

**UNITED STATES OF AMERICA**  
**Before the**  
**COMMODITY FUTURES TRADING COMMISSION**

**RECEIVED CFTC**



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**12:25 pm, Sep 27, 2022**

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In the Matter of: )  
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Nomura Global Financial Products )  
Inc., Nomura Securities )  
International, Inc., and Nomura )  
International PLC, )  
)  
)  
)

CFTC Docket No. 22-41

Respondents. )  
\_\_\_\_\_)

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO  
SECTION 6(c) AND (d) OF THE COMMODITY EXCHANGE ACT, MAKING  
FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

**I. INTRODUCTION**

The Commodity Futures Trading Commission (“Commission”) has reason to believe that from at least 2015 to the present (“Relevant Period”), Nomura Global Financial Products Inc., Nomura Securities International, Inc., and Nomura International PLC (collectively, “Nomura” or “Respondents”) violated, as set forth below, Sections 4g, 4s(f)(1)(C), 4s(g)(1) and (3), and 4s(h)(1)(B) of the Commodity Exchange Act (“Act”), 7 U.S.C. §§ 6g, 6s(f)(1)(C), 6s(g)(1), (3), 6s(h)(1)(B), and Commission Regulations (“Regulations”) 1.31, 1.35, 23.201(a), 23.202(a)(1) and (b)(1), 23.602(a), and 166.3, 17 C.F.R. §§ 1.31, 1.35, 23.201(a), 23.202(a)(1), (b)(1), 23.602(a), 166.3 (2021). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondents engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondents have submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Respondents admit the facts set forth in Section II below, except for the facts in Sections II.A.2 and II.C.2, which facts they neither admit nor deny, acknowledge that their conduct violated the Act and Regulations and consent to the entry of this Order Instituting Proceedings Pursuant to

Section 6(c) and (d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”), and acknowledge service of this Order.<sup>1</sup>

## II. FINDINGS

The Commission finds the following:

### A. SUMMARY

#### 1. Nomura Employee Use of Unapproved Communication Methods

The Act and Regulations impose recordkeeping and supervision requirements on Commission registrants to ensure that they responsibly discharge their crucial role in our markets. Compliance with these requirements is essential to the Commission’s efforts to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation.

During the course of a Commission investigation into certain of Nomura’s trading, Commission staff issued a subpoena to Nomura for certain communications. Thereafter, Commission staff brought the potential use of unapproved communication methods by Nomura traders to Nomura’s attention. In 2019 the Commission subpoenaed Nomura’s policies and procedures related to communicating via unapproved methods, as well as the records of several Nomura traders. The communications produced by the traders in response to the subpoenas indicated that the traders used non-Nomura-approved methods of communication, including WhatsApp, to communicate with brokers. Nomura did not collect, or maintain, its employees’ messages over unapproved channels on personal devices. Consequently, to the extent responsive records were generated on non-Nomura communication methods, Nomura would not have been able to produce those communications to the Commission.

#### 2. Nomura Traders’ Efforts to Impede the Commission’s Investigation

Further, in 2019, several Nomura traders were aware that their trading was being investigated and certain of them took steps which impeded the Commission’s ability to obtain communications that took place on non-Nomura-approved methods of communication. Commission staff sent Trader A, a senior trader employed by Nomura affiliates in Japan and the U.K., a request that he preserve communications on his personal device. After receiving it, however, he deleted messages that were responsive to the preservation request and then made false statements to the Commission about his compliance with the preservation request. Trader A also encouraged others on the desk to delete messages. Certain other Nomura traders intentionally deleted certain of their personal device communications after receiving a preservation notice from the Commission.

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<sup>1</sup> Respondents agree that the findings of fact and conclusions of law in this Order shall be taken as true and correct and be given preclusive effect without further proof in this proceeding and any other proceeding brought by the Commission or to which the Commission is a party or claimant, including but not limited to, a proceeding in bankruptcy or receivership. Respondents do not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

### **3. Nomura Violated Commission Recordkeeping and Supervision Requirements**

Later in 2019, Commission staff subpoenaed numerous additional Nomura employees for business communications on non-Nomura approved methods of communications during the Relevant Period. Communications obtained through those efforts revealed that dozens of Nomura employees, including senior supervisors, had business-related communications on personal devices. Commission staff brought concerns about these communications to Nomura's attention. In subsequent discussions with Commission staff, Nomura represented that the use of unapproved communication methods had been pervasive and widespread at Nomura and noted certain remedial steps that it had taken or planned to take in these regards.

