

# Derivaty Co.

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Derivaty Co. If you have any questions about the contents of this brochure, please contact us at (212) 395-9473 or by email at [mdavis@derivaty.com](mailto:mdavis@derivaty.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Derivaty Co. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Derivaty Co.'s CRD number is: 310249.*

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Version Date: 3/19/2024

## **Item 2: Material Changes**

As a registered investment adviser, we must ensure that our brochure is current and accurate and makes full disclosure of all material facts relating to the advisory relationship. If there have been any material changes to our business or advisory practices since our last annual update, we will provide a description of such material changes here.

We encourage you to read through our ADV Disclosure Brochure in its entirety to fully understand the services we provide and the associated fees.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Derivaty Co. (hereinafter “DERIVATY”) is a Corporation organized in the State of Delaware. On June 27, 2022Derivaty, LLC was merged with Derivaty Co. The firm was formed in July 2020.

### **B. Types of Advisory Services**

#### *Portfolio Management Services*

DERIVATY offers ongoing portfolio management services which are typically delivered in accordance with a subadvisory agreement with an unaffiliated investment advisory firm. This relationship will be memorialized in each contract between Derivaty and the third-party. DERIVATY will request discretionary authority from these subadvisory clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

DERIVATY seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of DERIVATY’s economic, investment or other financial interests. To meet its fiduciary obligations, DERIVATY attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, DERIVATY’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is DERIVATY’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

### **C. Client Tailored Services and Client Imposed Restrictions**

DERIVATY will tailor a program for each subadvisory client. This will include an interview session to get to know the client’s specific needs and requirements as well as a plan that will be executed by DERIVATY on behalf of the client. DERIVATY may use model allocations together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent DERIVATY from properly servicing the client account, or if the restrictions would require DERIVATY to deviate from its standard suite of services, DERIVATY reserves the right to end the relationship.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. DERIVATY does not participate in any wrap fee programs.

## **E. Assets Under Management**

As of December 31, 2022, DERIVATY has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$33,000,000	\$0	12/31/2023

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### ***Subadviser Services Fees***

DERIVATY may also act as a subadviser to unaffiliated third-party advisers and DERIVATY would receive a share of the fees collected from the third-party adviser's client. The fees charged are negotiable and will not exceed any limit imposed by any regulatory agency. This relationship will be memorialized in each contract between DERIVATY and the third-party adviser.

### **B. Payment of Fees**

Subadviser fees may be withdrawn from client's accounts or clients may be invoiced for such fees, as disclosed in each contract between DERIVATY and the applicable third-party adviser.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither DERIVATY nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

DERIVATY does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

DERIVATY generally provides subadvisory services to unaffiliated Advisors, the terms of which are individually negotiated and memorialized in a subadvisory agreement.

## **Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

#### *Methods of Analysis*

DERIVATY's methods of analysis include Quantitative analysis.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

#### *Investment Strategies*

DERIVATY uses options trading (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

#### *Methods of Analysis*

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

## *Investment Strategies*

DERIVATY's use of options trading generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Options transactions** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value, as well as the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

DERIVATY's use of options trading generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a "naked" or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither DERIVATY nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither DERIVATY nor its representatives are registered as, or have pending applications to become, a futures commission merchant, commodity pool operator, or a commodity trading advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

DERIVATY does not have any registration relationships materials to its advisory business and possible conflicts of interests.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

DERIVATY does not utilize nor select third-party investment advisers.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

DERIVATY has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education,

Recordkeeping, Annual Review, and Sanctions. DERIVATY's Code of Ethics is available free upon request to any client or prospective client.

## **B. Recommendations Involving Material Financial Interests**

DERIVATY does not recommend that clients buy or sell any security in which a related person to DERIVATY or DERIVATY has a material financial interest.

## **C. Investing Personal Money in the Same Securities as Clients**

DERIVATY will not recommend to clients securities in which the firm or its representatives also invest.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

Please see Item 11.C above.

# **Item 12: Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on DERIVATY's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and DERIVATY may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in DERIVATY's research efforts. DERIVATY will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

DERIVATY recommends Fidelity Brokerage Services LLC.

### **1. Research and Other Soft-Dollar Benefits**

While DERIVATY has no formal soft dollars program in which soft dollars are used to pay for third party services, DERIVATY may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). DERIVATY may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance

that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and DERIVATY does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. DERIVATY benefits by not having to produce or pay for the research, products or services, and DERIVATY will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that DERIVATY's acceptance of soft dollar benefits may result in higher commissions charged to the client.

## **2. *Brokerage for Client Referrals***

DERIVATY receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

DERIVATY may permit clients to direct it to execute transactions through a specified broker-dealer. If a client directs brokerage, then the client will be required to acknowledge in writing that the client's direction with respect to the use of brokers supersedes any authority granted to DERIVATY to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; the client may be unable to participate in block trades (unless DERIVATY is able to engage in "step outs"); and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their clients to direct brokerage.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

If DERIVATY buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, DERIVATY would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. DERIVATY would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

## **Item 13: Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for DERIVATY's advisory services provided on an ongoing basis are reviewed at least Quarterly by Warun Kumar, CIO, with regard to clients' respective investment policies and risk tolerance levels. All accounts at DERIVATY are assigned to this reviewer.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

DERIVATY does not receive any economic benefit, directly or indirectly from any third party for advice rendered to DERIVATY's clients.

