

Mizuho Capital Markets LLC

Statement of Financial Condition

March 31, 2024

With Report of Independent Auditors



OATH OR AFFIRMATION

I, Mitchell Billek, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Mizuho Capital Markets LLC, as of 3/31, 2024, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Signature: Mitchell Billek

Title: Managing Director & Chief Financial Officer


Notary Public

BERNARD HAMILTON Notary Public, State of New Jersey Comm. # 2441262 My Commission Expires 12/6/2028

This filing** contains (check all applicable boxes):

- (a) Statement of financial condition.
- (b) Notes to consolidated statement of financial condition.
- (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- (d) Statement of cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: Supplement reports on applying agreed-upon procedures, in accordance with 17 CFR Appendix A to Subpart E of Part 23

**To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

Mizuho Capital Markets LLC
Statement of Financial Condition
March 31, 2024

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Report of Independent Auditors

To the Board of Directors of Mizuho Securities USA LLC, Management, and Member of Mizuho Capital Markets LLC

Opinion

We have audited the statement of financial condition of Mizuho Capital Markets LLC (the Company) as of March 31, 2024 and the related notes to the financial statement (the “financial statement”).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company at March 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free of material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statement is available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

May 29, 2024

Mizuho Capital Markets LLC Statement of Financial Condition

March 31, 2024
(In Thousands)

Assets	
Cash and cash equivalents	\$ 753,222
Collateralized agreements:	
Securities purchased under agreements to resell	47,474
Securities owned, at fair value (including securities pledged of \$4,323,783)	8,850,185
Derivatives	2,978,167
Receivables from brokers/dealers, clearing organizations and customers	1,385,185
Accrued interest receivable	87,317
Property, equipment, and leasehold improvements, net of accumulated depreciation of \$102,783	84,665
Other assets	<u>19,202</u>
Total assets	<u>\$ 14,205,417</u>
Liabilities and member's equity	
Short-term borrowings	\$ 981,877
Collateralized agreements:	
Securities sold under agreements to repurchase	578,766
Securities sold, not yet purchased, at fair value	84,823
Derivatives	3,031,337
Payables to brokers/dealers, clearing organizations and customers	3,894,145
Accrued interest payable	30,999
Accrued expenses and other liabilities	69,610
Long-term debt	<u>3,785,055</u>
Total liabilities	12,456,612
Member's equity	<u>1,748,805</u>
Total liabilities and member's equity	<u>\$ 14,205,417</u>

The following table presents certain assets and liabilities of consolidated variable interest entities (VIEs), which are included in the Statement of Financial Condition above. The assets in the table below include those assets that can only be used to settle obligations of consolidated VIEs, and are in excess of those obligations. Additionally, the assets in the table below include third-party assets of consolidated VIEs only and exclude intercompany balances that eliminate in consolidation. The liabilities in the table below include third-party liabilities of consolidated VIEs only and exclude intercompany balances that eliminate in consolidation. The liabilities also exclude amounts where creditors or beneficial interest holders have recourse to the general credit of the Company.

Assets of consolidated VIEs to be used to settle obligations of consolidated VIEs:	
Securities owned, at fair value	\$ 3,771,249
Accrued interest receivable	<u>42,101</u>
Total assets of consolidated VIEs to be used to settle obligations of consolidated VIEs	<u><u>3,813,350</u></u>
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of the Company:	
Short-term borrowings	
Long-term debt	\$ 3,785,055
Accrued interest payable	<u>26,346</u>
Total liabilities on consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of the Company	<u><u>\$ 3,811,401</u></u>

The accompanying notes are an integral part of the Statement of Financial Condition.

Mizuho Capital Markets LLC

Notes to Statement of Financial Condition

(In Thousands)

1. Organization and Description of Business

Mizuho Capital Markets LLC (“MCM” or the “Company”), a Delaware limited liability company, is a wholly-owned subsidiary of Mizuho Americas LLC (“MHA”). MHA is a bank holding company, which is wholly-owned by Mizuho Bank Ltd (“MHBK”) and 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.

The Company is a dealer in interest rate swaps and options, foreign currency swaps, equity derivatives and other derivative products. MCM provides clearing services to its affiliates through a non-U.S. based clearinghouse that trades and clears derivative contracts. MCM participates in a Municipal Tender Option Bond (“TOB”) program. MCM is a dually registered Swap Dealer (“SD”) with the Commodity Futures Trading Commission (“CFTC”) and Security-Based Swaps Dealer (“SBSD”) with the U.S. Securities and Exchange Commission (“SEC”). The Company is a member of LCH Clearnet (“LCH”).

The Company’s operations are managed by an affiliated entity, Mizuho Securities USA LLC (“MSUSA”). MSUSA’s activities include securities and futures brokerage, origination and trading of debt and equity securities, and mergers and acquisitions (“M&A”) advisory services. As part of this arrangement, the Company and MSUSA utilize common personnel and facilities with applicable reimbursement arrangements.

2. Summary of Significant Accounting Policies

Consolidation and Discontinued Operations

Mizuho Markets Americas LLC (“MMA”) was a wholly-owned subsidiary of the Company, which was under legal entity reorganization on December 1, 2023, and its subordinated loan with MMA was assigned to MHA. Prior to December 1, 2023, MMA was consolidated into MCM, and all material intercompany balances and transactions were eliminated.