In or about March 2022, Commission staff again inquired about the use of unapproved communication methods by Nomura traders. Thereafter, Nomura notified Commission staff that the firm was aware that the widespread and longstanding use by Nomura employees of unapproved methods to engage in business-related communications continued past 2019.

The Commission's investigation with respect to Nomura's employee use of unapproved methods of communication revealed that, during the Relevant Period, Nomura employees, including those at senior levels, communicated both internally and externally using unapproved methods, including via personal text messages and WhatsApp messages. These written communications were sent and received by Nomura employees and included messages related to Nomura's businesses as Commission registrants that were required to be maintained under Commission-mandated recordkeeping requirements. These written communications via unapproved methods generally were not maintained and preserved by Nomura, and Nomura generally would not have been able to furnish the communications promptly to a Commission representative if and when requested. As a result, Nomura violated, as set forth below, Sections 4g, 4s(f)(1)(C), and 4s(g)(1) and (3) of the Act, 7 U.S.C. §§ 6g, 6s(f)(1)(C), 6s(g)(1), (3), and Regulations 1.31, 1.35, 23.201(a), and 23.202(a)(1) and (b)(1), 17 C.F.R. §§ 1.31, 1.35, 23.201(a), 23.202(a)(1), (b)(1) (2021).

In addition, the widespread use of unauthorized communication methods by Nomura's employees to conduct firm business violated Nomura's own policies and procedures, which prohibited such communications. Nomura did not maintain adequate internal controls with respect to the use of unapproved communication methods for business-related communications. Indeed, some of the very same supervisory personnel at Nomura responsible for ensuring compliance with Nomura's policies and procedures themselves utilized unapproved methods of communication to engage in business-related communications, in violation of firm policy. Because Nomura failed to implement a diligent supervisory system to ensure compliance with Commission recordkeeping requirements and the firm's own policies and procedures, and because the widespread use of unauthorized communication methods resulted in the firm's failure to maintain Commission-required records, Nomura failed to diligently supervise matters related to its business as a Commission registrant in violation of Section 4s(h)(1)(B) of the Act,

7 U.S.C. § 6s(h)(1)(B), and Regulations 166.3 and 23.602(a), 17 C.F.R. §§ 166.3, 23.602(a) (2021), as set forth below.

## **B. RESPONDENTS**

**Nomura Global Financial Products Inc.** is a U.S. company with its main office in New York, New York and is provisionally registered with the Commission as a swap dealer.

**Nomura Securities International, Inc.** is a U.S. company with its main office in New York, New York and is registered with the Commission as a futures commission merchant (“FCM”).

**Nomura International PLC** is an English company with its main office in London and is provisionally registered with the Commission as a swap dealer.

## **C. FACTS**

### **1. Nomura’s Supervision and Record-Keeping Failures**

During the course of a Commission investigation into certain of Nomura’s trading, Commission staff issued a subpoena to Nomura for specified communications. Thereafter, Commission staff brought the potential use of unapproved communication methods by Nomura traders to Nomura’s attention. Starting in the first half of 2019, the Commission subpoenaed Nomura’s policies and procedures related to communicating via unapproved methods, as well as the records of several Nomura traders. The communications produced by the traders in response to the subpoenas indicated that Nomura traders used non-Nomura-approved methods of communication, including WhatsApp, to communicate with colleagues and brokers. Nomura did not collect, search, or review those messages to assess whether such communications were responsive to the Commission’s subpoenas because the messages were sent or received through unapproved communication methods on those employees’ personal devices.

Later in 2019, Commission staff subpoenaed numerous Nomura employees for business communications on non-Nomura approved methods of communications. Communications obtained through those efforts revealed that dozens of Nomura employees, including senior supervisor, had business-related communications on personal devices. Commission staff brought concerns about these communications to Nomura’s attention. In subsequent discussions with Commission staff, Nomura represented that the use of unapproved communication methods had been pervasive and widespread at Nomura, although Nomura noted certain remedial steps that it had taken or planned to take to address the issue.

