

# Nomura Securities International, Inc.

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## Form ADV, Part 2A Brochure

June 28, 2012

This brochure provides information about the qualifications and business practices of Nomura Securities International, Inc. If you have any questions about the contents of this brochure, please contact us at 212-667-9000 or at [compliance@nomura-asset.com](mailto:compliance@nomura-asset.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Nomura Securities International, Inc. is a registered investment adviser with the SEC. Such registration does not imply any level of skill or training.

Additional information about Nomura Securities International, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Nomura Securities International, Inc. is 4297.

## **MATERIAL CHANGES**

**As of June 28, 2012**

This brochure is part of the annual updating amendment to Form ADV Part 2A and reflects the following material change since the last brochure dated May 25, 2012.

1. Additional disclosure relating to potential ownership interest in trading venues or exchanges (Item 10)

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## ITEM 4 – ADVISORY BUSINESS

Nomura Securities International, Inc. (“NSI,” “firm,” “we,” “us,” or “our”)) conducts a full-service investment banking business in the United States for institutional clients. We, and our predecessor companies, have been registered with U.S. regulators since October 1969. We have been registered with the Securities and Exchange Commission (“SEC”) as an investment adviser since 2012 and as a broker-dealer since 1969. We are 100% owned by Nomura Holding America, Inc., a privately-held company which is 100% owned by Nomura Holdings, Inc. (“NHI”). NHI is a publicly traded company listed on the Tokyo and New York stock exchanges. NHI, together with its affiliates, is known as “Nomura.”

NSI offers research reports and other products and services to a variety of institutional clients as a service incidental to our brokerage services utilized by such institutional clients. Under certain circumstances, the firm may provide certain of these services for a fee to institutional clients. These services may include any or all of the following: (1) the provision of non-customized equity research reports prepared by NSI or its affiliates, (2) the provision of other research-related correspondence and communications from research analysts relating to such research reports, (3) access to the research analysts who prepare such research, and (4) the dissemination of trading ideas in equity securities by sales and trading personnel (collectively, “Advisory Research Services”). Clients receiving Advisory Research Services are referred to herein as “Advisory Research Clients” and other NSI clients are referred to as “Non-Advisory Clients”. As pertinent, Advisory Research Clients and Non-Advisory Clients are referred to as “clients”.

Our advisory relationships with Advisory Research Clients are strictly limited to the provision of Advisory Research Services, and any trades, transactions or orders that may be executed, routed or otherwise processed through us by Advisory Research Clients will be handled by us solely in our capacity as a broker-dealer. Our research reports are not tailored to the individual needs of clients. We may provide customized trading ideas, including model portfolios, based on client-specified parameters.

The delivery of Advisory Research Services does not differ from the research services provided to other similarly situated institutional clients and generally consists of the provision of research reports and other related services broadly disseminated to our clients. The only difference is that we, with respect to the Advisory Research Services, may accept a separate fee from an Advisory Research Client, rather than entirely providing such research services incidental to other brokerage services provided by us.

With respect to our Advisory Research Services, we do not maintain investment advisory accounts for clients or provide investment discretionary services. We also do not maintain Advisory Research Client assets or securities.

## **ITEM 5 – FEES AND COMPENSATION**

For our Advisory Research Services, NSI may receive a cash fee (“advisory fees”). There is no basic fee schedule for Advisory Research Services. Advisory fees may or may not be established under a written agreement. Advisory Research Services may constitute eligible research under the safe harbor of section 28(e) of the Securities Exchange Act of 1934 for use in connection with a client’s investment making decisions. Such clients may compensate NSI for Advisory Research Services through third party soft dollar arrangements (commission arrangements entered into by a client with other broker-dealers). In some arrangements, an affiliate of NSI may (1) be the executing broker-dealer, and/or (2) provide commission management services to the client.

All advisory fees are negotiated on a client-by-client basis, and may be renegotiated at any time. Advisory fees are not paid in advance and are billed to clients.

