

682/60

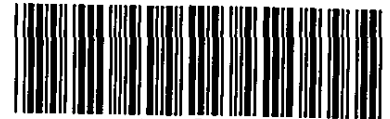
*[Handwritten signature]*

## DRW Investments, LLC

Financial Report  
December 31, 2013 and 2012

FCO26974

MC THURSDAY



\*A3ILONE8\*

A04 16/10/2014 #71

COMPANIES HOUSE

\*L3HXBHF\*

LD6 06/10/2014 #53

COMPANIES HOUSE

## Contents

Independent Auditor's Report	1
Financial Statements	
Statements of financial condition	2
Statements of operations	3
Statements of changes in member's equity	4
Statements of cash flows	5 – 6
Notes to financial statements	7 – 20



## Independent Auditor's Report

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, 2013 and 2012, 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

### 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 reasonable 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, 2013 and 2012, 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.

*McGladrey LLP*

Chicago, Illinois  
March 31, 2014


DRW Investments, LLC

Statements of Financial Condition  
December 31, 2013 and 2012

FC026974

	2013	2012
<b>Assets</b>		
Cash in bank	\$ 21,444,828	\$ 940,400
Securities purchased under agreements to resell	6,462,076,108	4,843,748,459
Securities owned, at fair value	5,267,128,210	12,986,984,904
Derivative financial instruments owned, at fair value	2,344,522,665	1,356,128,325
Receivable from clearing brokers, net	970,393,630	845,264,052
Stock and memberships in exchanges, at cost (fair value of \$9,471,296 for 2013 and \$7,143,290 for 2012)	5,928,589	5,717,185
Promissory notes receivable - affiliates	64,338,420	69,641,715
Receivables from affiliates	3,575,494	2,118,934
Other assets	2,948,075	2,962,205
<b>Total assets</b>	<b>\$ 15,142,356,019</b>	<b>\$ 20,113,506,179</b>
<b>Liabilities and Member's Equity</b>		
<b>Liabilities</b>		
Securities sold under agreements to repurchase	\$ 6,058,502,211	\$ 12,609,167,336
Securities sold, not yet purchased, at fair value	6,542,552,129	6,074,556,250
Derivative financial instruments sold, at fair value	1,928,700,436	896,408,023
Payable to clearing brokers, net	290,896,091	185,550,864
Borrowings	44,343,266	35,552,724
Promissory notes payable - affiliate	66,220,711	15,000,000
Payable to affiliates	56,497,876	57,151,583
Accrued expenses	11,999,778	27,016,357
<b>Total liabilities</b>	<b>14,999,712,498</b>	<b>19,900,403,137</b>
<b>Member's Equity</b>	<b>142,643,521</b>	<b>213,103,042</b>
<b>Total liabilities and member's equity</b>	<b>\$ 15,142,356,019</b>	<b>\$ 20,113,506,179</b>

These financial statements were approved by the directors and authorized for issue on  
3/31/2014 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, 2013 and 2012**

	2013	2012
Revenue		
Proprietary trading, net	\$ 253,725,667	\$ 303,403,761
Interest and dividends	4,347,042	3,937,408
Other	1,041,540	7,168,126
Total revenue	259,114,249	314,509,295
Expenses		
Trading expenses		
Commissions, trade execution and related fees	43,567,304	40,852,893
Interest and dividends	5,795,128	5,095,746
Other trading expenses	1,257,842	1,938,025
Total trading expenses	50,620,274	47,886,664
Operating expenses		
Employee compensation and benefits	44,049,832	38,912,472
Networking, data and technology costs	20,097,672	20,060,901
Administrative support services	13,405,437	11,941,396
Occupancy	1,007,335	871,734
Other operating expenses	20,654,977	37,441,617
Total operating expenses	99,215,253	109,228,120
Total expenses	149,835,527	157,114,784
Net income	\$ 109,278,722	\$ 157,394,511