In June 2021, Commission staff requested an update on Nomura’s efforts to investigate and remediate employees’ use of unapproved communication methods. In November 2021, Nomura disclosed to Commission staff that it was undertaking an additional review of business communications on employees’ personal devices, spanning the period January 2018 through September 2021. In March 2022, Commission staff again inquired about the use of unapproved communication methods by Nomura employees. In response to Commission staff’s questions regarding Nomura employees’ use of unapproved methods on those employees’ personal

devices, Nomura disclosed that it had conducted a review of the use of unapproved communication methods by its employees. That review demonstrated that the widespread and longstanding use of unapproved communication methods by employees—including senior-level employees—to engage in firm business, including relating to trading in CFTC regulated derivatives markets, continued past 2019.

Importantly, during the Relevant Period, Nomura policies and procedures broadly prohibited employees from using unapproved communication methods, such as personal text messages and WhatsApp, to engage in business-related communications.

Messages sent through Nomura-approved communications methods were monitored, subject to review, and when appropriate, archived. By contrast, messages sent using unapproved communication methods, including over personal WhatsApp, email, and text messages, were generally not monitored, subject to review, or archived.

As a result of Nomura's failure to ensure that employees—including supervisors and senior-level employees—complied with the firm's communications policies and procedures, Nomura failed to maintain thousands of business-related communications, including communications in connection with its commodities and swaps businesses, and thus failed diligently to supervise its businesses as Commission registrants. These supervision failures resulted in the widespread use of unapproved methods of communication by many Nomura employees in violation of the firm's policies and procedures, as well as a widespread failure to maintain certain records required to be maintained pursuant to Commission recordkeeping requirements.

A sampling analysis, for example, of the personal devices of thirty Nomura employees, including sixteen associated persons of Nomura's swap dealer or Futures Commission Merchant businesses, illustrates the breadth of Nomura's supervision and recordkeeping failures. Of those thirty employees, who ranged in seniority from Associate to Managing Director, the vast majority had violated Nomura's communications policies and procedures by using personal text message and other unapproved methods to communicate with brokers, coworkers, and other market participants. Further, those employees' communications revealed that hundreds more Nomura employees (including numerous managing directors and senior supervisors) conducted firm business via unapproved methods (including in thousands of text and WhatsApp messages).

The Commission's investigation identified that certain of the communications by Nomura employees using unapproved communication methods constituted records that were required to be kept pursuant to Commission recordkeeping requirements, but were not preserved and maintained by Nomura. Commission staff informed Nomura that staff obtained communications from a third party that reflected Nomura employee use of unapproved communication methods for business conversations.

Nomura's recordkeeping and supervision failures were firm-wide and involved employees at all levels of authority. Nomura employees continued to use unapproved methods for business-related communications through at least September 2021, as demonstrated by Nomura's recent review. Moreover, employees' use of unapproved communication methods

was not hidden within the firm. To the contrary, certain supervisors—the very people responsible for supervising employees to prevent this misconduct—routinely communicated using unapproved methods on their personal devices. In fact, managing directors and senior supervisors responsible for implementing Nomura’s policies and procedures and for overseeing employees’ compliance with those policies and procedures, themselves failed to comply with firm policies by communicating using unapproved methods on their personal devices about the firm’s Commission-regulated businesses.

## **2. Certain Nomura Traders’ Efforts to Impede the Commission’s Investigation**

As a stark example of Nomura’s failure to enforce its communications policies, certain Nomura traders deleted certain messages and took other steps that impeded the Commission’s investigation with respect to their use of unapproved communication methods. As part of the Commission’s investigation into Nomura’s trading, Commission staff brought the potential use of unapproved communication methods by Nomura traders to Nomura’s attention. Several months later, in March 2019, Commission staff issued preservation requests to several Nomura traders. The requests called for the traders to preserve certain communications that the traders had on their personal devices. As a result, the traders on the desk were aware that their trading was under scrutiny as part of a Commission investigation. Several of the traders nevertheless took steps that impeded the investigation.

One of the March 2019 Commission preservation requests was addressed to Trader A, a senior trader. Soon thereafter, Commission staff issued Trader A a subpoena for certain personal-device records covered by the preservation request, including records related to the Trader’s potentially manipulative trading in February 2015. After receiving the preservation request, however, Trader A deleted messages, including WhatsApp messages, that were covered by the preservation request. In addition, Trader A, in sworn testimony and in a letter from his counsel, falsely claimed to Commission staff that he had complied with the preservation request.