### **B. Compensation to Non - Advisory Personnel for Client Referrals**

DERIVATY does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, DERIVATY will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

DERIVATY provides discretionary and non-discretionary investment advisory services to clients. The subadvisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, DERIVATY generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. In some instances, DERIVATY's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to DERIVATY).

## **Item 17: Voting Client Securities (Proxy Voting)**

DERIVATY will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

DERIVATY neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither DERIVATY nor its management has any financial condition that is likely to reasonably impair DERIVATY's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

DERIVATY has not been the subject of a bankruptcy petition in the last ten years.

*This brochure supplement provides information about Warun Kumar that supplements the Derivaty Co. brochure. You should have received a copy of that brochure. Please contact Warun Kumar if you did not receive Derivaty Co.'s brochure or if you have any questions about the contents of this supplement.*

*Additional information about Warun Kumar is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Derivaty Co.**

### **Form ADV Part 2B – Individual Disclosure Brochure**

*for*

#### **Warun Kumar**

Personal CRD Number: 3043101

Investment Adviser Representative

Derivaty Co.  
180 S Broadway  
White Plains, NY 10605  
(212) 395-9471  
[warun@derivaty.com](mailto:warun@derivaty.com)

UPDATED: 03/19/2024

## **Item 2: Educational Background and Business Experience**

**Name:** Warun Kumar      **Born:** 1971

### **Educational Background and Professional Designations:**

#### **Education:**

BS Mechanical Engineering, Columbia University - 1993

#### **Business Background:**

07/2020 - Present	Managing Member Derivaty Co.
03/2014 - Present	CIO Rampart Investment Management
07/2010 - 03/2014	Managing Partner Varick Asset Management

## **Item 3: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business.

## **Item 4: Other Business Activities**

Warun Kumar acts as either a commodity pool operator or a commodity trading advisor and from time to time, may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. Derivaty always acts in the best interest of the client and clients are in no way required to utilize the services of any representative of Derivaty in connection with such individual's activities outside of Derivaty.

Warun Kumar acts as futures commission merchant and from time to time, may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. Derivaty always acts in the best interest of the client and clients are in no way required to utilize the services of any representative of Derivaty in connection with such individual's activities outside of Derivaty.

### **Item 5: Additional Compensation**

Warun Kumar does not receive any economic benefit from any person, company, or organization, other than Derivaty Co. in exchange for providing clients advisory services through Derivaty Co.

### **Item 6: Supervision**

As a representative of Derivaty Co., Warun Kumar is supervised by Michael Davis, the firm's Chief Compliance Officer. Michael Davis is responsible for ensuring that Warun Kumar adheres to all required regulations regarding the activities of an Investment Adviser Representative, as well as all policies and procedures outlined in the firm's Code of Ethics and compliance manual. The phone number for Michael Davis is (212) 395-9473.

*This brochure supplement provides information about Michael Davis that supplements the Derivaty Co. brochure. You should have received a copy of that brochure. Please contact Michael Davis if you did not receive Derivaty Co.'s brochure or if you have any questions about the contents of this supplement.*

*Additional information about Michael Davis is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Derivaty Co.**

### **Form ADV Part 2B – Individual Disclosure Brochure**

*for*

#### **Michael Davis**

Personal CRD Number: 4097379

Investment Adviser Representative

Derivaty Co.  
180 S Broadway  
White Plains, NY 10605  
(212) 395-9473  
[mdavis@derivaty.com](mailto:mdavis@derivaty.com)

UPDATED: 03/19/2024

Item 2: Educational Background and Business Experience

**Name:** Michael Davis      **Born:** 1975

**Educational Background and Professional Designations:**

**Education:**

MBA Business, Cornell University - 2006  
MA Psychology, Georgetown University - 1998

**Business Background:**

07/2020 - Present	Investment Adviser Representative & Chief Compliance Officer Derivaty Co.
10/2008 - Present	Portfolio Manager Rampart Investment Management
06/2014 - 10/2015	Managing Director Virtus Investment Partners
10/2010 - 05/2014	Partner Varick Asset Management
10/2008 - 10/2010	Vice President Barclays Capital

**Item 3: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business.

**Item 4: Other Business Activities**

Michael Davis is not engaged in any investment-related business or occupation (other than this advisory firm).

## **Item 5: Additional Compensation**

Michael Davis does not receive any economic benefit from any person, company, or organization, other than Derivaty Co. in exchange for providing clients advisory services through Derivaty Co.

## **Item 6: Supervision**

As the Chief Compliance Officer of Derivaty Co., Michael Davis supervises all activities of the firm. Michael Davis's contact information is on the cover page of this disclosure document. Warun Kumar adheres to applicable regulatory requirements, together with all policies and procedures outlined in the firm's code of ethics and compliance manual.