See Notes to Financial Statements

**DRW Investments, LLC**

**Statements of Changes in Member's Equity  
Years Ended December 31, 2013 and 2012**

---

Balance, December 31, 2011	\$ 294,116,031
Capital contributions	573,484,927
Capital withdrawals	(811,892,427)
Net income	<u>157,394,511</u>
Balance, December 31, 2012	213,103,042
Capital contributions	364,199,210
Capital withdrawals	(543,937,453)
Net income	<u>109,278,722</u>
Balance, December 31, 2013	<u><u>\$ 142,643,521</u></u>

See Notes to Financial Statements

**DRW Investments, LLC**

**Statements of Cash Flows**

**Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 109,278,722	\$ 157,394,511
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of membership in exchange	-	(215,000)
Changes in operating assets and liabilities		
Securities purchased under agreements to resell	(1,618,327,649)	1,852,328,556
Securities owned	7,719,856,694	(3,469,709,225)
Derivative financial instruments owned	(988,394,340)	335,294,914
Receivable from clearing brokers, net	(125,129,578)	(838,473,228)
Subordinated loans receivable - affiliates	-	4,529,350
Promissory notes receivable - affiliates	5,303,295	(43,641,715)
Receivables from affiliates	(1,456,560)	532,108
Other assets	14,130	242,241
Securities sold under agreements to repurchase	(6,550,665,125)	3,756,868,632
Securities sold, not yet purchased	467,995,879	(723,241,563)
Derivative financial instruments sold	1,032,292,413	(357,726,088)
Payable to clearing brokers, net	105,345,227	(465,027,731)
Payable to affiliates	43,640,283	65,189,055
Accrued expenses	(15,016,579)	5,985,897
<b>Net cash provided by operating activities</b>	<b>184,736,812</b>	<b>280,330,714</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of membership in exchange	-	655,000
Purchases of stock and membership in exchanges	(211,404)	(1,148,900)
<b>Net cash used in investing activities</b>	<b>(211,404)</b>	<b>(493,900)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds received from borrowings	125,308,283	1,925,200,133
Repayment of borrowings	(116,517,741)	(1,889,647,409)
Proceeds received on promissory note payable - affiliate	318,783,000	15,000,000
Repayment on promissory note payable - affiliate	(267,562,289)	(50,000,000)
Capital contributions	312,393,137	523,949,500
Capital withdrawals	(536,425,370)	(804,414,747)
<b>Net cash used in financing activities</b>	<b>(164,020,980)</b>	<b>(279,912,523)</b>
Effect of exchange rate translation on cash	-	-
<b>Net increase (decrease) in cash</b>	<b>20,504,428</b>	<b>(75,709)</b>
<b>Cash</b>		
Beginning of year	940,400	1,016,109
End of year	\$ 21,444,828	\$ 940,400

(Continued)

**DRW Investments, LLC**

**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	<u>\$ 5,795,128</u>	<u>\$ 4,229,249</u>
During the year, 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 \$7,512,083 for 2013 and \$7,447,681 for 2012	<u>\$ 44,293,990</u>	<u>\$ 42,057,747</u>

See Notes to Financial Statements



## **DRW Investments, LLC**

### **Notes to Financial Statements**

---

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

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, NYSE Liffe US 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 Services Authority of the United Kingdom (FSA). The activities of the Branch are included with the Company for financial presentation. As of December 31, 2013 and 2012, approximately \$35,810,000 and \$85,600,000, respectively, of assets and approximately \$26,894,000 and \$44,000,000, respectively, of liabilities were attributable to the Branch of the Company.

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

The Company follows 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 income currently.

**Securities and derivatives transactions.** Securities and derivatives transactions and related revenues and expenses are recorded at fair value on the 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 accompanying statement of operations. Related trading expenses are also recorded on a trade-date basis as transactions occur. Futures transactions are recorded in receivable from/payable to clearing brokers in the statement of financial condition, netted by clearing broker. The remaining derivatives are classified as derivative financial instruments in the statement 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 consolidated statement of operations.