Trader A also took steps to encourage other traders, including the head of the desk on which Trader A sat, to take similar actions. Other traders on the desk also discussed with each other deleting business communications from their personal devices, and certain other traders on the Desk did in fact delete messages from their personal devices. Nevertheless, despite receiving preservation requests, certain Nomura traders deleted text messages and WhatsApp messages, including some messages that were related to the subject matter of the Commission’s investigation and were covered by the preservation request.

### **III. LEGAL DISCUSSION**

#### **A. Nomura Global Financial Products Inc. and Nomura International PLC’s Failure to Maintain Required Records in Violation of Sections 4s(f)(1)(C) and 4s(g)(1) and (3) of the Act and Regulations 23.201(a) and 23.202(a)(1) and (b)(1)**

Section 4s(f)(1)(C) of the Act obligates swap dealers to keep “books and records of all activities related to its business as a swap dealer . . . in such form and manner and for such period as may be prescribed by the Commission by rule or regulation” and those books and records

must be kept “open to inspection and examination by any representative of the Commission.” 7 U.S.C. § 6s(f)(1)(C); *see also* Section 4s(g)(1) and (3) of the Act, 7 U.S.C. § 6s(g)(1), (3) (requiring swap dealers to keep daily trading and counterparty records). These statutes are implemented, among other places, at Regulations 23.201(a) and 23.202(a)(1) and (b)(1), 17 C.F.R. §§ 23.201(a), 23.202(a)(1), (b)(1) (2021).

Regulation 23.201(a) obligates a swap dealer to “keep full, complete, and systematic records, together with all pertinent data and memoranda, of all its swaps activities,” including “[r]ecords of each transaction, including all documents on which transaction information is originally recorded.” Regulation 23.202(a)(1) and (b)(1) requires, in relevant part, every swap dealer to keep daily trading records of all swaps and related cash and forward transactions it executes including, specifically, a record of oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that led to the execution of a swap transaction or the conclusion of a related cash or forward transaction.

During the Relevant Period, as a result of the widespread employee use of unapproved communication methods, Nomura Global Financial Products Inc. and Nomura International PLC failed to maintain Commission-required transaction records and pre-execution communications. By this conduct, Nomura Global Financial Products Inc. and Nomura International PLC violated Sections 4s(f)(1)(C) and 4s(g)(1) and (3) of the Act and Regulations 23.201(a) and 23.202(a)(1) and (b)(1).

#### **B. Nomura Securities International, Inc.’s Failure to Keep Required Records in Violation of Section 4g of the Act and Regulation 1.35**

Section 4g of the Act requires FCMs and other registrants to create and keep books and records pertaining to transactions and positions in such form and manner and for such period as may be required by the Commission. 7 U.S.C. § 6g. Regulation 1.35(a)(1), 17 C.F.R. § 1.35(a)(1) (2021), sets forth some of the books and records that are required to be created and maintained by FCMs. Specifically, an FCM must:

(i) Keep full, complete, and systematic records . . . of all transactions relating to its business of dealing in commodity interests . . . which shall include all orders (filled, unfilled, or canceled), . . . and all other records, which have been prepared in the course of its business of dealing in commodity interests . . . .

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(iii) Keep all oral and written communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that lead to the execution of a transaction in a commodity interest . . . whether transmitted by telephone, voicemail, facsimile, instant messaging, chat rooms, electronic mail, mobile device, or other digital or electronic media . . . .

With the exception of pre-trade communications, all such records are required to be “kept in a form and manner that allows for the identification of a particular transaction.” Regulation 1.35(a)(5), 17 C.F.R. § 1.35(a)(5) (2021).

As a result of the widespread use of unapproved methods of communication by firm employees, which communications were not preserved and maintained, Nomura Securities International, Inc. failed to keep full, complete, and systematic records of all transactions relating to its business of dealing in commodity interests, in violation of Section 4g of the Act and Regulation 1.35.

**C. Nomura’s Failure to Keep Records in Required Manner in Violation of Regulation 1.31**

Regulation 1.31(b)(4), 17 C.F.R. § 1.31(b)(4) (2021), requires that registrants keep all books and records that are required to be maintained under the Act and Regulations in such manner as to make them “readily accessible” for a period of two years for paper records and for the duration of the retention period for electronic records. Upon request of the Commission, all of these documents are required to be “promptly” produced. Regulation 1.31(d), 17 C.F.R. § 1.31(d) (2021). Regulation 23.203(b)(1), 17 C.F.R. § 23.203(b)(1) (2021), requires that records required to be kept pursuant to Part 23 of the Regulations, be kept in accordance with Regulation 1.31, 17 C.F.R. § 1.31 (2021).