The legal entity reorganization of MMA met the discontinued operations accounting criteria. Unless otherwise noted, notes on the Statement of Financial Condition refer only to MCM’s continuing operations.

Mizuho Capital Markets LLC

Notes to Statement of Financial Condition

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

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 the reported amounts and related disclosures. Specific areas, among others, requiring the application of management’s estimates and judgment pertain to certain fair value measurements, valuation of current and deferred income taxes and provisions for losses that may arise from litigation and regulatory proceedings. Actual results could differ from those estimates.

Variable Interest Entities (VIEs)

An entity is a VIE if it meets either of the criteria outlined in Accounting Standards Codification (“ASC”) Topic 810, *Consolidation*. The criteria are (i) the entity has equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (ii) the entity has equity investors that cannot make significant decisions about the entity’s operations or that do not absorb their proportionate share of the entity’s expected losses or expected returns.

The primary beneficiary is the reporting entity that is required to consolidate the VIE. The primary beneficiary is the party that has both the power to direct the activities that most significantly affect the VIE’s economic performance and a right to receive benefits or the obligation to absorb losses of the entity that could be potentially significant to the VIE. In addition to variable interests held in consolidated VIEs, the Company has variable interests in other VIEs that are not consolidated because the Company is not the primary beneficiary. The Company monitors all unconsolidated VIEs to assess whether any events have occurred to cause its primary beneficiary status to change. Refer to Note 15 for additional details on variable interest entities.

Cash and cash equivalents

The Company defines cash equivalents as highly liquid investments with initial maturities of three months or less, that are not used for trading purposes. The Company has no cash equivalents at March 31, 2024.

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Collateralized agreements

The Company's collateralized agreements include securities purchased under agreements to resell ("resale agreements"), securities sold under agreements to repurchase ("repurchase agreements"), and loaned transactions. Resale agreements or repurchase agreements are collateralized by U.S. government securities, municipal securities, and corporate debt. The Company records resale and repurchase agreements at contract price, plus accrued interest. The amounts reported for resale and repurchase agreements approximate fair value as these are generally short term in nature and interest rate movements have not resulted in a material change in fair value.

It is the Company's general policy to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. The Company reviews collateral daily to ensure that the market value of the underlying collateral remains sufficient, and when appropriate, may require counterparties to deposit additional collateral or return collateral pledged. In the same manner, the Company provides securities to counterparties to collateralize repurchase agreements.

At March 31, 2024, the Company had obtained securities as collateral with a fair value of \$3,261,788, which could be re-pledged under secured financing agreements. To satisfy MCM's collateral requirements with clearinghouses and other counterparties, \$2,696,086 of such securities was re-pledged.

At March 31, 2024, the Company received securities as collateral for derivative transactions amounting to \$1,901,441, none of which was re-pledged.

The Company also enters into forward-starting collateralized financing agreements. These agreements represent off-balance sheet transactions until their start date, at which time they will be recorded as financing transactions in the Statement of Financial Condition. At March 31, 2024, the Company had forward-starting agreements totaling to \$3,193,563 with a start date of April 1, 2024.

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 an election under the "Fair Value Option" ("FVO") in ASC 825, *Financial Instruments* ("ASC 825"), which allows the Company to irrevocably elect fair value as the initial

Mizuho Capital Markets LLC

Notes to Statement of Financial Condition

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

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 on financial assets measured at an amortized cost basis in accordance with ASC 326, *Financial Instruments – Credit Losses* (“ASC 326”). ASC 326 requires the Company to estimate expected credit losses 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 year ended March 31, 2024 and the calculation did not have a material impact on its Statement of Financial Condition. The Company continually reviews the credit quality of its counterparties and has not experienced any significant defaults.

Securities transactions

Securities owned and securities sold, not yet purchased, are recorded on a trade date basis at fair value. Fair value is generally based upon quoted market prices, where available. When quoted market prices are not available, the Company uses other market data, such as transacted prices for the same or similar securities. Related interest amounts are included in accrued interest receivable or interest payable on the Statement of Financial Condition.

Derivative financial instruments

The Company recognizes all derivative financial instruments in the Statement of Financial Condition as either assets or liabilities at fair value, with changes in fair values. Transactions in derivative instruments are recorded on a trade-date basis. In accordance with ASC 815, *Derivatives and Hedging* (“ASC 815”), the Company nets certain derivative contracts, and eligible collateral, with the same counterparty in the Statement of Financial Condition. The Company does not apply hedge accounting as defined in ASC 815; therefore, certain of the disclosures required under ASC 815 are generally not applicable with respect to these financial instruments.

The fair values of derivative assets and liabilities traded in the over-the-counter (“OTC”) market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices and indices to generate continuous yield or pricing curves and volatility factors, which are used to value the positions. The majority of market inputs are actively quoted and can be validated

Mizuho Capital Markets LLC

Notes to Statement of Financial Condition

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

through external sources including brokers, market transactions and third-party pricing services. The fair values of derivative assets and liabilities traded on exchanges are determined using exchange prices. Refer to Note 6 for additional details of fair value measurements.

The Company applies the disclosure requirements for derivative instruments prescribed in ASC 815, which requires companies to disclose how derivative instruments (and any related hedged items) are accounted for, their location and amounts in a company's Statement of Financial Condition. The disclosures required by ASC 815 are included in Note 3.

