

**SECURITIES AND EXCHANGE COMMISSION**  
**[Release No. 34-104678]**

**ORDER REGARDING INITIAL MARGIN COMPUTATION FOR  
NEARWATER CAPITAL MARKETS, LTD**

**January 23, 2026.**

Nearwater Capital Markets, Ltd. (“NCM”) has submitted an application to the Securities and Exchange Commission (“Commission”) for authorization to use and be responsible for a model to calculate the initial margin amount required by paragraph (c)(1)(i)(B) of Rule 18a-3 of the Securities Exchange Act of 1934 (“Exchange Act”),<sup>1</sup> using the model requirements of paragraph (d)(2)(i) of Rule 18a-3.<sup>2</sup>

Rule 18a-3(d)(2)(i) requires the initial margin model use a 99 percent, one-tailed confidence level with price changes equivalent to a ten business-day movement in rates and prices, and must use risk factors sufficient to cover all the material price risks inherent in the positions for which the initial margin amount is being calculated, including foreign exchange or interest rate risk, credit risk, equity risk, and commodity risk, as appropriate. Empirical correlations may be recognized by the model within each broad risk category, but not across broad risk categories.

Based on a review of the application that NCM submitted, including an assessment of the adequacy of the mathematical model the firm will use for regulatory margin purposes and the firm’s internal risk monitoring and procedures, the Commission

---

<sup>1</sup> See 17 CFR 240.18a-1(c)(1)(i)(B).

<sup>2</sup> See 17 CFR 240.18a-1(d)(2)(i) through (ii). The application for authorization to use and be responsible for a model to calculate the initial margin amount required by paragraph (c)(1)(i)(B) of Rule 18a-3 is subject to the application process in paragraph (d) to Rule 18a-1. See 17 CFR 240.18a-3(d)(2)(i) through (ii); 17 CFR 240.18a-1(d). See also 17 CFR 240.18a-3(e).

has determined that the application meets the requirements of paragraph (d)(2)(i) of Rule 18a-3.

Using the model requirements of paragraph (d)(2)(i) of Rule 18a-3 for calculating the initial margin amount should help NCM align its supervisory risk monitoring and procedures and margin requirements more closely, and would adequately capture the material risks. As a result, this also should help to ensure the integrity of the risk monitoring and procedures process. The Commission, therefore, finds that approval of the application is necessary or appropriate in the public interest or for the protection of investors.

Accordingly, IT IS ORDERED, under paragraph (d)(5)(i) of Rule 18a-1<sup>3</sup> to the Exchange Act, that NCM may use and be responsible for a model to calculate the initial margin amount required by paragraph (c)(1)(i)(B) of Rule 18a-3 for non-cleared security-based swaps under paragraphs (d)(2)(i) through (ii) of Rule 18a-3, using the model requirements in paragraph (d)(2)(i) of Rule 18a-3.

By the Commission.

**Vanessa A. Countryman,**

*Secretary.*

---

<sup>3</sup> See 17 CFR 240.18a-1(d)(5)(i).