By failing to keep all Commission-required records in such a manner as to make them “readily accessible,” Nomura violated Regulation 1.31.

**D. Nomura Global Financial Products Inc. and Nomura International PLC’s Failure to Supervise Diligently in Violation of Section 4s(h)(1)(B) of the Act and Regulation 23.602(a)**

Section 4s(h)(1)(B) of the Act, 7 U.S.C. § 6s(h)(1)(B), requires “diligent supervision of the business of the registered swap dealer[.]” Regulation 23.602(a) requires that each swap dealer “shall establish and maintain a system to supervise, and shall diligently supervise, all activities relating to its business performed by its partners, members, officers, employees, and agents (or persons occupying a similar status or performing a similar function).” 17 C.F.R. § 23.602(a) (2021). The operative language of Regulation 23.602(a) is similar to the language of the Commission’s longstanding supervision regulation for futures and options, Regulation 166.3, 17 C.F.R. § 166.3 (2021).

Under Regulation 23.602(a), a violation is demonstrated by showing either that: (1) the registrant’s supervisory system was generally inadequate; or (2) the registrant failed to perform its supervisory duties diligently. *See In re JPMorgan Chase Bank, N.A.*, CFTC No. 22-07, 2021 WL 6098347, at \*6 (Dec. 17, 2021) (consent order); *see also In re Commerzbank AG*, CFTC No. 19-03, 2018 WL 5921385, at \*10-11 (Nov. 8, 2018) (consent order) (noting textual similarities between Regulation 23.602 and Regulation 166.3, applying case law concerning Regulation 166.3, and citing *In re Murlas Commodities, Inc.*, CFTC No. 85-29, 1995 WL 523563, at \*9 (Sept. 1, 1995), and *In re Paragon Futures Assoc.*, CFTC No. 88-18, 1992 WL 74261, at \*14 (Apr. 1, 1992)); *In re INTL FCStone Markets, LLC*, CFTC No. 15-27, 2015 WL 4980321, at \*3 (Aug. 19, 2015) (consent order) (same). Either showing “alone is sufficient to establish a violation of the supervision requirement.” *Commerzbank*, 2018 WL 5921385, at \*10



(interpreting Regulation 23.602 in light of Regulation 166.3 precedents). No evidence of an underlying violation is necessary. *In re Collins*, CFTC No. 94-13, 1997 WL 761927, at \*10 (Dec. 10, 1997) (interpreting Regulation 166.3). Evidence of violations that “‘should be detected by a diligent system of supervision, either because of the nature of the violations or because the violations have occurred repeatedly,’ is probative of a failure to supervise.” *See In re Bank of Nova Scotia*, CFTC No. 20-26, 2020 WL 4926053, at \*10 (Aug. 19, 2020) (consent order) (quoting *In re Société Générale Int’l Ltd.*, CFTC No. 19-38, 2009 WL 4915485, at \*7 (Sept. 30, 2019) (consent order)).

Nomura Global Financial Products Inc. and Nomura International PLC failed to supervise its swap dealer business activities diligently during the Relevant Period. Nomura Global Financial Products Inc. and Nomura International PLC failed to maintain an adequate supervisory system to ensure that employees did not utilize unapproved methods to engage in communications relating to firm business, including the swap dealer business. Nomura Global Financial Products Inc. and Nomura International PLC’s failure to supervise is demonstrated by its failure to detect, prevent, and remediate repeated violations of the Commission’s recordkeeping requirements and firm policies and procedures. Supervisory personnel failed to ensure that employees complied with Nomura Global Financial Products Inc. and Nomura International PLC’s Commission recordkeeping obligations and firm communications policies and in some instances themselves violated the policies. These supervision failures also resulted in the failure to keep and maintain Commission-required records and the failure to maintain the records in such a manner as to make them readily available. By this conduct, Nomura Global Financial Products Inc. and Nomura International PLC failed to supervise diligently their officers, employees, and agents, in violation of Section 4s(h)(1)(B) of the Act and Regulation 23.602(a).

**E. Nomura Securities International, Inc.’s Failure to Diligently Supervise in Violation of Regulation 166.3**

Regulation 166.3 states:

Each Commission registrant, except an associated person who has no supervisory duties, must diligently supervise the handling by its partners, officers, employees and agents (or persons occupying a similar status or performing a similar function) of all commodity interest accounts carried, operated, advised or introduced by the registrant and all other activities of its partners, officers, employees and agents (or persons occupying a similar status or performing a similar function) relating to its business as a Commission registrant.

