

Statement of Financial Condition (Unaudited)

Nearwater Capital Markets, Ltd.

June 30, 2023

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Assets

Cash	\$	154,091
Financial instruments owned, at fair value		51,996,884
Other assets		<u>1</u>
	<u>\$</u>	<u>52,150,976</u>

Equity

Total equity	\$	52,150,976
	<u>\$</u>	<u>52,150,976</u>

See accompanying notes.

Nearwater Capital Markets, Ltd.
Notes to the Statement of Financial Condition
(Unaudited)

1. Organization

Nearwater Capital Markets, Ltd. (the “Company”), is a limited company incorporated under the laws of Ireland on April 21, 2021. The Company is a subsidiary of Nearwater Capital Manager, Ltd. (the “Manager”), which is an affiliate of Nearwater Capital, LP (“Nearwater”), a leading global financial services firm focusing on capital markets and financing activities with principal activities in the United States, Europe, and Australia. For purposes of this report, an “affiliate” is defined as Nearwater Capital, LP or a direct or indirect subsidiary of Nearwater Capital, LP.

The Company and all its assets and liabilities are consolidated by the Manager pursuant to Accounting Standards Codification Topic 810, Consolidation. As the sole owner, the Manager directs all day-to-day activities of the Company and maintains sole voting rights.

As of July 12, 2022, Nearwater Capital Markets, Ltd. is conditionally registered with the U.S. Securities and Exchange Commission (the “SEC”) as a security-based swap dealer.

Nature of business

The Company intends to act as a dealer in security-based swaps, make markets in security-based swaps, and regularly enter into security-based swaps with counterparties as an ordinary course of business for its own account. The business activities of the Company will consist of a portfolio of security-based swaps and the reference securities, resulting in the Company earning a net financing spread. The Company’s counterparties will mainly consist of global banks which are also registered as security-based swap dealers with the SEC.

2. Significant accounting policies

Basis of presentation

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash represents funds deposited with financial institutions which may, at times, exceed federal insurance limits.

Nearwater Capital Markets, Ltd.
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2. Significant accounting policies (continued)

Financial instruments owned, at fair value

Financial instruments owned, at fair value, are stated at fair value and recorded on a trade date basis.

U.S. GAAP defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and further expands disclosures about such fair value measurements.

The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 measurements – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 measurements – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 measurements – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

As of June 30, 2023, financial instruments owned, at fair value, include U.S. Treasury securities and commercial paper which are measured based on unadjusted quoted prices in active markets and categorized within Level 1 of the fair value hierarchy.

Income tax

The Company is a limited company under the laws of Ireland and has made the appropriate elections to be considered a disregarded entity for income tax purposes.

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3. Related party transactions

Related party transactions may include any transactions between entities under common control, executive officers, the principal owner of the Company, as well as any other person or entity with significant influence over the Company's management or operations. Because of this relationship, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

Through a services agreement, the Company will receive management, administration, marketing, and other support from Nearwater affiliates.

4. Net capital requirements

As a security-based swap dealer, the Company is subject to the net capital requirements of the SEC. The Company is required to maintain minimum net capital, as defined under SEC Rule 18a-1, of not less than the greater of \$20 million or 2% of the risk margin amount, as defined. The Company's net capital and excess net capital as of June 30, 2023, were \$51,994,203 and \$31,994,203, respectively.

5. Subsequent events

The Company has evaluated its subsequent event disclosure through the date that the Company's financial statements were issued and has determined that there are no events that would have a material impact on the financial statements.