Proprietary trading, net includes interest and dividend income and interest and dividend expense related to the Company's trading activities of approximately \$268,599,000 and \$293,493,000, respectively, for the year ended December 31, 2013 and approximately \$290,099,000 and \$160,850,000, respectively, for the year ended December 31, 2012.

**DRW Investments, LLC**

**Notes to Financial Statements**

---

**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 statement 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 firm.

**Resale and repurchase agreements** Transactions involving purchases of securities under agreements to resell or securities sold under agreements to repurchase, comprised primarily of U.S. 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 repos and repos are carried at their contracted amounts as specified in the respective agreements. Interest on such contract amounts is accrued and is included in the statement of financial condition in securities purchased under agreements to resell and securities sold under agreements to repurchase.

At December 31, 2013 and 2012, the Company obtained approximately \$6,465,253,000 and \$12,981,000,000, respectively, of securities on such terms, all of which have been either pledged or otherwise transferred to others in connection with the Company's financing activities, or to satisfy its commitments under transactions for securities sold, not yet purchased.

**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 2013 and 2012.

Gains and losses on stock and memberships in exchanges are computed based on specific identification and included in other revenue in the statement 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, 2013 and 2012, the Branch recorded a tax provision of approximately \$1,766,000 and \$9,320,000, respectively, which is included in other operating expenses on the statement of operations. As of December 31, 2013 and 2012, the Branch has recorded a payable of approximately \$1,766,000 and \$1,368,000, respectively, which is included in accrued expenses in the statement of financial condition, and will be used to offset the remaining liability after considering estimated payments made during the years ended December 31, 2013 and 2012.

## DRW Investments, LLC

### Notes to Financial Statements

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

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, 2013 and 2012, management has determined that there are no material uncertain income tax positions. DRWH files income tax returns in U.S. federal jurisdiction, and various states. DRWH is generally not subject to examination by United States federal or state taxing authorities for tax years before 2010. The Branch is not subject to examination by HM Revenue and Customs (HMRC) for tax years before 2010.

**Subsequent events** The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued, noting none.

**Recently adopted accounting pronouncement** In December 2011, and further amended in January 2013, the Financial Accounting Standards Board (FASB) issued new guidance requiring additional disclosures regarding the nature of an entity's rights of offset and related arrangements associated with its securities and derivatives financial instruments. Specifically, this new guidance requires additional information about securities and derivatives financial instruments that are either offset or subject to an enforceable master netting arrangement or similar agreement. This new guidance is first required to be implemented for reporting periods beginning on or after January 1, 2013. See Note 7 for these additional disclosures.

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

Amounts receivable from and payable to clearing brokers at December 31, 2013 and 2012 consist of the following:

	2013	
	Receivable	Payable
Clearing brokers	\$ 83,579,177	\$ 290,826,125
Unsettled transactions	917,486,100	-
Interest receivable / payable	(45,841,472)	69,966
Exchange-traded futures - open trade equity, net	15,169,825	-
	<u>\$ 970,393,630</u>	<u>\$ 290,896,091</u>
	2012	
	Receivable	Payable
Clearing brokers	\$ 49,172,555	\$ 184,931,436
Unsettled transactions	842,397,741	-
Interest receivable / payable	17,182,899	13,678
Exchange-traded futures - open trade equity, net	(63,489,143)	605,750
	<u>\$ 845,264,052</u>	<u>\$ 185,550,864</u>

Payable to clearing broker 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**

---

**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 section 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.

U.S. 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. U.S. 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 U.S. 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.

Private placements for which there is no ready market are recorded at fair value as determined by management. Generally, the fair value represents the amount that the Company could reasonably expect to receive if the investment was sold at the time of valuation, based on information reasonably available at the time of valuation that the Company believes to be reliable including financial statements provided by management of the operating company in which the Company has invested. Those estimated fair values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. These financial instruments are classified as Level 3 in the fair value hierarchy.

