

Mizuho Securities Canada Inc.

Statement of Financial Condition

September 30, 2022

(Unaudited)



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Statement of Financial Condition

September 30, 2022

(In Thousands of U.S. dollars, Except Share Data)

(Unaudited)

Assets

Cash and cash equivalents	\$	5,727
Securities owned, at fair value		14,544
Receivables from broker dealers and clearing organizations		163
Other assets		77
Total Assets	\$	20,511

Liabilities and Stockholder's Equity

Liabilities

Accrued expenses and other liabilities		405
Payable to affiliate		193
Total Liabilities		598

Stockholder's Equity

Common stock and additional paid in capital:

100 shares issued and outstanding (\$1 per share)		19,891
Retained earnings		436
Accumulated other comprehensive loss		(414)
Total Stockholder's Equity		19,913

Total Liabilities and Stockholder's Equity	\$	20,511
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The accompanying notes are an integral part of the Statement of Financial Condition..

Mizuho Securities Canada Inc.
Notes to Statement of Financial Condition

(In Thousands of U.S. dollars)

(Unaudited)

1. Organization and Description of Business

Mizuho Securities Canada Inc. (the “Company”), is a wholly-owned subsidiary of Mizuho Securities USA LLC (“MSUSA”). The Company participates in debt and equity underwritings in the Canadian marketplace. The Company’s functional currency is the Canadian dollar (“CAD”). This Statement of Financial Condition is presented in U.S. dollars (“\$”; “USD”).

The Company is a corporation organized under the laws of British Columbia, Canada. The Company is also a registered broker-dealer with the Securities Exchange Commission (“SEC”), and is a member of the U.S Financial Industry Regulatory Authority (“FINRA”) and the Investment Industry Regulatory Organization of Canada (“IIROC”), the Canadian national self-regulatory organization, and is subject to the rules and regulations of these organizations.

MSUSA is a registered broker-dealer incorporated in the United States and is a wholly-owned subsidiary of Mizuho Americas LLC (“MHA”). MHA is a bank holding company, which is ultimately wholly-owned by Mizuho Financial Group, Inc. (“MHFG”). MHFG is a holding company listed on the Tokyo, Osaka, and New York Stock Exchanges that provides comprehensive financial services through its subsidiaries.

2. Summary of Significant Accounting Policies

Basis of presentation

The Statement of Financial Condition is presented in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Use of estimates

The preparation of the Statement of Financial Condition in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates. Actual results could differ from those estimates.

Cash and cash equivalents

The Company defines cash equivalents as overnight time deposits and short-term, highly-liquid investments with original maturities of three months or less at the time of purchase. The Company has cash equivalents of \$2,800 at September 30, 2022.

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Notes to Statement of Financial Condition

(In Thousands of U.S. dollars)

2. Summary of Significant Accounting Policies (continued)

Securities owned, at fair value

Securities owned are recorded on a trade date basis at fair value. Fair value is generally based upon quoted market prices, when available. When quoted market prices are not available, the Company uses other market data, such as transacted prices for the same or similar securities.

Securities owned consists of Canadian Treasury bills held as a deposit with a broker of \$14,544 at September 30, 2022 on the Statement of Financial Condition.

Fair value measurements

The Company reports certain assets and liabilities at fair value on the Statement of Financial Condition in accordance with ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”). The Company has made no elections under the “Fair Value Option” in accordance with ASC 825, *Financial Instruments* (“ASC 825”), which allows the Company to irrevocably elect fair value as the initial and subsequent measurement attribute for most financial assets and liabilities on an instrument-by-instrument basis.

Credit Losses

The Company accounts for estimated credit losses in accordance with FASB ASC 326-20, *Financial Instruments – Credit Losses* (“ASC 326”). ASC 326 requires the Company to estimate expected credit losses on financial assets measured at amortized cost over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts.