Property and equipment

Property and equipment are carried at cost and depreciated on a straight-line basis, over their estimated useful lives, ranging from three to ten years. The Company's software costs are capitalized in accordance with ASC 350-40, *Internal-Use Software*. Software costs are amortized on a straight-line basis, over their estimated useful lives. The Company's gross balance on the Statement of Financial Condition at March 31, 2024 includes \$187,488, in information technology assets with accumulated depreciation of \$102,783

Interest

The Company generally earns interest on cash and cash equivalents, securities owned, amounts pledged as collateral, amounts with clearing organizations, and on resale agreements. The Company pays interest on amounts received as collateral, repurchase agreements, securities sold, not yet purchased, and other borrowings. Related interest amounts, including accrued interest, are including in accrued interest receivable or accrued interest payable on the Statement of Financial Condition.

Foreign exchange

Assets and liabilities denominated in foreign currencies are revalued into U.S. dollars using the spot foreign exchange rate at the date of 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

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

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.

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 public business entities disclose additional information, qualitative and/or quantitative, in the effective tax rate reconciliation and income tax paid on an annual basis. In addition, the amendments update other disclosures, including 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 disclosure.

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 is currently evaluating the impact of this ASU on its Statement of Financial Condition.

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

3. Financial Instruments

Derivative financial instruments

The Company transacts in derivative instruments to meet the financing and hedging needs of customers and to manage exposure to market and interest rate risk in connection with normal trading activities. These derivative instruments mainly include interest rate contracts, foreign exchange contracts, OTC option related contracts, and other contracts. These instruments involve, to varying degrees, elements of credit, interest rate, and currency risk.

Interest rate contracts include interest rate swaps and forward rate agreements. Such agreements generally involve the exchange of fixed and floating rate interest payments without the exchange of underlying principal amounts.

Foreign exchange contracts include spot and forward contracts, non-deliverable forwards, cross currency swaps, as well as foreign exchange options. The Company's foreign exchange contracts are settled by exchanging the currency amounts specified under the contracts.

OTC option related contracts include interest rate caps and floors, and swaptions. Interest rate caps and floors are agreements to make periodic payments for interest rate differentials between an agreed-upon interest rate and reference rate. Swaptions are agreements granting the option to enter into an interest rate swap at a future date.

TRS contracts include payments based on a set rate in exchange for a return on an underlying asset, which are primarily municipal securities.

Other contracts include Credit Default Swaps ("CDS") and exchange traded contracts. CDS consist of index and single name products. CDS are used to protect against the risk of default on a set of debt obligations issued by a specified reference entity or entities. The Company enters into CDS to mitigate credit risk on its OTC derivative portfolio. When the Company is a seller of options, the Company receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instruments underlying the option.

The following table summarizes the notional and fair value amounts of derivative instruments outstanding as of March 31, 2024. Fair value balances are presented net of derivative valuation adjustments, but prior to the application of counterparty and cash collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into effect the legally enforceable master netting agreements with netting due to cash collateral received or paid.

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

3. Financial Instruments (continued)

	Notional Amount	Fair value	
		Derivative Receivables	Derivative Payables
Interest rate contracts	8,496,119,736	\$ 66,533,316	\$ 65,546,511
Foreign exchange contracts	440,556,218	6,042,592	5,608,575
OTC option-related contracts	461,624,131	2,246,160	2,223,740
Total Return Swaps	15,580,833	551,003	213,312
Other contracts	651,235,076	23,855	29,728
Offset in the Statement of Financial Condition			
Counterparty Netting		(68,821,369)	(68,821,369)
Cash Collateral Netting		(3,597,345)	(1,769,160)
	10,065,115,994	\$ 2,978,167	\$ 3,031,337

Valuation adjustments

Valuation adjustments are integral to determining the fair value of derivative portfolios and are achieved by developing and calibrating sophisticated pricing models to determine the fair value and appropriate exit price. The Company utilizes a valuation methodology that incorporates various valuation adjustments (“XVA”) in the valuation of open derivative trades.

XVA is comprised of credit valuation adjustment (“CVA”), which accounts for the counterparty credit risk inherent in the uncollateralized portion of derivative portfolios, funding cost adjustment (“FCA”), which accounts for the impact to the Company’s funding cost on uncollateralized derivative trades and associated with balance sheet assets and funding benefit adjustment (“FBA”),

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

3. Financial Instruments (continued)

which accounts for the impact to the Company's funding cost on uncollateralized derivative trades and associated with balance sheet liabilities. Market-based inputs are generally used when calibrating valuation adjustments to market-clearing levels. For derivatives that include significant unobservable inputs, the Company makes model or exit price adjustments to account for the valuation uncertainty present in the transaction.

Offsetting assets and liabilities

For those derivative activities transacted under legally enforceable master netting agreements, the Company has the right, in the event of default by the counterparty, to liquidate collateral and to offset receivables and payables with the same counterparty. For purposes of the Statement of Financial Condition, and in accordance with ASC 210-20, *Offsetting*, and ASC 815 *Derivatives and Hedging*, the Company offsets derivative assets, liabilities, and cash collateral, except on initial margin, held with the same counterparty where it has such a legally enforceable master netting agreement. The netted amount of cash collateral received and paid was \$3,597,345 and \$1,769,158, respectively, at March 31, 2024.

In accordance with ASC 210-20-45-1, *Balance Sheet, Offsetting, Other Presentation Matters*, the Company offsets repurchase and resale agreements on the Statement of Financial Condition with the same counterparty where they have a legally enforceable master netting agreement and all criteria for netting have been met.