Investments for which prices are not observable are generally private investments in the equity and debt securities of operating companies. Fair value of private equity investments is based on Level 3 inputs and is determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. In the absence of a principle market (public market), the Company determines the most advantageous market in which the Company would sell their investment. Valuations of the underlying portfolio companies are completed to compute the fair value the Company will receive upon such a sale. Generally, these valuations are derived by multiplying a key performance metric of the investee company by the relevant valuation multiple observed for comparable companies or transactions, adjusted by management for differences between the investment and the referenced comparable. Private equity investments may also be valued at cost for a period of time after an acquisition as the best indicator of fair value.

**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, 2013

		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	\$ 648,981	\$ 648,981	\$ -	\$ -
U S Government securities	5,266,479,231	5,266,479,231	-	-
Derivative financial instruments owned				
Equity options	101,920,597	101,920,597	-	-
Options on futures contracts	2,198,613,551	2,198,613,551	-	-
Currency forwards	2,034,261	-	2,034,261	-
Swaps	32,642,704	-	32,642,704	-
Swaptions	9,311,552	-	9,311,552	-
Receivable from clearing brokers				
Futures contracts	134,658,528	134,658,528	-	-
	<u>\$ 7,746,309,405</u>	<u>\$ 7,702,320,888</u>	<u>\$ 43,988,517</u>	<u>\$ -</u>
<b>Liabilities</b>				
Securities sold, not yet purchased				
U S Government securities	\$ 6,542,552,129	\$ 6,542,552,129	\$ -	\$ -
Derivative financial instruments sold				
Equity options	2,275,000	2,275,000	-	-
Options on futures contracts	1,870,664,240	1,870,664,240	-	-
Currency forwards	3,570,021	-	3,570,021	-
Swaps	40,650,389	-	40,650,389	-
Swaptions	11,540,786	-	11,540,786	-
Receivable from clearing brokers				
Futures contracts	119,488,704	119,488,704	-	-
	<u>\$ 8,590,741,269</u>	<u>\$ 8,534,980,073</u>	<u>\$ 55,761,196</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, 2012

		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				
Exchange-traded funds	\$ 1,218,833	\$ 1,218,833	\$ -	\$ -
U S Government securities	12,980,834,173	12,980,834,173	-	-
Private placements	4,931,898	-	-	4,931,898
Derivative financial instruments owned				
Equity options	132,389,998	132,389,998	-	-
Options on futures contracts	1,192,214,318	1,192,214,318	-	-
Currency forwards	496,891	-	496,891	-
Swaps	22,576,342	-	22,576,342	-
Swaptions	8,450,776	-	8,450,776	-
Receivable from clearing brokers, net				
Futures contracts	1,148,221	1,148,221	-	-
	<u>\$ 14,344,261,450</u>	<u>\$ 14,307,805,543</u>	<u>\$ 31,524,009</u>	<u>\$ 4,931,898</u>
<b>Liabilities</b>				
Securities sold, not yet purchased				
Exchange-traded funds	\$ 36,406,707	\$ 36,406,707	\$ -	\$ -
U S Government securities	6,038,149,543	6,038,149,543	-	-
Derivative financial instruments sold				
Equity options	13,598,856	13,598,856	-	-
Options on futures contracts	869,138,358	869,138,358	-	-
Currency forwards	1,658,244	-	1,658,244	-
Swaps	11,301,933	-	11,301,933	-
Swaptions	710,632	-	710,632	-
Receivable from clearing brokers, net				
Futures contracts	64,637,364	64,637,364	-	-
Payable to clearing brokers, net				
Futures contracts	605,750	605,750	-	-
	<u>\$ 7,036,207,387</u>	<u>\$ 7,022,536,578</u>	<u>\$ 13,670,809</u>	<u>\$ -</u>

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

---

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

Financial instruments classified as Level 3 in the fair value hierarchy represent the Company's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments.

Balance, December 31, 2011	\$ 8,000,000
Purchases	2,009,499
Unrealized losses on investments held at December 31, 2012*	(5,077,601)
Balance, December 31, 2012	4,931,898
Change in unrealized loss on investment *	(4,931,898)
Balance, December 31, 2013	\$ -

\* Included in proprietary trading, net on the statement of operations

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 year.