NSI’s advisory fees are exclusive of any brokerage commissions, transaction fees or other related costs and expenses which may be incurred by the Advisory Research Client in connection with any securities transactions independently made by the client. Our Advisory Research Services do not include any securities trading activity on a discretionary basis or otherwise.

If any of our trading ideas are executed by the Advisory Research Clients through NSI, in our capacity as a broker-dealer, we will receive transaction-based compensation for the execution of the trade. This practice presents a potential conflict of interest in so far as it may give NSI an incentive to recommend securities to its Advisory Research Clients based on potential future brokerage compensation rather than on specific client needs.

This conflict of interest, however, is strongly mitigated by our Advisory Research Client’s freedom to place their brokerage transactions with the broker-dealer of its choice. Each of our clients has full discretion to determine whether, and to what extent and how, it will use research reports or trading recommendations obtained from us. In addition, our clients that are investment advisers must comply with their “best execution” obligations when placing brokerage transactions on behalf of their clients.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not receive performance based fees for our Advisory Research Services nor do we conduct side-by-side management.

## **ITEM 7 – TYPES OF CLIENTS**

All of NSI's Advisory Research Clients are institutional clients, such as investment advisers, hedge fund managers, corporate pension plans and public retirement plans.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Our research personnel identify and rigorously analyze both financial information and strategic regional and global issues/trends that affect companies, industries and markets, and have a meaningful impact on future investment values. In order to provide informed investment opinions, Nomura analysts have a reasoned basis for any opinions, supported by the appropriate level of independent investigation, diligence, inquiry, analysis and judgment. Potential conflicts, both actual and perceived, may arise both internally and externally with clients, and it is our responsibility to acknowledge and manage those conflicts in a way that protects our clients and our reputation.

Our sales and trading personnel base their trading ideas on public information, including research, market or price movements, recent news stories and other events.

The research reports and trading ideas are provided on a stand-alone basis and do not take into account any other research reports or trading recommendations that may have been provided to the client or the client's investment or diversification objectives. Research sales ideas may or may not be based upon the research analyst's research recommendations and at times may conflict.

Any information relating to the tax status of financial instruments discussed in our Advisory Research Services reports is not intended to provide tax advice or to be used by anyone to provide tax advice. Clients are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Further, NSI may from time to time participate or invest in transactions with issuers of securities mentioned in trading ideas and related information prepared by individual sales personnel of NSI, perform investment banking services for or solicit business from such issuers, and/or have a position or effect transactions in the securities or derivatives of such issuers. NSI may have acted as a manager or co-manager of a public offering of the securities mentioned in these trading ideas and related information, and currently may make a market in such securities, and buy or sell such securities with customers on a principal basis.

### **Risk of Loss**

NSI may make recommendations and provide research analyses on a wide range of securities and investments. When valuing securities, our research analysts use a variety of methods. Although we will attempt to structure such recommendations and analyses with care, no assurances can be made that reliance on such recommendations and analyses by any client will generate positive returns. Our Advisory Research Services are generally not designed to meet the objectives or needs of specific clients or accounts.

In providing our Advisory Research Services, we may also rely on third party sources for information that we believe to be reliable, but in no way do we guarantee the quality, accuracy and/or completeness of such third party information.

If you choose to implement any of the trading ideas, investment recommendations or strategies of our Advisory Research Services, you will be subject to various risks, such as company-specific and market risks, which may result in a loss of principal invested.

## **ITEM 9 – DISCIPLINARY INFORMATION**

The SEC and other regulatory agencies including, but not limited to, self-regulatory organizations (“SROs”) and state regulators have, in the past, taken certain disciplinary actions against NSI for alleged violations of federal and state laws, regulations and rules and SRO rules. Many of those matters have been settled, and NSI has paid fines with respect to such violations. We are required to disclose certain of those disciplinary actions to clients and potential clients.