17 C.F.R. § 166.3 (2021).

A violation under Regulation 166.3 is an independent violation for which no underlying violation is necessary. *See Collins*, 1997 WL 761927, at \*10. A violation of Regulation 166.3 is demonstrated by showing either that: (1) the registrant’s supervisory system was generally inadequate; or (2) the registrant failed to perform its supervisory duties diligently. *Murlas Commodities, Inc.*, 1995 WL 523563, at \*9; *Sansom Refining Co. v. Drexel Burnham Lambert*,

*Inc.*, CFTC No. 82-R448, 1990 WL 282783, at \*11 (Feb. 16, 1990) (noting that, under Regulation 166.3, registrants have “duty to develop procedures for the detection and deterrence of possible wrongdoing by [their] agents” (internal quotation omitted)); *In re GNP Commodities, Inc.*, CFTC No. 89-1, 1992 WL 201158, at \*17-19 (Aug. 11, 1992) (providing that, even if an adequate supervisory system is in place, Regulation 166.3 can still be violated if the supervisory system is not diligently administered); *see also In re Rosenthal Collins Grp., LLC*, CFTC No. 12-18, 2012 WL 1242406, at \*6 (Apr. 12, 2012) (consent order) (respondent failed to perform supervisory duties diligently by not following its compliance procedures that were in place). Evidence of violations that “should be detected by a diligent system of supervision, either because of the nature of the violations or because the violations have occurred repeatedly” is probative of a failure to diligently supervise. *In re Paragon Futures Assoc.*, CFTC No. 88-18, 1992 WL 74261, at \*14 (Apr. 1, 1992) (“The focus of any proceeding to determine whether Rule 166.3 has been violated will be on whether [a] review [has] occurred and, if it did, whether it was ‘diligent.’”).

Nomura Securities International, Inc. failed to supervise its business as a Commission registrant by failing to maintain adequate supervisory systems to ensure that employees complied with Nomura Securities International, Inc.’s Commission recordkeeping requirements and firm policies and procedures that prohibited business-related communications on unapproved methods of communication. The inadequacy of Nomura Securities International, Inc.’s supervisory systems is demonstrated by the longstanding and repeated violations of Nomura Securities International, Inc.’s Commission recordkeeping obligations and firm policies and procedures and the fact that the supervisory failures resulted in the repeated failure to maintain Commission-required records, to ensure that the required records were readily accessible, and that the records could be promptly produced upon request. By this conduct, Nomura Securities International, Inc. failed to supervise diligently its officers, employees, and agents in violation of Regulation 166.3.

#### **IV. FINDINGS OF VIOLATIONS**

Based on the foregoing, the Commission finds that, during the Relevant Period, Nomura Global Financial Products Inc. and Nomura International PLC violated Sections 4s(f)(1)(C), 4s(g)(1) and (3), and 4s(h)(1)(B) of the Act, 7 U.S.C. §§ 6s(f)(1)(C), 6s(g)(1), (3), 6s(h)(1)(B), and Regulations 1.31, 23.201(a), 23.202(a)(1) and (b)(1), and 23.602(a), 17 C.F.R. §§ 1.31, 23.201(a), 23.202(a)(1), (b)(1), 23.602(a) (2021); and Nomura Securities International, Inc. violated Section 4g of the Act, 7 U.S.C. § 6g, and Regulations 1.31, 1.35, and 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2021).

#### **V. OFFER OF SETTLEMENT**

Respondents have submitted the Offer in which they:

- A. Acknowledge service of this Order;
- B. Admit the facts described in Section II above, except for the facts set forth in Sections II.A.2 and II.C.2, which they neither admit nor deny, and acknowledge that their conduct violated the Act and Regulations;