#### Note 4 Borrowings

The Company entered into an agreement for a demand loan facility in the amount of \$30,000,000 with a clearing broker which matured on February 29, 2012 and was not renewed. Interest accrued at a market rate based on the overnight London Interbank Offered Rate, as defined. The borrowing was secured by the assets of the Company that were on deposit with the clearing broker.

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 matured on January 31, 2013. The loan 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, 2013 and 2012, the Company had drawn \$0 and \$35,552,724, respectively, on this demand loan facility. This arrangement requires the Company to satisfy certain financial reporting and other covenants, as defined. Subsequent to year-end, the term of the agreement was extended through November 30, 2015.

The Company and an affiliate share a term margin loan facility in the amount of \$150,000,000 with an affiliate of another clearing broker that 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 and the affiliate that are on deposit with the related clearing broker. As of December 31, 2013 and 2012, the Company had drawn approximately \$44,343,000 and \$0, respectively, on this demand loan facility. This arrangement requires the Company to satisfy certain financial reporting and other covenants, as defined.



## **DRW Investments, LLC**

### **Notes to Financial Statements**

---

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

The Company pays all direct expenses associated with its trading activities. The Company has an agreement with DRWH whereby substantially all operating expenses, approximately \$46,512,000 and \$109,228,000, respectively, for the years ended December 31, 2013 and 2012, are paid by DRWH and charged to the Company based on a series of usage factors. At December 31, 2013 and 2012, payable to affiliates of approximately \$33,038,000 and \$56,888,000, respectively, related to these activities. The Branch has an agreement with an affiliate whereby all operating expenses, approximately \$19,014,000 and \$3,082,000, respectively for the years ended December 31, 2013 and 2012, are paid and charged to the Branch on a series of usage factors. At December 31, 2013 and 2012, payable to affiliates of approximately \$15,558,000 and \$28,216,000, respectively, 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, 2013, approximately \$3,575,000 and \$4,445,000 represent receivables from affiliates and payables to affiliates, respectively, in connection with such transactions. At December 31, 2012, approximately \$2,069,000 and \$264,000 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, 2013 and 2012 is \$10,575,000 and \$27,750,000, respectively, and is included in promissory notes receivable – affiliates in the statement 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, 2013 and 2012.

The Company has an interest bearing unsecured promissory note receivable from an affiliated entity totaling approximately \$53,763,000, which is included in promissory notes receivable – affiliates in the statement of financial condition. The promissory note accrues interest at an annual rate of 93 percent. The promissory note matures on September 17, 2021 and its carrying value approximates fair value as of December 31, 2013 and 2012. In connection with this unsecured promissory note receivable, the Company also has a promissory note payable to the same affiliate with the same terms. As of December 31, 2013 and 2012, the Company has no amounts due to this affiliate in connection with this promissory note.

The Company has non-interest bearing unsecured promissory notes payable with an affiliated entity totaling approximately \$66,221,000. The promissory notes mature on June 29, 2014 and September 17, 2021 and their carrying values approximate fair value as of December 31, 2013 and 2012.

#### **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 U.S. Government obligations and derivatives such as futures contracts and options on futures contracts. Trading of these financial instruments is conducted primarily 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 statement 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, among them are the size and composition of positions held, interest rates and the volatility and liquidity in the markets in which the financial instruments are traded. Theoretically, the Company's exposure is equal to the notional value of contracts purchased and unlimited on such contracts sold short. The Company's overall exposure to market risk is impacted by its use of hedging strategies. Additionally, the Company attempts to control its exposure to market risk through various analytical measures and techniques.

**DRW Investments, LLC**

**Notes to Financial Statements**

---

**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 futures contracts at a contracted price. Options written on 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 statement 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 hold or sell 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 consolidated statement of financial condition as the Company's ultimate obligation to satisfy its obligation for trading liabilities may exceed the amount reflected in the consolidated statement 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 brokers' obligation to comply with rules and regulations governing brokers in the United States and Europe.