The following table presents derivative instruments and securities financing agreements. Derivative instruments are included in derivative assets and derivative liabilities on the Statement of Financial Condition as of March 31, 2024. Securities financing agreements are included on the Statement of Financial Condition in securities purchased under agreements to resell/securities sold under agreement to repurchase. Balances are presented on a gross basis, prior to the application of counterparty and collateral netting.

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

3. Financial Instruments (continued)

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition Financial Condition (2)	Net Amounts of Assets Presented in the Statement of Financial Condition Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition (1) Financial Instruments (3)	Collateral Received (4) Net Amount
Derivatives	\$ 75,396,881	\$ 72,418,714	\$ 2,978,167	-	\$ 841,604 \$ 2,136,563
Securities purchased under agreements to resell	3,277,926	3,230,452	47,474	-	47,474 -

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
Liabilities	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition Financial Condition (2)	Net Amounts of Liabilities Presented in the Statement of Financial Condition Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition (1) Financial Instruments (3)	Collateral Delivered (4) Net Amount
Derivatives	\$ 73,621,865	\$ 70,590,529	\$ 3,031,337	-	\$ 45,468 \$ 2,985,868
Securities sold under agreements to repurchase	3,809,218	3,230,452	578,766	-	578,766 -

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

3. Financial Instruments (continued)

- (1) For some counterparties, the financial instruments and collateral not net on the Statement of Financial Condition may exceed the net asset/liability recognized. Where this is the case, the total amounts reported in these two columns are limited to the balance of the net assets/liabilities recognized. As a result, a net amount is reported even though the Company, on an aggregate basis has received securities collateral with a total fair value that is greater than the funds provided to counterparties.
- (2) Amounts relate to master netting agreements, which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting guidance or clearing organization agreements.
- (3) These represent assets/liabilities with the same counterparties that are not presented net on the Statement of Financial Condition because all U.S. GAAP netting criteria were not met.
- (4) These represent collateral values received on net assets/liabilities recognized after consideration of liabilities/assets with the same counterparties/collateral values delivered on net liabilities/assets recognized after consideration of assets/liabilities with the same counterparties (note (3)).

The following table presents the Company's gross obligation disaggregated by the class of collateral pledged and the remaining maturity of securities sold under agreements to repurchase at March 31, 2024:

	Remaining Contractual Maturity of Agreements		
	Open	Overnight	Total
Securities sold under agreements to repurchase			
<i>Collateral pledged:</i>			
Municipal securities	\$ 578,766	\$ -	\$ 578,766
U.S. Treasury securities	-	3,230,452	3,230,452
Total	\$ 578,766	\$ 3,230,452	\$ 3,809,218

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

4. Securities Owned and Securities Sold, Not Yet Purchased, at Fair Value

Securities owned include proprietary positions that have been pledged as collateral to counterparties on terms which permit the counterparties to sell or re-pledge the securities to others, as well as financing the TOB business which secures tax-exempt revenue. Securities sold, not yet purchased, represent the Company's obligation to acquire the securities at then prevailing market prices, which may differ from the amount reflected on the Statement of Financial Condition.

The following table presents the Company's securities owned and securities sold, not yet purchased disaggregated by type of security as of March 31, 2024:

	Owned	Sold, not yet purchased
Municipal securities	\$ 4,502,282	-
U.S. Treasury securities	3,194,112	\$ 84,823
Corporate debt	753,181	-
Other sovereign obligations	400,610	-
Total	\$ 8,850,185	\$ 84,823

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. 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 Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

5. Risk Management (continued)

Credit risk management

Credit risk is the risk of loss resulting from a counterparty's failure to meet its obligations. The Company is engaged in various trading and brokerage activities with brokers/dealers, banks, and other institutions. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to manage credit risk based on the risk profile of the borrower or counterparty, repayment sources, the nature of underlying collateral, and other support given current events, conditions, and expectations. The credit risk for derivatives is limited to the unsettled fair valuation gains recorded in the Statement of Financial Condition. With respect to collateralized financing transactions, the Company continually monitors the value and adequacy of the collateral pledged by its counterparties. In addition, the Company enters into netting agreements to mitigate the credit risk and reduce the maximum amount of loss. For financial and non- financial institutions with which collateral agreements have not been established, the Company assumes the counterparty risk. However, for some of those counterparties the Company provides a parent guarantee under an ISDA Master Agreement or letters of credit to manage the Company's credit risk. Management believes the risk of credit loss from counterparties' failure to perform in connection with collateralized trading activities is low.

The distribution of the Company's credit risk (excluding transactions with affiliates and clearinghouses) by region and by using the lower of Standard & Poor's, Moody's or equivalent rating category was as follows:

Region	Carrying Value	
North America	78.45%	\$2,016,753
Cayman Islands	8.71%	223,896
Europe	3.68%	94,608
Japan	0.13%	3,399
Others	9.03%	232,072

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

5. Risk Management (continued)

Credit ratings

AAA/Aaa	0.09%
AA/Aa	3.61%
A	32.99%
BBB/Baa	53.29%
BB and below/Ba and below	10.02%

The Company partially mitigates its credit exposure against uncollateralized counterparties by purchasing CDS.