- C. Admit the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- D. Waive:
1. The filing and service of a complaint and notice of hearing;
  2. A hearing;
  3. All post-hearing procedures;
  4. Judicial review by any court;
  5. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
  6. Any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504, and 28 U.S.C. § 2412, and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2021), relating to, or arising from, this proceeding;
  7. Any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201–253, 110 Stat. 847, 857–74 (codified as amended at 28 U.S.C. § 2412 and in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and
  8. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;
- E. Stipulate that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondents have consented in the Offer;
- F. Consent, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings by the Commission that Nomura Global Financial Products Inc. and Nomura International PLC violated Sections 4s(f)(1)(C), 4s(g)(1) and (3), and 4s(h)(1)(B) of the Act, 7 U.S.C. §§ 6s(f)(1)(C), 6s(g)(1), (3), 6s(h)(1)(B), and Regulations 1.31, 23.201(a), 23.202(a)(1) and (b)(1), and 23.602(a), 17 C.F.R. §§ 1.31, 23.201(a), 23.202(a)(1), (b)(1), 23.602(a) (2021); and Nomura Securities International, Inc. violated Section 4g of the Act, 7 U.S.C. § 6g, and Regulations 1.31, 1.35, and 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2021);
  2. Orders Nomura Global Financial Products Inc. and Nomura International PLC to cease and desist from violating Sections 4s(f)(1)(C), 4s(g)(1) and (3), and 4s(h)(1)(B) of the Act, and Regulations 1.31, 23.201(a), 23.202(a)(1) and (b)(1),

and 23.602(a); and Nomura Securities International, Inc. to cease and desist from violating Section 4g of the Act and Regulations 1.31, 1.35, and 166.3;

3. Orders Respondents to pay, jointly and severally, a civil monetary penalty in the amount of fifty million US dollars (\$50,000,000), plus post-judgment interest within fourteen days of the date of entry of this Order; and
  4. Orders Respondents and their successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order; and
- G. Represent that Respondents have engaged in a review of certain recordkeeping failures and begun a program of remediation.

Upon consideration, the Commission has determined to accept the Offer.

## **VI. ORDER**

### **Accordingly, IT IS HEREBY ORDERED THAT:**

- A. Nomura Global Financial Products Inc. and Nomura International PLC and their successors and assigns shall cease and desist from violating Sections 4s(f)(1)(C), 4s(g)(1) and (3), and 4s(h)(1)(B) of the Act, 7 U.S.C. §§ 6s(f)(1)(C), 6s(g)(1), (3), 6s(h)(1)(B), and Regulations 1.31, 23.201(a), 23.202(a)(1) and (b)(1), and 23.602(a), 17 C.F.R. §§ 1.31, 23.201(a), 23.202(a)(1), (b)(1), 23.602(a) (2021); and Nomura Securities International, Inc. and its successors and assigns shall cease and desist from violating Section 4g of the Act, 7 U.S.C. § 6g, and Regulations 1.31, 1.35, and 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2021).
- B. Respondents shall pay, jointly and severally, a civil monetary penalty in the amount of fifty million US dollars (\$50,000,000) (“CMP Obligation”), within fourteen days of the date of the entry of this Order. If the CMP Obligation is not paid in full within fourteen days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

Respondents shall pay the CMP Obligation and any post-judgment interest by electronic funds transfer, U.S. postal money order, certified check, bank cashier’s check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326  
Commodity Futures Trading Commission  
6500 S. MacArthur Blvd.  
HQ Room 266  
Oklahoma City, OK 73169

9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic funds transfer, Nomura shall contact Tonia King or her successor at the above email address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent(s) and the name and docket number of this proceeding. The paying Respondent(s) shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581;

C. Respondents and their successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:

1. Nomura shall conduct:

- a. A comprehensive review of Nomura's supervisory, compliance, and other policies and procedures designed to ensure that Nomura's electronic communications, including those found on personal electronic devices, including without limitation, cellular phones ("Personal Devices"), are preserved in accordance with the requirements of the Act, the Regulations, and Nomura's policies and procedures.
- b. A comprehensive review of training conducted by Nomura to ensure personnel are complying with the requirements regarding the preservation of electronic communications, including those found on Personal Devices, in accordance with the requirements of the Act and the Regulations, and Nomura's policies and procedures, including by ensuring that Nomura personnel certify in writing on a quarterly basis that they are complying with preservation requirements.
- c. An assessment of the surveillance program measures implemented by Nomura to ensure compliance, on an ongoing basis, with the requirements found in the Act, the Regulations, and Nomura's policies and procedures to preserve electronic communications, including those found on Personal Devices.
- d. An assessment of the technological solutions that Nomura has begun implementing to meet the record retention requirements of the Act, the Regulations, and Nomura's policies and procedures, including an assessment of the likelihood that Nomura personnel will use the technological solutions going forward and a review of the measures employed by Nomura to track employee usage of new technological solutions.
- e. An assessment of the measures used by Nomura to prevent the use of unauthorized communications methods for business communications by employees. This assessment should include, but not be limited to, a review of the firm's policies and procedures to ascertain if they provide for any

significant technology and/or behavioral restrictions that help prevent the risk of the use of unapproved communications methods on Personal Devices (e.g., trading floor restrictions).