Below are descriptions of the disciplinary actions that need to be disclosed to clients and potential clients. Descriptions of additional disciplinary actions that are not required to be disclosed below can be found in NSI’s Form ADV, Part 1A which is available at <http://www.adviserinfo.sec.gov> on the Investment Adviser Public Disclosure website. The following disclosure also includes relevant disciplinary actions that occurred at predecessor firms that are now incorporated into NSI’s business:

**May 18, 2009:** The Financial Industry Regulatory Authority (“FINRA”) alleged violations of Rule 6955(a). During the period of August 1 through December 31, 2006, NSI submitted 2,366 Route Reports to OATS that were inaccurate, incomplete or improperly formatted. Without admitting or denying the finding(s), NSI resolved the issue, consented to a censure and a fine of \$5,000.

**April 16, 2007:** The New York Stock Exchange (“NYSE”) alleged violations of Rules 342, 401, 476 (a)(6) and 345.11 (Stock Loan, Unspecified Securities). Without admitting or denying the finding(s), NSI resolved the issue, consented to a censure and a fine of \$75,000.

**August 04, 2005:** The NYSE alleged violations of:

- Section 220.19 of Regulation T of the Federal Reserve System and NYSE Rule 431(b), by improperly extending credit to a customer;
- Securities Exchange Act of 1934 (“SEA”) Rule 15c3-1, by failing to deduct certain margin maintenance from its Net Capital calculation;
- SEA Rules 17a-3(a)(4)(VIII) and 17a-4(b)(1) and NYSE Rule 440, by failing to preserve and maintain records of certain equity reverse repurchase transactions for the required retention periods; and
- NYSE Rules 342(a) and (b), by failing to reasonably supervise a business activity and failing to establish and maintain appropriate procedures for supervision and control.
- Rule 472(a)(1) in that, on one or more occasions, the firm failed to ensure that one or more employees’ electronic communications to customers or the public constitution sales literature and/or market letters were properly reviewed and approved;
- Rules 342.17 in that the firm failed to provide for surveillance and follow-up to ensure that its written policies and procedures on electronic communications with the public were implemented and adhered to by its supervisory employees;
- Rule 345(a) in that the firm permitted an unregistered individual to perform duties customarily performed by a registered representative;
- Conduct inconsistent with the just and equitable principles of trade in that the firm, on one or more occasions, through one or more employees, improperly distributed to the public a prospectus , as defined in Section 2a(10) of the Securities Act of 1933, prior to the effective date of the registration of a secondary offering in violation of Section 5(b)(1) of the Securities Act of 1933;
- Rule 342 in that the firm failed to reasonably supervise one or more employees to prevent violations of the Securities Act of 1933; and
- Rule 440 and SEA Rule 17a-4 in that the firm failed to retain certain electronic mail message attachments transmitted via Bloomberg INET Service to and from its employees.



Without admitting or denying the finding(s), NSI resolved the issue, consented to a censure and a fine of \$400,000. Please note in Form ADV Part 1, this disciplinary action is reflected under two separate docket/case numbers.

**January 6, 2005:** The American Stock Exchange (“AMEX”) alleged that the firm violated:

- Rule 30 by filing inaccurate Short Interest Reports in certain equities and exchange traded funds (“ETFs”); and
- Rule 320 by failing to have written supervisory procedures in place with respect to Short Interest Reporting .

Without admitting or denying the finding(s), NSI resolved the issue, consented to a censure and a fine of \$30,000.

**April 29, 2004:** The National Association of Securities Dealers (“NASD”) alleged violations of NASD Marketplace Rule 6130(d) in that the firm failed to:

- Report to ACT the correct symbol indicating the capacity in which the firm executed certain equity transactions; and
- Specify in written supervisory procedures certain matters pertaining to the alleged reporting infractions.

Without admitting or denying the finding(s), NSI resolved the issue, consented to a censure and a fine of \$12,500, and revised its Written Supervisory Procedures.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We are an SEC-registered broker-dealer and a member of the NYSE and FINRA. We are also a registered futures commission merchant. Our principal business is that of a full-service broker-dealer.

NSI is a wholly-owned, indirect subsidiary of NHI. Among NHI’s internationally held direct and indirect affiliates and related persons are various other broker-dealers, investment companies, investment advisers and banking organizations.