Market risk management

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, including derivatives and securities, are subject to market risk. The Company's exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, the absolute and relative levels of prices, interest rates, foreign currency exchange rates, market volatility and liquidity. The Company manages market risk primarily by setting and monitoring market risk limits, scenario analysis (for historical events, as well as, potential adverse market conditions), review and analysis of large potential trades, regular review of the desk level portfolios and firm wide exposures to various risk factors, including hedging its exposure to risk factors.

Liquidity risk management

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. The Company's potential risks remain that its liquidity, business activities and profitability may be adversely affected by inability to access funding from its affiliates or to sell assets to meet its financial obligations during periods of market-wide or firm-specific liquidity stress. This situation may arise due to circumstances unrelated to its businesses such as current geopolitical or macroeconomic conditions and hence outside of its control. The objective of

Mizuho Capital Markets LLC

Notes to Statement of Financial Condition

(In Thousands)

5. Risk Management (continued)

liquidity risk management is to maintain a sufficient amount of liquidity and diversity of funding sources to allow an institution to meet obligations in both stable and adverse conditions using liquidity stress models. The Company manages liquidity risk mainly through its Treasury function and has established policies and strategies to identify, manage and report on liquidity risk.

Operational risk management

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.

6. Fair Value Measurements

The Company applies the methods of calculating fair value defined in ASC 820, *Fair Value Measurements and Disclosure*, to value its financial assets and liabilities, where applicable. 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 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. 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

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

6. Fair Value Measurements (Continued)

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. Level 1 assets and liabilities include U.S. Treasury Bills, on-the-run U.S. Treasury securities and Exchange-Traded contracts.

Level 2 - Assets and liabilities whose values are based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. If no quoted market prices are available, the fair values of OTC derivative contracts in this category are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Level 2 assets and liabilities include off-the-run U.S. Treasury securities, municipal securities, corporate debt, foreign exchange contracts, interest rate swaps, OTC options, and CDS.

Level 3 - Assets and liabilities whose values are based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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.

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

6. Fair Value Measurements (continued)

Valuation techniques

Municipal Securities are measured at fair value using quoted prices in active dealer markets, third party provided prices, recently executed transactions and spreads over taxable and tax-free benchmark curves for comparable securities. These securities are classified as Level 2.

U.S. Treasury securities are measured at fair value using quoted prices for identical securities in active dealer markets. Federal agency securities are measured using a spread to the Treasury benchmark. Accordingly, U.S. Treasury securities are categorized in Level 1 of the fair value hierarchy when actively traded (“on-the-run”). Less actively traded (“off-the-run”) U.S. Treasury and federal agency securities are categorized in Level 2 of the fair value hierarchy.

Derivative contracts can be exchange-traded or OTC. The Company classifies exchange-traded contracts typically within Level 1 of the fair value hierarchy. OTC derivatives that trade in liquid markets, such as forwards, swaps, and options, are classified within Level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence. If quoted market prices are not available, fair value is based upon internally developed valuation models that use current market-based or independently sourced market parameters, such as interest rates, currency rates, credit spreads, and option volatilities. Such models are often based on a discounted cash flow analysis. The Company’s corporate debt largely consists of investment grade corporate bonds and notes. Corporate bonds categorized as Level 2 are valued using third party market price quotations, recently executed transactions, or spread over the U.S. Treasury benchmark.

Other sovereign obligations are measured at fair value using quoted prices in active dealer markets. These securities are classified as Level 2.

The following table presents the Company’s major categories of assets and liabilities that are measured at fair value on a recurring basis using the above fair value hierarchy at March 31, 2024:

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Notes to Statement of Financial Condition
(In Thousands)

6. Fair Value Measurements (continued)

Description	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Balance as of March 31, 2024
Assets					
Securities owned, at fair value					
Municipal securities	\$ -	\$ 4,502,281	\$ -	\$ -	\$ 4,502,281
U.S. Treasury securities	118,641	3,075,469	-	-	3,194,110
Corporate debt	-	753,182	-	-	753,182
Foreign Sovereign	-	400,610	-	-	400,610
Derivatives	-	75,398,829	-	(72,420,662)	2,978,167
	<u>\$ 118,641</u>	<u>\$ 84,130,372</u>	<u>\$ -</u>	<u>\$ (72,420,662)</u>	<u>\$ 11,828,350</u>

Description	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Balance as of March 31, 2024
Liabilities					
Securities sold, not yet purchased, at fair value					
U.S. Treasury securities	\$ 84,823	\$ -	\$ -	\$ -	\$ 84,823
Derivatives	-	73,623,812	-	(70,592,475)	\$ 3,031,337
	<u>\$ 84,823</u>	<u>\$ 73,623,812</u>	<u>\$ -</u>	<u>\$ (70,592,475)</u>	<u>\$ 3,116,160</u>

Uncertainty of Fair Value Measurements Relating to Unobservable Inputs

Valuation uncertainty arises when there is insufficient or disperse market data to allow a precise determination of the exit value of a fair-valued position or portfolio in today's market. This is especially prevalent in Level 3 fair value instruments, where uncertainty exists in valuation inputs that may be both unobservable and significant to the instrument's (or portfolio's) overall fair value measurement. The uncertainties associated with key unobservable inputs on the Level 3 fair value measurements may not be independent of one another. In addition, the amount and direction of the uncertainty on a fair value measurement for a given change in an unobservable input depends on the nature of the instrument as well as whether the Company holds the instrument as an asset or a liability. For certain instruments, the pricing, hedging and risk management are sensitive to the correlation between various inputs rather than on the analysis and aggregation of the individual

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

6. Fair Value Measurements (continued)

inputs. The following section describes the most significant unobservable input used by the Company in Level 3 fair value measurements.

