environment with notification requirements to the CFTC and its DSRO in the event of material changes to its business, operations, ownership and capital.

Huatai USA does not maintain any credit facilities or subordinated lines or credit.

Huatai USA's net revenues are primarily derived from customer commissions and interest, should a customer terminate its relationship with us, our revenues and corresponding income could be negatively impacted. Huatai USA does not extend leverage (margin financing) to customers. Huatai USA maintains Adjusted Net Capital equal to or greater than Regulatory Required Capital. Huatai USA's clients are the largest liquidity risk of Huatai USA. Huatai USA manages this risk by requiring customers to meet material margin deficiencies on an intra-day or next business day basis via bank wire transfers. Huatai USA may also hold the intermediary responsible for introducing the customer liable for customer debit balances.



Huatai USA will assess and monitor liquidity on a near real time basis for both regulatory and operational liquidity. Huatai USA's review of regulatory liquidity requirements and operational liquidity needs is based on assessments that include extreme but plausible market conditions. All of Huatai USA's capital is for its futures business. Huatai USA maintains a sufficient level of liquidity in order to meet its obligations. Huatai USA does not carry excessive leverage on its balance sheet nor does it participate in other lines of business.

Huatai USA's main liability is its customer account balances; however, Huatai USA will also have accounts payable to brokers and vendors in addition to general operational expenses.

## **Financial Data**

Huatai USA is a strong credit worthy organization as exhibited by its audited financials. Financial statements may be found on the Huatai USA website, [www.HuataiUSA.com](http://www.HuataiUSA.com). Also included are the recent monthly net capital summaries, monthly segregation statements, and daily/monthly segregation and secured statements for the past 12-month period.

Financial data as of December 31, 2020:

Total Equity (Net Worth):	\$2,637,066
Net Capital:	\$2,488,695

Huatai USA does not conduct speculative proprietary trading, and as such does not maintain a proprietary margin requirement.

One customer represents 50% of the FCMs total funds held for futures customers.

One customer represents 100% of the FCMs total funds held for 30.7 futures customers.

Huatai USA does not enter into any principal over the counter transactions.

Huatai USA does not maintain any unsecured lines of credit or similar short-term funding.

Huatai USA does not provide financing for customer transactions involving illiquid financial products.

Huatai USA has not written off any customer receivable as uncollectable during the past 12-month period.

### **Risks to Huatai USA created by its affiliates and their activities, including investment of customer funds in an affiliated entity:**

Huatai USA does not currently hold customer funds in affiliated entities or carry accounts for affiliated entities. However, if Huatai Securities or Huatai Futures Co., Ltd. were to experience a material negative event, affiliated entities such as Huatai USA may be affected.

### **Huatai USA's significant liabilities, contingent or otherwise, and material commitments:**

Huatai USA is not party to any material legal or regulatory actions. In the normal course of business, Huatai USA may become a party to such actions, although they should not have a material effect on Huatai USA's financial condition nor a material risk to clients investing funds with Huatai USA.

In the event Huatai USA is not able to meet its obligations owed to customers, operations may be significantly impacted. Huatai USA manages this risk by preparing daily segregated and secured funds statements which are submitted to the CFTC and its DSRO. These statements reflect customer liabilities and assets on deposit to cover such events and can

be found on Huatai USA's website, [www.HuataiUSA.com](http://www.HuataiUSA.com). Huatai USA's DSRO also receives daily confirmation of segregated and secured balances with depositories.

Huatai USA maintains other commitments in relation to its ongoing activities, including rent and normal vendor operating expenses.

**Material administrative, civil, enforcement, or criminal complaints or actions filed against Huatai USA where such complaints or actions have not concluded, and any enforcement complaints or actions filed against Huatai USA during the last three years;**

Huatai USA is not party to any material litigation, claims or regulatory actions, therefore there is no material effect on Huatai USA's financial condition nor a material risk to clients investing funds with Huatai USA.

In the normal course of business, Huatai USA may become a party to such actions. All Huatai USA personnel are instructed to notify senior management and their manager immediately of any such actual or potential claim. All potential and actual litigation and complaints will be reviewed by the President, CCO and CFO to determine the appropriate course of action. Outside counsel will be consulted if deemed appropriate. Once reviewed the firm determine if any such liability should be accounted for in the firm financial statement.

### **Customer Complaints**

A customer may file a complaint with Huatai USA's Compliance Department using the following contact information:  
Email: [Compliance@HuataiUSA.com](mailto:Compliance@HuataiUSA.com) or Telephone: 312.750.0640

A customer may file a complaint with the CFTC by contacting the Division of Enforcement at:  
<https://forms.cftc.gov/fp/complaintform.aspx>  
Phone: 866.FON.CFTC (866.366.2382)

A customer may file a complaint with the NFA by contacting them at:  
<http://www.nfa.futures.org/basicnet/Complaint.aspx>  
Phone: 800.621.3570.

### **Risk Management**

Huatai USA has an extensive risk management program which is supervised by experienced and knowledgeable employees. Huatai USA's Risk and Margin Team monitors market risk on a regular basis. The Credit and Risk Committee will also examine on a periodic basis the risk related activities of the firm (at least quarterly) including components of the Risk Management Program such as Credit, Liquidity, Foreign Currency, Legal, Operational and Sovereign risks.

Huatai USA's risk management policies and procedures require regular review of the depositories used to hold customer segregated funds. Huatai USA's review includes the depository's financial capitalization, creditworthiness, operational reliability, access to liquidity, concentration thresholds, availability of federal government deposit insurance, and regulatory oversight structure. The review may result in changes in the use of depositories.

The risk management initiatives of Huatai USA include the following:

1. Risk management policies and procedures whenever markets are open, 24 by 6;
2. Risk management tools include real-time updates of positions and market prices for substantially all customer trading activity;
3. Huatai USA's risk department monitors material capital losses and material margin calls and

correspondingly reports such to senior management. margin calls are typically collected via wire transfer;

4. Huatai USA conducts periodic stress testing on customer open positions;
5. Huatai USA has instituted a reporting structure in which all material risks are reported to senior management;
6. Huatai USA has pre-execution trading limits for risk purposes. In addition, in margin call environments liquidation only controls may be instituted on customer accounts; and
7. Huatai USA has instituted a Credit and Risk Committee that routinely reviews and discusses material risk items.