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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

April 7, 2021

Mr. Yo Akatsuka
Chief Executive Officer
Nomura Holding America Inc.
Worldwide Plaza
309 West 49th Street
New York, NY 10019-7316

Dear Akatsuka-san:

I write concerning your firm's participation in recent stock market transactions involving Archegos Capital Management (Archegos) and its principal owner Sung Kook (Bill) Hwang.

I am troubled, but not surprised, by the news reports that Archegos entered into risky derivatives transactions facilitated by major investment banks, resulting in panicked selling of stocks worth tens of billions of dollars and those banks collectively losing nearly \$10 billion.¹ Similar failures in the past, including Long-Term Capital Management and Amaranth Advisors, demonstrate the hazards to market stability and investor confidence when excessive leverage is combined with careless risk taking.

Based on news reports and discussions with financial regulators, it appears Nomura acted as one of several prime brokers for Archegos and conducted a "margin call" in the last week of March, rapidly liquidating shares of several companies.² The details and ultimate consequence of

¹ Quentin Webb & Margot Patrick, *Archegos Liquidation Hit Nomura, Credit Suisse*, The Wall Street Journal, Mar. 29, 2021, https://www.wsj.com/articles/japans-nomura-says-u-s-client-owes-it-2-billion-shares-fall-15-11616992085?mod=article_inline; Maureen Farrell, Margot Patrick & Juliet Chung, *Goldman, Morgan Stanley Limit Losses With Fast Sale of Archegos Assets*, The Wall Street Journal, Mar. 30, 2021, https://www.wsj.com/articles/goldman-morgan-limit-losses-with-fast-sale-of-archegos-assets-11617062028?st=uole5hiwb6q3ci4&reflink=desktopwebshare_permalink; Margot Patrick, *Credit Suisse Takes \$4.7 Billion Hit on Archegos Meltdown*, The Wall Street Journal, Apr. 6, 2021, https://www.wsj.com/articles/credit-suisse-takes-4-7-billion-hit-on-archegos-meltdown-11617687483?st=2rhqwtgltt8kfe8&reflink=desktopwebshare_permalink..

² Juliet Chung & Maureen Farrell, *Ex-Tiger Asia Founder Triggers \$30 Billion in Large Stocks Sales*, The Wall Street Journal, Mar. 28, 2021, https://www.wsj.com/articles/ex-tiger-asia-founder-triggers-30-billion-in-large-stocks-sales-11616973350?st=96sfs6boj9syjj9&reflink=desktopwebshare_permalink; Juliet Chung & Margot Patrick, *What Is Archegos and How Did It Rattle the Stock Market?*, The Wall Street Journal, Mar. 30, 2021, https://www.wsj.com/articles/what-is-archegos-and-how-did-it-rattle-the-stock-market-11617044982?st=fzcy53mlrlpc73s&reflink=desktopwebshare_permalink; Dave Michaels, *SEC Probes Trading by*

Archegos's failure remain to be seen, but the massive transactions, and losses, raise several questions regarding Nomura's relationship with Archegos and the treatment of so-called "family offices," Mr. Hwang's history, and the transactions that have been mentioned in news reports.

So that I may better understand the circumstances of the Archegos transactions and Nomura's involvement, please respond to the following by April 22, 2021. To the extent separate answers or details are necessary to explain activity of different Nomura entities, please describe with specificity for each entity.

1. Please outline the know your customer (KYC) review and client onboarding process for family offices, including any consideration given to whether the family office is subject to regulatory registration or reporting;
2. Please describe:
 - a. the services offered to family offices through your prime brokerage or similar divisions,
 - b. how family offices are evaluated to determine eligibility for services or products, including the extension of credit,
 - c. if there are services or products that are not offered to family offices that are not subject to regulatory registration or reporting, and
 - d. how collateral, including initial margin and variation margin, is maintained for transactions with those clients;
3. With respect to family offices, describe any periodic reviews of client details and KYC information, privileges, and market activity your firm conducts, including their frequency;
4. Please explain the client onboarding process, including any supervisor or risk committee approvals, for Archegos, identifying when it became a client, and the consideration of the 2012 agreement to criminal wire fraud by Tiger Asia Management LLC, Mr. Hwang's prior firm,³ and his and Tiger Asia Management's settlement of civil fraud charges related to allegations of insider trading and manipulation that led to a \$44 million penalty and an industry bar;⁴
5. Identify the broker-dealer and other entities, directly or indirectly, involved in transactions with Archegos and that participated in the margin call and resulting stock sales;
6. Describe any policies or procedures relevant to the entities in item 5 that address providing to U.S. based entities total return swaps or similar transactions referencing publicly traded stocks that provide an economic interest that would be subject to

Archegos That Rattled Stock Market, The Wall Street Journal, Mar. 31, 2021, <https://www.wsj.com/articles/sec-probes-trading-by-archegos-that-rattled-stock-market-11617223378>.

³ United States v. Tiger Asia Management, LLC, (D.N.J. Dec. 12, 2012), <https://www.justice.gov/archive/usao/nj/Press/files/Tiger%20Asia%20Plea%20and%20Sentencing%20News%20Release.html>.

⁴ Sec. Exch. Comm'n v. Tiger Asia Management, LLC, Tiger Asia Partners, LLC, Sung Kook (a/k/a Bill) Hwang, and Raymond Y.H. Park, (D.N.J. Dec. 12, 2012), <https://www.sec.gov/litigation/complaints/2012/comp-pr2012-264.pdf>.

regulatory reporting with the SEC or other regulators if the referenced stocks were directly held;

7. To address news reports regarding the Archegos margin call,⁵ please explain Nomura's participation in, or consideration of, any coordination with other banks to sell, or to refrain from selling, stocks related to Archegos transactions;
8. As detailed in news reports, Archegos-related margin calls involved the sale of shares of ViacomCBS Inc., which exhibited significant volatility in March, beginning the month at \$67, reaching \$100, and ending the month at \$45.⁶ Several of the banks engaged in trading relationships with Archegos participated in an SEC-registered offering of ViacomCBS shares on March 23 at a price of \$85.⁷ Please discuss whether that offering contributed to the Archegos margin call;
9. Given the stunning speed and size of the stock sales leading to Archegos's failure, please explain any information, market activity, or other factors that you believe caused or contributed to the margin call; and
10. Finally, please describe any amendments to policies or documentation that any of the entities identified in item 5 have made, or intend to make, in relation to existing or future transactions or relationships with family offices.

I appreciate your attention to this matter, and thank you for your timely cooperation.

Sincerely,



Sherrod Brown
Chairman

⁵ Ortenca Aliaj, Eric Platt, Tabby Kinder & Leo Lewis, *Archegos banks discussed co-operation to head off selling frenzy*, Financial Times, Mar. 30, 2021, <https://www.ft.com/content/db4508ed-ccb4-48f6-8dd6-dd7d38e3cfa4>.

⁶ <http://ir.viacomcbs.com/stock-information#menu>.

⁷ ViacomCBS Inc., Prospectus Supplement, Mar. 23, 2021, <https://www.sec.gov/Archives/edgar/data/0000813828/000119312521094654/d162565d424b5.htm>.