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 an affiliated entity, DRW Strategies, LLC (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 obligations as it relates to the specified clearing firms and their related parties.

As of and for the years ended December 31, 2013 and 2012, the Company has not been obligated to fulfill 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 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 based on models. 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 statement 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, 2013 and 2012, and for the years then ended, the Company's derivative activities had the following impact on the statement of financial condition and the statement of operations:

Contract Type	Gross Asset Derivatives at Fair Value December 31, 2013			Gross Liability Derivatives at Fair Value December 31, 2013			Gains/(Losses) on Derivatives for the Year Ended December 31, 2013		
Fixed income contracts									
Futures	\$	107,666,323	(3)	\$	114,184,446	(3)	\$	1,191,459,563	
Swaps		29,411,702	(1)		33,604,922	(2)		(8,853,454)	
Swaptions		9,311,552	(1)		11,540,786	(2)		(16,991,697)	
Options on futures		987,412,873	(1)		1,564,364,135	(2)		(1,117,485,325)	
Equity index contracts									
Equity options		101,920,597	(1)		2,275,000	(2)		(24,467,136)	
Futures		260,453	(3)		85,200	(3)		534,056,749	
Swaps		3,231,002	(1)		7,045,466	(2)		58,243,918	
Options on futures		893,333,050	(1)		2,797,700	(2)		(535,058,605)	
Energy contracts									
Futures		95,915	(3)		21,760	(3)		9,120,435	
Options on futures		75,643,390	(1)		1,010,710	(2)		(8,933,574)	
Agriculture contracts									
Futures		22,935,794	(3)		5,038,109	(3)		376,974,953	
Options on futures		197,124,259	(1)		263,194,546	(2)		(341,001,072)	
Precious metals contracts									
Futures		412,955	(3)		133,090	(3)		86,673	
Options on futures		884,850	(1)		403,050	(2)		61,586	
Currency contracts									
Futures		3,287,089	(3)		26,099	(3)		4,553,517	
Currency forwards		2,034,261	(1)		3,570,021	(2)		10,346,819	
Options on futures		44,215,129	(1)		38,894,099	(2)		29,376	
	\$	2,479,181,194		\$	2,048,189,139		\$	132,142,726	(4)

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

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

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

(4) - Included in Proprietary trading, net on the statement 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, 2012	Gross Liability Derivatives at Fair Value December 31, 2012	Gains/(Losses) on Derivatives for the Year Ended December 31, 2012
Fixed income contracts			
Futures	\$ 30,224,655 (3)	\$ 95,083,423 (3)	\$ 94,803,372
Equity options	23,519,700 (1)	9,242,662 (2)	(21,971,630)
Swaps	19,900,593 (1)	2,377,319 (2)	23,280,819
Swaptions	11,126,525 (1)	3,386,381 (2)	8,827,732
Options on futures	369,634,210 (1)	463,691,509 (2)	454,428,472
Equity index contracts			
Equity options	108,870,298 (1)	4,356,195 (2)	5,877,655
Futures	343,455 (3)	605,750 (3)	581,026,028
Swaps	-	6,248,865 (2)	113,121,893
Options on futures	401,618,275 (1)	1,530,600 (2)	(912,855,147)
Energy contracts			
Futures	123,490 (3)	13,635 (3)	13,196,521
Options on futures	35,176,200 (1)	258,720 (2)	549,750
Agriculture contracts			
Futures	7,056,566 (3)	3,649,263 (3)	25,257,065
Options on futures	377,835,403 (1)	399,268,939 (2)	9,173,638
Precious metals contracts			
Futures	-	456,115 (3)	(6,051,957)
Options on futures	2,538,905 (1)	414,490 (2)	(441,175)
Currency contracts			
Futures	181,073 (3)	2,215,948 (3)	28,647,765
Currency forwards	496,891 (1)	1,658,244 (2)	(4,072,680)
Options on futures	5,411,324 (1)	3,974,099 (2)	(27,068,551)
	<u>\$ 1,394,057,563</u>	<u>\$ 998,432,157</u>	<u>\$ 385,729,570 (4)</u>