NSI may suggest or recommend that clients, including Advisory Research Clients, use our securities account, execution and custody or other services, or such services of an affiliate. Similarly, NSI sales representatives may suggest or recommend that clients purchase our Advisory Research products, other NSI products or products of an affiliate. Where NSI’s or our affiliate’s services are used or products are purchased by clients, we and our affiliates

will receive fees and compensation. Sales representatives may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services.

We address these conflicts through disclosure in this brochure. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among client accounts as well as between client accounts and our business.

Certain of our management persons are registered representatives of the firm. Certain of our management persons may also hold positions with other affiliates. In these positions, those management persons may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other parts of NHI. Consequently, in carrying out their roles at NSI and these other entities, the management persons of NSI may be subject to the same or similar potential conflicts of interest that exist between NSI and these affiliates. NSI has established a variety of restrictions, policies and procedures designed to address these potential conflicts such as information barrier procedures and restrictions on personal trading.

NSI has established “Information Barrier” procedures and other policies that prohibit the misuse of such information. Information barriers exist between different businesses within NHA. As a result of such information barriers, NSI will generally not have access, or will have limited access, to information and personnel in other areas of NHA, and generally will not be able to manage the client accounts with the benefit of information held by these other areas. Nomura may make decisions or take (or refrain from taking) actions with respect to investments of the kind held by NSI clients that may be adverse to NSI clients. Information barriers may also exist between businesses within NSI.

In addition, NSI and its affiliates maintain one or more restricted lists of companies whose securities are subject to certain trading prohibitions, NSI personnel may be restricted from trading in an issuer’s securities if the issuer is on the restricted lists or if we otherwise have material, non-public information about the issuer.

We do not recommend or select other investment advisers in connection with our Advisory Research Services.

Nomura Asset Management U.S.A. Inc., an affiliated SEC-registered investment adviser, provides compliance services to NSI with respect to its Advisory Research Services. . In addition, Nomura may have ownership interests in trading venues and exchanges which may provide financial incentives to recommend brokers to clients who use these venues or exchanges for the execution of client trades.

## ITEM 11 – CODE OF ETHIS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

We have adopted a code of conduct and a code of ethics (together, the “Code of Ethics”) and various other policies and procedures designed to identify and control certain types of personal securities and other transactions that may create a potential or actual conflict of interest. Every NSI employee must receive, read and annually acknowledge in writing compliance with these policies and procedures. For example, we have policies and procedures that, among other things:

1. Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to personal trading, such as prohibiting employees from:
  - depriving client orders of priority, precedence or best execution as a result of personal trading;
  - personal trading in a security when they have knowledge of pending or potential client orders in the security, or where they have recommended or intend to recommend a client transaction in the security on the same day or at any point through the following trading day;
  - dealing on the back of client orders or attempting to replicate client trading strategies; or
  - trading contrary to a recommendation that was made to a client unless they have a reasonable basis for doing so.
2. Require employees to maintain accounts at designated brokers and provide initial and monthly reports of securities holdings and transaction reports;
3. Prohibit employees from violating applicable laws; and
4. Require employees to promptly report any violations of these policies and procedures to Compliance.

Our employees may open and retain personal trading accounts in accordance with these policies and procedures.

Clients, or prospective clients, may, upon request, receive a copy of our Code of Ethics by contacting their client service representative or by calling the Compliance Department at (212) 667-1414 or via postal request addressed to:

Nomura Securities International, Inc.  
2 World Financial Center, Building B  
Compliance Department, 18th Floor

Attention: Chief Compliance Officer  
New York, New York 10281

### **Participation or Interest in Client Transactions**

As a broker-dealer, NSI may invest for its own account or engage in market making transactions in many of the securities that are subject to research recommendations or analysis by NSI in our provision of Advisory Research Services to clients. We may recommend to Advisory Research Clients securities in which NSI or an affiliate also invests or otherwise has a material financial interest (including securities of NSI affiliates), or make such recommendations at or about the same time that NSI or an affiliate may buy or sell securities for its own account. In order to address any potential conflicts of interest, NSI has established information barriers designed to prevent personnel outside of its research division from obtaining advance knowledge of any pending changes in ratings, price targets or estimates by its research division. NSI has established policies and procedures which generally prohibit research analysts from owning, purchasing or selling any securities with respect to which he or she provides Advisory Research Services. When limited exceptions to these policies and procedures are made, disclosure of such fact is made in the written research report of that security.