- f. A review of Nomura's electronic communications surveillance routines to ensure that electronic communications through approved communications methods found on Personal Devices are incorporated into Nomura's overall communications surveillance program.
- g. A comprehensive review of the framework adopted by Nomura to address instances of non-compliance by Nomura employees with Nomura's policies and procedures concerning the use of Personal Devices to communicate about Nomura business in the past. This review shall include a survey of how Nomura determined which employees failed to comply with Nomura policies and procedures, the corrective action carried out, an evaluation of who violated policies and why, what penalties were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

2. Written Report of Findings:

- a. Within forty-five (45) days after completion of the review set forth in subparagraphs 1.a. through 1.g. above, Nomura shall submit a detailed written report of its findings to the Commission staff (the "Report"). The Report shall include a description of the review performed, the names of the individuals who performed the review, the conclusions reached, and a summary of the plan for implementing the recommended changes in or improvements to Nomura's policies and procedures.
- b. Nomura shall adopt all recommendations contained in the Report within one hundred and thirty-five (135) days of the date of the Report.
- c. The Report will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except: (1) pursuant to court order; (2) as agreed to by the parties in writing; (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities; or (4) is otherwise required by law.

3. One-Year Evaluation: Nomura shall assess its program for the preservation, as required under the Act, Regulations, and Nomura's policies and procedures, of electronic communications, including those found on Personal Devices, commencing

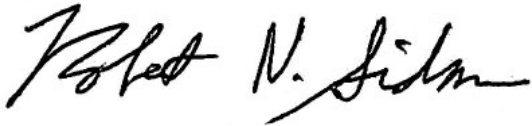
one year after submitting the Report required by Paragraph 2.a. above. Nomura shall require this review to evaluate Nomura's progress in the areas described in Paragraph 1.a. through 1.g. above. After this review, Nomura shall submit a report (the "One Year Report") to the Commission staff and shall ensure that the One Year Report includes an updated assessment of Nomura's policies and procedures with regard to the preservation of electronic communications (including those found on Personal Devices), training, surveillance programs, and technological solutions implemented in the prior year period.

4. Reporting Discipline Imposed: For two years following the entry of this Order, Nomura shall notify the Commission staff as follows upon the imposition of any discipline imposed by Nomura, including, but not limited to, written warnings, loss of any pay, bonus, or incentive compensation, or the termination of employment, with respect to any employee found to have violated Nomura's policies and procedures concerning the preservation of electronic communications, including those found on Personal Devices: (1) at least 48 hours before the filing of a Form 8-T; or (2) within ten (10) days of the imposition of other discipline.
5. Recordkeeping: Nomura shall preserve, for a period of not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of compliance with these undertakings.
6. Public Statements: Respondents agree that neither they nor any of their successors and assigns, agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondents': (1) testimonial obligations; or (2) right to take legal positions in other proceedings to which the Commission is not a party. Respondents and their successors and assigns shall comply with this agreement, and shall undertake all steps necessary to ensure that all of their agents and/or employees under their authority or control understand and comply with this agreement.
7. Cooperation, in General: Respondents shall cooperate fully and expeditiously with the Commission, including the Commission's Division of Enforcement, in this action, and in any current or future Commission investigation or action related thereto. Respondents shall also cooperate in any investigation, civil litigation, or administrative matter related to, or arising from, the subject matter of this action.
8. Partial Satisfaction: Respondents understand and agree that any acceptance by the Commission of any partial payment of Respondents' CMP Obligation shall not be deemed a waiver of their obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

9. Deadlines: For good cause shown, Division staff may extend any of the procedural dates relating to the undertakings. Unless otherwise specified, deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.
  
10. Change of Address/Phone: Until such time as Respondents satisfy in full their CMP Obligation as set forth in this Order, Respondents shall provide written notice to the Commission by certified mail of any change to their telephone numbers and mailing addresses within ten calendar days of the change.

**The provisions of this Order shall be effective as of this date.**

By the Commission.



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Robert N. Sidman  
Deputy Secretary of the Commission  
Commodity Futures Trading Commission

Dated: September 27, 2022