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

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

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

(4) - Included in Proprietary trading, net on the statement 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, 2013 were as follows

	2013					
	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	Cash Collateral Received	Net Amount
<b>Assets</b>						
Securities purchased under agreements to resell	\$ 6,462,076,108	\$ -	\$ 6,462,076,108	\$ (6,058,502,211)	\$ -	\$ 403,573,897
Futures contracts	134,658,528	(119,488,704)	15,169,825	-	-	15,169,825
	<u>\$ 6,596,734,636</u>	<u>\$ (119,488,704)</u>	<u>\$ 6,477,245,933</u>	<u>\$ (6,058,502,211)</u>	<u>\$ -</u>	<u>\$ 418,743,722</u>
<b>Liabilities</b>						
Securities sold under agreements to repurchase	\$ 6,058,502,211	\$ -	\$ 6,058,502,211	\$ (6,058,502,211)	\$ -	\$ -
Futures contracts	119,488,704	(119,488,704)	-	-	-	-
	<u>\$ 6,177,990,915</u>	<u>\$ (119,488,704)</u>	<u>\$ 6,058,502,211</u>	<u>\$ (6,058,502,211)</u>	<u>\$ -</u>	<u>\$ -</u>
	2012					
	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	Cash Collateral Received	Net Amount
<b>Assets</b>						
Securities purchased under agreements to resell	\$ 4,843,748,459	\$ -	\$ 4,843,748,459	\$ (4,843,748,459)	\$ -	\$ -
Futures contracts	37,929,241	(101,418,384)	(63,489,143)	-	-	(63,489,143)
	<u>\$ 4,881,677,700</u>	<u>\$ (101,418,384)</u>	<u>\$ 4,780,259,316</u>	<u>\$ (4,843,748,459)</u>	<u>\$ -</u>	<u>\$ (63,489,143)</u>
<b>Liabilities</b>						
Securities sold under agreements to repurchase	\$ 12,609,167,336	\$ -	\$ 12,609,167,336	\$ (4,843,748,459)	\$ -	\$ 7,765,418,876
Futures contracts	102,024,134	(101,418,384)	605,750	-	-	605,750
	<u>\$ 12,711,191,470</u>	<u>\$ (101,418,384)</u>	<u>\$ 12,609,773,086</u>	<u>\$ (4,843,748,459)</u>	<u>\$ -</u>	<u>\$ 7,766,024,626</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, 2013 and 2012, the average number of exchange traded derivative contracts bought and sold was approximately 15,753,000 and 12,817,000, respectively, contracts per month.

## DRW Investments, LLC

### Notes to Financial Statements

---

#### Note 8 Commitments and Contingencies

The Company holds a lease for office space in connection with its operations. The lease for this office space expires in 2024 and provides for payment of base rent plus adjustments for real estate taxes and operating expenses. At December 31, 2013, 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	
2014	\$ 3,510,163
2015	3,597,913
2016	3,686,983
2017	3,779,794
2018	3,873,925
Thereafter	25,362,386
	<u>\$ 43,811,164</u>

Rent expense for the years ended December 31, 2013 and 2012, was approximately \$530,000 and \$507,500, 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 statement of financial condition of approximately \$6,759,500 and \$6,887,000 as of December 31, 2013 and 2012, respectively.

On November 6, 2013, the U.S. Commodity Futures Trading Commission (CFTC) filed a Complaint against the Company and Donald R. Wilson, Jr. (Wilson), alleging manipulation and attempted manipulation in connection with certain interest rate swap futures. The Company and Wilson are contesting the claims and have moved to dismiss the Complaint. The Company believes that at this state of litigation it is too early to predict the outcome of the above matters 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, management believes that the allegation is without merit and the ultimate resolution of the matter will not have a significant impact to the ongoing operations of the Company.

#### Note 9. 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.