Investment banking

Investment banking includes fees earned from debt underwriting. The Company accounts for the fees earned from debt underwriting in accordance with ASC 606, *Revenue from Contracts with Customers* (“ASC 606”). The Company acts as an underwriter and earns revenue, which can include management fees, sales concessions, and underwriting fees. ASC 606 prescribes that fee revenue relating to underwriting commitments is recognized when all significant items relating to the underwriting cycle have been completed and the amount of the underwriting revenue has been determined. Generally, this would occur on trade date, when the deal is launched into the

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(In Thousands of U.S. dollars)

2. Summary of Significant Accounting Policies (continued)

primary market. Investment banking revenues are presented gross of transaction related expenses and are recognized when the Company satisfies the performance obligation. Investment banking fees receivable of \$163 at September 30, 2022 are reported in receivables from broker dealers and clearing organizations on the Statement of Financial Condition.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* (“ASC 740”). ASC 740 prescribes the method to account for uncertainty in income tax positions taken or expected to be taken in a tax return by applying a “more likely than not” (“MLTN”) criteria as to whether a tax position will be sustained upon examination, based on the technical merits of the position. Accordingly, the Company assesses this likelihood based on the facts, circumstances, and information available at the end of each period. A tax position that meets the MLTN recognition threshold is measured initially and subsequently as the largest amount of tax benefit that will likely be realized upon settlement with a taxing authority that has full knowledge of all the relevant information. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. Deferred tax expenses or benefits are recognized in the Statement of Financial Condition at amounts expected to be realized for the changes in deferred tax liabilities (“DTLs”) or assets (“DTAs”) between years. The Company recognizes the current and deferred tax consequences of all transactions in the Statement of Financial Condition using the provisions of the currently enacted tax laws.

Foreign exchange

Assets and liabilities denominated in non-CAD currencies are revalued into CAD equivalents using the spot foreign exchange rates at the date of the Statement of Financial Condition.

For the purposes of preparing the Statement of Financial Condition, the Company translates its balances into USD in accordance with the rules prescribed in ASC 830, *Foreign Currency Matters*.

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(In Thousands of U.S. dollars)

3. Related Party Transactions

In the normal course of business, the Company enters into transactions with affiliated companies for shared personnel and outsourced management services. MSUSA and, Mizuho Bank Ltd. Canada Branch (“MHBK Canada Branch”) provides managerial and support services to the Company and charges a fee pursuant to a Service Level Agreement, which are recorded in payables to affiliates on the Statement of Financial Condition. These payables of \$193 are recorded in payable to affiliate on the Statement of Financial Condition.

4. Income Taxes

The Company files U.S. Federal income and Canadian income tax returns.

The difference between taxes at the U.S. federal statutory rate and the effective rate is primarily due to the effects of foreign taxes and is offset due to the change in valuation allowance.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At September 30, 2022, the Company had \$168 of deferred tax assets, which related primarily to timing differences for net operating losses (“NOL”). The NOL carryforward balance of \$494 will expire at March 31, 2040. The Company has a valuation allowance of \$168, an decrease of \$6 from March 31, 2022, which fully offsets the DTA as the Company believes it is more likely than not that the DTA will not be realized. The Company has not yet had a sufficient record of earnings to adequately assess the likelihood of realizing the DTA.

The Company had no unrecognized tax benefits at September 30, 2022. As of September 30, 2022, management does not believe that there are any positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within the next 12 months. The Company’s income tax returns for the tax years ended March 31, 2019 through March 31, 2022 remain subject to examination by the Internal Revenue Service for U.S. federal tax purposes, the state and local tax authorities, and the Canada Revenue Agency for Canadian tax purposes.

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(In Thousands of U.S. dollars)

5. Risk Management

Risk is an inherent part of the Company's business and activities. The Company has established risk management policies and procedures to measure and monitor each of the various types of significant risks involved in its underwriting business. The Company's ability to properly and effectively identify, assess, monitor, and manage its risk is critical to the overall execution of the Company's strategy and its profitability.

Risk management at the Company requires independent Company-level oversight. Effective risk practices are carried out through constant communication, exercise of professional judgement, and knowledge of specialized products and markets. The Company's senior management takes an active role in the identification, assessment, and management of risks at the Company level.

Market Risk – Market risk is the potential loss the Company may incur as a result of changes in the market value of a particular instrument. The Company manages market risk by economically hedging its exposure to risk factors if necessary. In 2022, there were no such contracts entered into or outstanding.

Credit Risk – Credit risk is the risk of loss resulting from a counterparty's failure to meet its obligations. The Company is engaged in underwriting activities with counterparties primarily in the financial services industry. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk of loss. The risk of default mainly depends on the creditworthiness of the counterparty or issuer of the instrument. There was no credit risk that had a material impact on the Company's Statement of Financial Condition.