Volatility

Volatility represents the speed and severity of market price changes and is a key factor in pricing options. Volatility generally depends on the tenor of the underlying instrument and the strike price or level defined in the contract. Volatilities for certain combinations of tenor and strike price are not observable and need to be estimated using alternative methods, such as using comparable instruments, historical analysis or other sources of market information. This leads to uncertainty around the final fair value measurement of instruments with unobservable volatilities.

Transfers into/out of Level 3

Due to Legal Entity reorganization on December 1st, 2023, there had been transfers out of Level 3 Assets of \$56,503 and Level 3 Liabilities of \$241,796 for the year ended March 31, 2024. No other transfers in or out of Level 3 during this period.

7. Receivables from and Payables to brokers/dealers, clearing organizations and customers

Receivables from and payables to brokers/dealers, clearing organizations and customers at March 31, 2024 consist of the following:

	Receivables	Payables
Receivables and payables for trades pending settlement	\$1,192,086	\$1,294,745
Receivables from and payables to clearing organizations and brokers	88,735	96,230
Variation margin	49,246	857,023
Initial margin	37,527	1,643,107
Futures margin	11,436	-
Other	6,155	3,040
Total	\$1,385,185	\$3,894,145

Receivables and payables for trades pending settlement are determined by the contract prices of

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition

(In Thousands)

7. Receivables from and Payables to brokers/dealers, clearing organizations and customers (continued)

securities to be delivered or received by the Company. If a counterparty fails to deliver securities pending settlement to the Company, the Company may be required to purchase identical securities on the open market. Trades pending settlement at March 31, 2024 were settled without a material effect on the Company's Statement of Financial Condition.

Variation margin balances represent excess net variation margin resulting from changes in the fair value of derivatives as well as variation margin not eligible for offsetting.

Initial margin is a returnable deposit required when opening new positions at clearing organizations. The receivable is the balance due from exchanges, clearinghouses, brokers or customers. The payable is the balance due to customers for initial margin related to trades the Company cleared on their behalf. Receivable from clearing organizations and brokers includes LCH default fund as well as other receivables. It is the requirement of MCM to provide funding to be utilized in the event of default.

8. Borrowings

Short-term borrowings

On March 31, 2024, the Company had short-term borrowings comprised of unsecured revolving loans and bank overdrafts totaling \$981,877 with interest rates generally ranging from 0.11% to 6.25%.

In addition, the Company has a \$200,000 revolving subordinated loan facility with MHBK London branch ("MHBK London"), which can be utilized to meet regulatory capital requirements when needed, which was not utilized as of March 31, 2024.

Long-term debt

Long-term debt consists of long dated floaters, issued by TOB trusts as part of the Company's TOB program. At March 31, 2024, the Company had borrowings of \$3,785,055 with interest rates ranging from 3.30% to 5.77%. The contractual maturities of long-term debt range from 2024 to 2062.

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

9. Related-Party Transactions

In the normal course of business, the Company transacts with affiliated companies as part of its trading, clearing, financing, and general operations. At March 31, 2024, the Statement of Financial Condition included the following balances with affiliates:

Statement of Financial Condition	
Assets	
Cash and cash equivalents	\$749,901
Collateralized agreements:	
Securities purchased under agreements to resell	13,993
Derivatives	19,750
Receivables from brokers/dealers, clearing organizations and customers	1,071,350
Other assets	18,384
Liabilities	
Short-term borrowings	404,613
Collateralized agreements:	
Securities sold under agreements to repurchase	577,344
Derivatives	10,451
Payables to brokers/dealers, clearing organizations and customers	2,570,187
Accrued interest payable	2,252
Accrued expenses and other liabilities	20,949

Cash and cash equivalents

At March 31, 2024, the cash and cash equivalent balance is with MHBK.

Collateralized agreements

At March 31, 2024, the collateralized agreements balances are mostly repurchase agreements with MSUSA. These transactions are presented net in the Statement of Financial Condition.

The Company charges interest or fees to affiliates at the contracted rates stipulated in the resale and repurchase agreements.

Derivatives

MCM clears derivatives for affiliates and may enter into bilateral transactions with affiliates. The Company utilizes other affiliates for brokerage and clearing services.

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition

(In Thousands)

9. Related-Party Transactions (continued)

Receivables from and payables to brokers/dealers, clearing organizations and customers

Receivables are comprised primarily of balances due from affiliates who have direct access to derivatives markets to which the Company does not and excess variation margin posted by MCM. Payables are comprised primarily of balances due to affiliates who do not have direct access to derivatives markets to which the Company has access and excess variation margin received by MCM.

Accrued expenses and other liabilities

Accrued expenses and other liabilities primarily consist of balances due to MSUSA. In its role as Manager of MCM, MSUSA has paid certain reimbursable costs on behalf of MCM during the year.

Commitments and contingencies

The Company had uncommitted lines of credit with a total limit of \$6,700,000 at March 31, 2024, with \$5,000,000 MHBK, and \$1,700,000 with Mizuho Markets Cayman LP.