We, through our research and sales and trading personnel, may suggest or recommend that Advisory Research Clients also use NSI's securities accounts, execution and custody or other services, or such services of an affiliate. Similarly, research and sales and trading personnel may suggest or recommend that Advisory Research Clients purchase NSI products or products of an affiliate. Where NSI's or our affiliate's services are used or products are purchased by Advisory Research Clients, we and our affiliates will receive fees and compensation. Research and sales and trading personnel may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services. Compensation received in connection with clients' purchase or sale of stocks, bonds, mutual funds, other securities or insurance products through us or our affiliates may include commissions, spreads, markups and markdowns, and distribution or other fees.

As a broker-dealer effecting transactions on behalf of clients, including those clients who receive Advisory Research Services, we or an affiliate may act as agent or as principal for our own account, as permitted by applicable law. Similarly, we or an affiliate may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction (agency cross transaction). In addition, we or our affiliates may have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of our business as a broker-dealer. We and/or our affiliates may profit from these positions or transactions in securities.

To the extent we have a brokerage relationship with an Advisory Research Client with whom we provide customized Advisory Research Services, we may execute principal or agency cross transactions for the client at our discretion, provided we obtain prior written

consent from the client in accordance with Rule 206(3)-1 of the Investment Advisers Act of 1940.

We, acting in our broker-dealer capacity, may recommend that Advisory Research Clients invest in a variety of limited partnerships, limited liability companies and pooled investment vehicles for which certain of our affiliates may act as general partners, managing members, investment managers or sponsors. The investments of these entities may vary but could include, without limitation, securities and derivatives.

We address these conflicts through disclosure in this brochure. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among client accounts as well as between client accounts and our business. For example, our personnel also are subject to personal trading restrictions as detailed in our policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our research and sales and trading personnel to pre-clear certain securities transactions, disclose their investment accounts, and provide or cause NSI to receive annual holdings reports and quarterly transaction reports.

## **ITEM 12 – BROKERAGE PRACTICES**

We do not select or recommend broker-dealers for clients in connection with our Advisory Research Services.

## **ITEM 13 – REVIEW OF ACCOUNTS**

With respect to our Advisory Research Services, we do not maintain client advisory accounts and do not provide personalized investment advice with respect to investment portfolios or the management of assets. Accordingly, there are no periodic reviews.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

### **Compensation for Client Referrals**

We do not compensate any person who is not a supervised person for Advisory Research Client referrals.

### **Other Compensation**

We and our affiliates may have a variety of banking, financial, or service relationships with the unaffiliated issuers of the securities covered by the Advisory Research Services. These relationships may include acting as an underwriter for the issuers of the securities covered by the Advisory Research Services. In such relationships, we and our affiliates may receive compensation. We disclose in our research reports, in accordance with applicable law and

regulation, our conflicts of interest and those of our research analysts that are or may be material in the context of the relevant report. In addition, the research and sales and trading departments have extensive policies and procedures regarding potential conflicts of interest affecting supervised personnel.

NSI does not receive any economic benefit from persons other than Advisory Research Clients for providing Advisory Research Services.

## **ITEM 15 – CUSTODY**

We do not maintain custody of advisory client funds or securities in connection with our Advisory Research Services.

## **ITEM 16 – INVESTMENT DISCRETION**

We do not have discretionary authority to manage securities on behalf of Advisory Research Clients. Our Advisory Research Clients make their own investment decisions.

## **ITEM 17 – VOTING CLIENT SECURITIES**

With respect to our Advisory Research Services, we do not have authority to vote proxies.

## **ITEM 18 – FINANCIAL INFORMATION**

We are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial condition that impairs our ability to meet contractual and fiduciary commitments to clients and have not been the subject of a bankruptcy proceeding.