Operational Risk – Operational risk is the risk of loss, whether direct or indirect, to which the Company is exposed due to inadequate or failed internal processes or systems, human error or misconduct, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime, and environmental risk, but excludes strategic and reputational risk. Operational risk, in some form exists in each of the Company's business and support activities, and can result in financial loss, regulatory sanctions and damage to the Company's reputation. There was no operational risk that had a material impact on the Company's Statement of Financial Condition.

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(In Thousands of U.S. dollars)

6. Fair Value Measurement

ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” or an “exit price”. The objective of a fair value measurement is to determine this exit price.

The valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, using techniques that are appropriate and for which sufficient data is available. Additionally, for inputs based on bid and ask prices, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

Fair value hierarchy

ASC 820 prioritizes the inputs used to measure fair value into three broad levels, assigning the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest to unobservable inputs (Level 3 measurements). If the inputs used to measure an asset or liability fall into different levels within the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

The three categories are as follows:

Level 1: Assets and liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities. The Company did not have any Level 1 assets or liabilities at September 30, 2022.

Level 2: Assets and liabilities whose values are based on inputs that are observable either directly or indirectly, but do not qualify as Level 1 inputs. Level 2 assets include Canadian Treasury bills. The Company did not have any Level 2 liabilities at September 30, 2022.

Level 3: Assets and liabilities, whose values are based on inputs that are both unobservable and significant to the overall fair value measurement. The Company did not have any assets or liabilities measured at fair value using unobservable inputs or for which unobservable inputs were significant to their fair value measurement throughout the six months ended or at September 30, 2022.

In determining the appropriate measurement levels, the Company performs analyses on the assets and liabilities subject to ASC 820 at the end of each reporting period. Changes in the observability of significant valuation inputs during the reporting period may result in a reclassification of certain assets and liabilities within the fair value hierarchy.

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(In Thousands of U.S. dollars)

6. Fair Value Measurement (continued)

At September 30, 2022, there were Canadian Treasury bills of \$14,544 assigned as Level 2 securities using the above fair value hierarchy.

Valuation techniques

Other sovereign obligations are measured at fair value by using observable bid offer markets from active dealers or benchmarking spreads to curves based on the risk of the issuer. Accordingly, these securities are categorized in Level 2 of the fair value hierarchy.

Financial assets and liabilities not measured at fair value

Other financial instruments are recorded by the Company at contract amounts and include cash and cash equivalents, receivables from brokers, dealers, and clearing organizations and payables to affiliates. All financial instruments carried at contract amounts either have short-term maturities (one year or less), or bear market interest rates and, accordingly, are carried at amounts approximating fair value.

7. Commitments and Contingencies

Underwriting Commitments

In the normal course of business, the Company enters into underwriting commitments. There are no open commitments at September 30, 2022.

Litigation

In accordance with the provisions of ASC 450, Contingencies (“ASC 450”), the Company accrues for a litigation-related liability when the assessed likelihood of realizing a future loss is probable and the amount of loss can be reasonably estimated. In applying these principles, the information available may indicate that the estimated amount of loss is within a range of amounts. When an amount within a range of loss is identified as the most likely result within the range, that amount is accrued by the Company. It is the opinion of management, after consultation with counsel, that there are no matters pending against the Company that could have a material adverse effect on the Company’s financial condition or results of operations.

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8. Regulatory Requirements

As a broker-dealer, the Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 of the Securities Exchange Act of 1934 ("Rule 15c3-1"), which requires the maintenance of minimum net capital in accordance with a formula set forth therein. The Company is required to maintain net capital, as defined, at the greater of \$100 or 6-2/3% of aggregate indebtedness under the Securities Exchange Act of 1934. At September 30, 2022, the Company had net capital of \$18,053, which was \$17,953 in excess of its \$100 requirement. The Company had no obligations under Rule 15c3-3 of the Securities Exchange Act of 1934 at September 30, 2022.

9. Subsequent Events

Under the provisions of ASC 855, Subsequent Events ("ASC 855"), companies are required to evaluate events and transactions that occur after the balance sheet date but before the date the Statement of Financial Condition is issued, or available to be issued in the case of non-public entities. As such, the Company is required to evaluate and recognize in the Statement of Financial Condition the effect of all events or transactions that provide additional evidence of conditions that existed at the balance sheet date, including estimates inherent in the Statement of Financial Condition's preparation.

The Company evaluated events subsequent to September 30, 2022 through November 30, 2022, the date on which the Statement of Financial Condition is available to be issued. There were no material recognizable or non-recognizable subsequent events during this period.