The Company has a \$13,350,000 guarantee from MHBK on its negative exposure on derivatives transactions with counterparties. At March 31, 2024, \$3,813,141 was utilized. The Company has a \$9,467 guarantee fee liability that the Company would incur over the remaining term of its portfolio if guarantees were utilized based on an annual daily average balance, recorded under accrued expenses and other liabilities in the Statement of Financial Condition. The Company has a \$45,000 guarantee from MHBK for a long-term lease obligation, which has not been drawn down.

10. Income Taxes

MCM is a single member limited liability company, and as such, is a disregarded entity owned by MHA for U.S. corporation income tax purposes.

At March 31, 2024, MCM had a net DTL of \$4,289 consisting of a gross DTA of \$6,825 and a gross DTL of \$11,114. The resulting net deferred tax liability is included accrued expenses and other liabilities in the Statement of Financial Condition. The gross DTA relates primarily to timing

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

10. Income Taxes (continued)

differences for rent liabilities and accrued expenses. The gross DTL results primarily from tax depreciation in excess of book depreciation.

The difference between taxes at the U.S. federal statutory rate and the effective rate is primarily due to the effects of state and local taxes and permanent adjustments related to federally tax-exempt municipal interest income and nondeductible regulatory expense.

The following table summarizes the change in the Company's unrecognized tax benefits from April 1, 2023 to March 31, 2024:

Balance as of April 1, 2023	\$	2,163
Increases related to prior year tax positions		
Increases related to current year tax positions		467
Balance as of March 31, 2024	\$	2,630

At March 31, 2024, the Company's net unrecognized tax benefits were \$3,961, which includes interest and penalties of \$2,015 and would affect its effective tax rate, if recognized. The Company does not believe that the total unrecognized benefits will significantly change within the next twelve months. MCM is routinely examined by various tax authorities. The Company believes it has adequately provided for any potential adjustments from any audits and any adverse results would not have a material impact on the Company's unrecognized tax benefit balance within the next twelve months. MHA's Federal income tax returns beginning with tax year ended March 31, 2021 remain subject to examination by the Internal Revenue Service. Tax years from 2011 through 2021 remain subject to examination by the state and local tax authorities. Tax years from 2011 to 2014 are currently under New York State examination.

Pursuant to the Tax Sharing Agreement by and among Mizuho related companies, MCM files and is included in various combined and unitary state and local tax returns. Beginning October 1, 2017, MCM files and is included in the combined MHA federal tax return. The Company calculates the provision for income taxes by using a separate return method, with modifications. Under this method, the Company assumes it is filing a separate return with the taxing authorities, thereby reporting taxable income or loss and paying the applicable tax to or receiving the appropriate refund from the lead filer(s). The current tax provision is the amount of tax payable or refundable on the basis of a hypothetical current year separate return with modifications. Deferred taxes are

Mizuho Capital Markets LLC
Notes to Statement of Financial Condition
(In Thousands)

10. Income Taxes (continued)

provided on temporary differences and on any carry-forwards that can be claimed on its hypothetical tax return(s). The Company assessed the need for a valuation allowance on the basis of the projected separate return results, with additional consideration for the consolidated group's capacity. At March 31, 2024, MCM had income tax payables of \$17,651 due to affiliates, which were recorded other liabilities in the Statement of Financial Condition.

11. Leases

The Company's lessee arrangements consist of non-cancelable operating leases for office space. Upon the adoption of ASC 842, the Company recognized right-of-use assets and lease liabilities, which are recognized based on the present value of the remaining lease payments, discounted using the Company's increment borrowing rates. The Company assesses the right-of-use assets for impairment whenever circumstances indicate that the carrying amount may not be recoverable. At March 31, 2024, the Company's right-of-use assets is zero and the amounts related to leases on the Statement of Financial Condition are as follows:

	Amount
Other liabilities and accrued expenses – Lease liabilities	\$4,347
Weighted average:	
Remaining lease terms, in years	2.08
Discount rate	2.94%

At March 31, 2024, the future minimum rental payments for the Company's operating leases with initial terms in excess of one year, as follows:

	Amount
Year ending March 31:	
2025	\$ 2,127
2026	2,362
Total undiscounted cash flows	4,489
Less: Implied Interest	(142)
Amount on balance sheet	<u>\$ 4,347</u>

Rentals are subject to periodic escalation charges and do not include amounts payable for insurance, taxes and maintenance.

Mizuho Capital Markets LLC

Notes to Statement of Financial Condition

(In Thousands)

12. Commitments and Contingencies

Litigation

In accordance with the provisions of ASC 450, *Contingencies*, 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 certain range. The Company accrues when an amount within a range of loss is identified as the most likely result.

The CFTC is conducting investigations of the Company regarding compliance with record keeping requirements related to business communications sent over unapproved electronic messaging channels. The Company is cooperating with the investigation and as of March 31, 2024 the investigation is ongoing. Any expected settlement payments have been provided for and recorded in the Statement of Financial Condition.

The Company is involved in litigation arising in the normal course of business. It is the opinion of management that the ultimate resolution of such litigation will not have a material adverse effect on the Company's Statement of Financial Condition.

Clearing Organization Guarantees

Associated with the Company's membership in LCH, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the clearing organization. Any potential contingent liability under this membership agreement cannot be estimated and the Company believes any requirement to make payments is remote. The Company has not recorded any contingent liability in the Statement of Financial Condition for this agreement. The Company has a swap guarantee fund deposited with the LCH.

