

Mizuho Securities Canada Inc.

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Statement of Financial Condition

September 30, 2024

(Unaudited)



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**Mizuho Securities Canada Inc.**  
**Statement of Financial Condition**

**As of September 30, 2024**

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

(Unaudited)

**Assets**

Cash and cash equivalents	\$	24,713
Receivables from brokers/dealers and clearing organizations		1,443
Accrued interest receivable		78
Other assets		467
<b>Total Assets</b>	<b>\$</b>	<b>26,701</b>

**Liabilities and Stockholder's Equity**

**Liabilities**

Payables to affiliates	\$	625
Accrued expenses and other liabilities		557
Payable to brokers/dealers and clearing organizations		59
<b>Total Liabilities</b>	<b>\$</b>	<b>1,241</b>

**Stockholder's Equity**

Common stock:		
100 shares issued and outstanding (\$1 per share)	\$	19,891
Retained earnings		5,499
Accumulated other comprehensive income (loss)		70
<b>Total Stockholder's Equity</b>		<b>25,460</b>

<b>Total Liabilities and Stockholder's Equity</b>	<b>\$</b>	<b>26,701</b>
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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)*

### **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”). The Statement of Financial Condition is presented in U.S. dollars (“\$” or “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 Canadian Investment Regulatory Organization (“CIRO”), the Canadian national self-regulatory organization, and is subject to the rules and regulations of these organizations.

MSUSA is a U.S. limited liability company and is registered as a broker-dealer with the SEC and as a futures commission merchant with the U.S. Commodity Futures Trading Commission (“CFTC”). MSUSA is a wholly-owned subsidiary of Mizuho Americas LLC (“MHA”). MHA is an intermediate holding company in the U.S., 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 certain estimates and assumptions that affect reported amounts and related disclosures. Specific areas, among others, requiring the application of management’s estimates and judgment pertain to allowance for credit losses and valuation of current and deferred income taxes. Actual results could differ from those estimates.

# Mizuho Securities Canada Inc.

## Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

### 2. Summary of Significant Accounting Policies (continued)

#### *Cash and cash equivalents*

The Company defines cash equivalents as highly-liquid investments with original maturities of three months or less at the time of purchase. The Company has no cash equivalents at September 30, 2024.

#### *Credit Losses*

The Company accounts for estimated credit losses in accordance with 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. The Company calculated estimated credit losses for the six months ended September 30, 2024 and the calculation did not have an impact on its Statement of Financial Condition. The Company continually reviews the credit quality of its counterparties and has not experienced any significant defaults.

#### *Investment banking*

Investment banking includes fees earned from debt and equity underwriting. The Company accounts for the fees earned from 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 primary market. Investment banking revenues are presented gross of transaction related expenses and are recognized when the Company satisfies the performance obligations. If underwriting deal related expenses are incurred prior to the completion of the underwriting process, they are deferred and recognized at the time the related revenue is recognized.

Investment banking fees receivable of \$1,253 at September 30, 2024 is reported in receivables from brokers/dealers and clearing organizations on the Statement of Financial Condition.

# Mizuho Securities Canada Inc.

## Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

### 2. Summary of Significant Accounting Policies (continued)

#### *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. 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 purpose 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*.

## **Mizuho Securities Canada Inc.**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

#### **2. Summary of Significant Accounting Policies (continued)**

##### ***Recent Accounting Pronouncements***

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740). The amendments in this ASU apply to all entities that are subject to Topic 740, Income Taxes.

The main provisions of the amendments in this ASU require that entities disclose qualitatively significant reconciling items and individual jurisdictions in effective tax rate reconciliation, and income tax paid on an annual basis. In addition, the amendments update other disclosures, including the requirement of income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign; the elimination of requirement disclosing possible change in the unrecognized tax benefits balance in the next 12 months; and the elimination of disclosing certain deferred tax liability because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures.

This ASU will be applicable for Statement of Financial Condition issued for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of this ASU on its Disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU provides amendments to ASC 280 and requires disclosure of incremental segment information, including significant segment expenses. This ASU will be applicable for Statement of Financial Condition issued for fiscal years beginning after December 15, 2023. The Company plans to adopt this ASU for its annual period ending March 31, 2025.

#### **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”) provide managerial and support services to the Company and charge fees pursuant to Service Level Agreements, which are recorded in payables to affiliates on the Statement of Financial Condition. As of September 30, 2024, the amounts due from the Company to MSUSA and MHBK Canada Branch was \$593 and \$32, respectively.

## **Mizuho Securities Canada Inc.**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

#### **4. Income Taxes**

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

The difference between the Canadian tax rate and the effective tax rate is due to a full release of valuation allowance on the benefit from Canadian taxes partially offset by taxes paid in the US at the federal rate of 21%.

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, 2024, the Company has \$144 of deferred tax assets, and a full valuation allowance of \$144, an increase of \$144 from the prior year, as the Company believes it is more likely than not that the DTA will not be realized.

The Company had no unrecognized tax benefits as of September 30, 2024. As of September 30, 2024, management does not believe that there were 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 beginning with tax year ended March 31, 2022 remain subject to examination by the Internal Revenue Service for U.S. federal tax purposes and by the Canada Revenue Agency for Canadian tax purposes. The Company's income tax returns beginning with tax year ended March 31, 2019 remain subject to examination by the state and local tax authorities.

#### **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.



## Mizuho Securities Canada Inc.

### Notes to Statement of Financial Condition (continued)

*(In Thousands of U.S. dollars)*

#### 5. Risk Management (continued)

**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. All financial instruments, and securities, are subject to market risk. For the year ended March 31, 2024, there were no such instruments entered into or outstanding.

**Liquidity Risk** – Liquidity risk is the risk that an institution’s financial condition or overall safety and soundness is adversely affected by the inability, or perceived inability, to meet its contractual, including contingent obligations. For the year ended March 31, 2024, the company had no exposure to liquidity risk. The Company does not take any positions that incur funding risk either on or off-balance sheet.

**Credit Risk** – Credit risk is the risk of loss resulting from a counterparty’s failure to meet its obligations. Credit risk can also be triggered by economic or political factors in the country in which the counterparty is based or where it has substantial assets. 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, cybersecurity, 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. The Company has developed policies, processes, and assessment methodologies to ensure that operational risk is appropriately identified. There was no operational risk that had a material impact on the Company’s Statement of Financial Condition.

## **Mizuho Securities Canada Inc.**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

#### **6. Commitments and Contingencies**

##### ***Underwriting Commitments***

In the normal course of business, the Company enters into underwriting commitments. There were no open commitments as of September 30, 2024.

##### ***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 as of September 30, 2024.

#### **7. 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, 2024, the Company had net capital of \$22,013, which was \$21,913 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, 2024.

## **Mizuho Securities Canada Inc.**

### **Notes to Statement of Financial Condition (continued)**

*(In Thousands of U.S. dollars)*

#### **8. Subsequent Events**

Under the provisions of ASC 855, *Subsequent Events* (“ASC 855”), companies are required to evaluate events and transactions that occur after the Statement of Financial Condition date but before the date the Statement of Financial Condition is issued. 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 Statement of Financial Condition date, including estimates inherent in the Statement of Financial Condition’s preparation.

The Company evaluated events subsequent to September 30, 2024 through December 5, 2024, the date on which the Statement of Financial Condition was issued. There were no material recognizable or non-recognizable subsequent events during this period.