Affiliate Guarantees

In connection with the Company's membership in LCH, the Company acts in the capacity of "Swap Clear Dealer Clearing Member" to affiliates that wish to clear transactions through LCH. In such capacity, the Company is required to provide collateral or assume other trade-related responsibilities on behalf of affiliates.

Mizuho Capital Markets LLC

Notes to Statement of Financial Condition

(In Thousands)

13. Variable Interest Entities

The Company is involved with VIE's in the normal course of business. The Company's variable interest in VIEs include commitments, residual interest certificates, and certain fees in connection with municipal trusts.

Municipal Tender Option Bond Trusts

Municipal TOB trusts may hold fixed- or floating-rate, taxable or tax-exempt securities issued by state and local governments and municipalities, and are typically structured as a single-issuer entity whose assets are purchased from investors in the municipal securities market. These trusts finance the purchase of their municipal securities by issuing two classes of certificates: long-dated, floaters that are puttable pursuant to liquidity facility agreements and residual interest certificates ("residuals"). The floaters are purchased by third-party investors, typically tax-exempt money market funds. The residuals are purchased by original owners of the municipal securities that are being financed.

The Company is engaged in two types of TOB trusts: third party TOB trusts and MCM TOB trusts. Third party TOB trusts are those for which the residuals are purchased by customers of the Company, whereas the residuals issued by MCM TOB trusts are purchased by the Company. Often times, the Company commits to provide liquidity to third party TOB trusts. The maximum exposure to loss from these liquidity agreements was \$528,674 at March 31, 2024. If such a trust is unwound early due to an event other than a credit event on the underlying municipal bonds, any shortfall between the bond sale proceeds and the redemption price of the Floaters would be paid by the Company to the trust to consummate the redemption. In addition, the Company executes reimbursement agreements with the Residuals holders, which requires the holders to reimburse the Company for any payment made under the liquidity arrangement.

The Company may serve as a tender option provider or a credit enhancement provider for certain MCM TOB trusts. The tender option arrangement allows floater holders to put their interests directly to the Company at any time, priced at par. At March 31, 2024, there were no municipal bonds subject to a credit guarantee provided by the Company. The Company may serve as a voluntary advance provider to third party TOB trusts. In this capacity, the Company has the option to provide loan advances to the trust to purchase optionally tendered Floaters which have not been remarketed to new investors. As of March 31, 2024, the Company had no outstanding voluntary advances to third party TOB trusts.

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Notes to Statement of Financial Condition
(In Thousands)

13. Variable Interest Entities (continued)

The Company considers both third party TOB trusts and MCM TOB trusts VIEs. Third party TOB trusts are not consolidated in the Statement of Financial Condition of the Company, as the power to direct the activities that most significantly impact the trusts' economic performance rests with the Residuals holders.

MCM TOB trusts are generally consolidated in the Statement of Financial Condition of the Company because it holds the residual interest and thus has the unilateral power to cause sale of the trusts' bonds.

The table below presents the carrying amounts, and classification of assets and liabilities on the Company's Statement of Financial Condition, which relate to its variable interests in unconsolidated VIEs, and the Company's maximum exposure to loss as well as total assets of the unconsolidated VIEs based on currently available information at March 31, 2024:

Assets on Statement of Financial Condition related to unconsolidated VIEs (1):	
Receivables from brokers/dealers, clearing organizations and customers	\$1,318
Liabilities on Statement of Financial Condition related to unconsolidated VIEs (1):	
Maximum Exposure to Loss (2)	\$528,674
Total assets of unconsolidated VIEs	\$639,943
Assets on Statement of Financial Condition related to unconsolidated VIEs (1):	
Receivables from brokers/dealers, clearing organizations and customers	\$1,318
Liabilities on Statement of Financial Condition related to unconsolidated VIEs (1):	
Maximum Exposure to Loss (2)	\$528,674
Total assets of unconsolidated VIEs	\$639,943

- (1) A unconsolidated VIE is an entity in which the Company has any variable interest or continuing involvement, regardless of the likelihood of loss.
- (2) The Company's maximum exposure to loss from these VIEs is equal to the carrying amount of the securities.

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Notes to Statement of Financial Condition

(In Thousands)

14. Net Capital Requirements

MCM is dually registered as a Swap Dealer (“SD”) with the CFTC and Security-Based Swaps Dealer (“SBSD”) with the SEC. MCM is subject to the capital and financial reporting requirements for swap dealers and major swap participants of the CFTC Rule 17 CFR 23.101, and net capital requirements for security-based swap dealers of the SEC Rule 18a-1. The Company qualifies for the Alternative compliance Mechanism under the SEC Rule 18a-10 therefore is subject to only comply with the CFTC’s net capital requirements in lieu of complying with the SEC capital rules. The Company has elected to follow the Bank Based Approach and is required to maintain minimum net capital, as defined, equivalent to the greatest of \$20,000, 8% of Uncleared Swap Margin or of Risk Weight Assets.

At March 31, 2024, the Company’s net capital of \$1,647,044 was \$697,740 in excess of the required amount of \$949,304:

Advances to affiliates, repayment of subordinated liabilities, dividend payments, and other equity withdrawals are subject to certain limitations and other provisions of the SEC and other regulators.

15. Subsequent events

Under the provisions of ASC 855, *Subsequent Events*, 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. 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 preparation of the Statement of Financial Condition.

The Company evaluated all events subsequent to March 31, 2024, through May 29, 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.