



## **HAYWOOD SECURITIES (USA) INC**

### **FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

(IN U.S. DOLLARS)

September 30, 2020

Financial Report and Supplementary Report Of Independent Registered  
Public Accounting Firm

[Confidential Pursuant to Rule 17a-5(e)(3)]

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL
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8-49696

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/01/19 AND ENDING 09/30/20  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Haywood Securities (USA) Inc**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**700 - 200 Burrard Street**

OFFICIAL USE ONLY
FIRM I.D. NO.

	(No. and Street)	
<b>Vancouver</b>	<b>BC</b>	<b>V6C 3L6</b>
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Bernadette Banares, Chief Financial Officer**

**604-697-6015**

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Ernst & Young LLP**

	(Name - if individual, state last, first, middle name)		
<b>#2300 - 700 West Georgia Street</b>	<b>Vancouver</b>	<b>BC</b>	<b>V7Y1C7</b>
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

- ☐ Certified Public Accountant  
☐ Public Accountant  
☒ Accountant not resident in United States or any of its possessions.

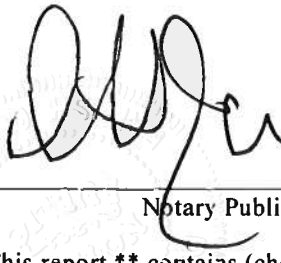
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Bernadette Banares, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Haywood Securities (USA) Inc, as of September 20, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A



**DANA H. PRINCE**

**Suite 530**

**355 Burrard Street**

**Notary Public Vancouver, B.C. V6C 2G8**

**Barrister & Solicitor**



Signature

Chief Financial Officer

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

## Report of independent registered public accounting firm

To the Shareholder and Board of Directors of  
**Haywood Securities (USA) Inc.**

### Opinion on the financial statements

We have audited the accompanying statement of financial condition of **Haywood Securities (USA) Inc.** [the "Company"] as of September 30, 2020, and the related statements of income and comprehensive income, changes in stockholder's equity and cash flows for the year then ended, and the related notes [collectively referred to as the "financial statements"]. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2020, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

### Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ["PCAOB"] and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Supplemental information

The accompanying information contained in Schedules I, II and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Rule 17a-5 under the *Securities Exchange Act* of 1934. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Vancouver, Canada  
November 30, 2020

*Ernst & Young LLP*

Chartered Professional Accountants

We have served as the Company's auditors since 2005.



A member firm of Ernst & Young Global Limited

## STATEMENT OF FINANCIAL CONDITION

As of September 30

(expressed in U.S. dollars)

2020

\$

### ASSETS

Cash [note 5]	4,808,750
Cash segregated under federal and other regulations [note 5]	53,329,971
Accounts receivable	36,650
Prepaid expenses	28,093
Income taxes recoverable [note 10]	230,507
Due from customers [note 7]	682,698
Due from brokers/dealers [note 9]	4,109
Deposits and amounts receivable from clearing broker [note 6]	116,069
Due from Haywood Securities Inc.	156,135
<b>Total assets</b>	<b>59,392,982</b>

### LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued liabilities	313,056
Due to customers [note 7]	53,127,424
Due to brokers/dealers [notes 7, 9]	686,437
Deferred tax liabilities [note 10]	27,148
<b>Total liabilities</b>	<b>54,154,065</b>
Contingencies and commitments [note 11]	

### Stockholder's equity

Common stock [note 8]	100
Retained earnings	5,238,817
<b>Total stockholder's equity</b>	<b>5,238,917</b>
<b>Total liabilities and stockholder's equity</b>	<b>59,392,982</b>

See accompanying notes

  
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Director



# STATEMENT OF INCOME AND COMPREHENSIVE INCOME

**Year ended September 30**

*(expressed in U.S. dollars)*

	<b>2020</b>
	<b>\$</b>
<b>REVENUE</b>	
Commissions	9,124,442
Investment banking	1,106,045
Research fee income	32,125
Interest	168,766
Foreign exchange	20,894
Fee income	453,261
Other income	10,054
	<u>10,915,587</u>
<b>EXPENSES</b>	
Commissions <i>[note 9]</i>	6,420,192
Communications and technology <i>[note 9]</i>	1,525,322
Consulting fees	32,992
Data processing	55,953
Insurance <i>[note 9]</i>	26,884
Membership and exchange fees <i>[note 9]</i>	338,956
Marketing and promotion <i>[note 9]</i>	17,845
Office and general <i>[note 9]</i>	190,786
Postage and courier <i>[note 9]</i>	51,713
Printing and stationery <i>[note 9]</i>	45,807
Professional fees	100,841
Regulatory	5,267
Rent <i>[note 9]</i>	283,330
Repairs and maintenance <i>[note 9]</i>	100,406
Salaries and benefits <i>[note 9]</i>	1,342,769
Staff development	21,795
Travel	6,979
	<u>10,567,837</u>
Income before income taxes	347,750
Current income taxes <i>[note 10]</i>	90,804
Deferred income taxes <i>[note 10]</i>	18,711
<b>Net income and comprehensive income for the year</b>	<u><u>238,235</u></u>

*See accompanying notes*



## STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

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### Year ended September 30

(expressed in U.S. dollars)

2020

\$

### COMMON STOCK [note 8]

Balance, beginning and end of year

100

### RETAINED EARNINGS

Balance, beginning of year

5,000,582

Net income for the year

238,235

Balance, end of year

5,238,817

**Total stockholder's equity**

**5,238,917**

*See accompanying notes*



# STATEMENT OF CASH FLOWS

**Year ended September 30**

*(expressed in U.S. dollars)*

**2020**

**\$**

## **OPERATING ACTIVITIES**

Net income for the year	238,235
Adjustments to reconcile net loss to net cash	
Provided by operating activities	
Increase in deferred income taxes	18,711
Decrease in accounts receivable	30,369
Decrease in prepaid expenses	7,531
Increase in income taxes payable/recoverable	(357,643)
Increase in net amounts due to customers	28,646,085
Decrease in net amounts due from brokers/dealers	669,111
Increase in deposits and amounts receivable from brokers/dealers	(61,774)
Decrease in accounts payable and accrued liabilities	(6,211)
<b>Net cash provided by operating activities</b>	<b>29,184,414</b>

## **FINANCING ACTIVITIES**

Decrease in amounts due to/from Haywood Securities Inc.	(1,714,269)
<b>Net cash used in financing activities</b>	<b>(1,714,269)</b>

<b>Net increase in cash and restricted cash during the year</b>	<b>27,470,145</b>
Cash and restricted cash, beginning of year	30,668,577
<b>Cash and restricted cash, end of year</b>	<b>58,138,721</b>

## **Supplemental cash flow information**

Income taxes paid	320,195
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*See accompanying notes*





# NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

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## 1. NATURE OF OPERATIONS

Haywood Securities (U.S.A.) Inc. [the “Company”] is a broker/dealer registered with the Securities and Exchange Commission [“SEC”] and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. The Company was incorporated under the laws of British Columbia, Canada on September 20, 1996.

The Company is a wholly owned subsidiary of Haywood Securities Inc. [“HSI”], a Canadian company regulated by the Investment Industry Regulatory Organization of Canada [“IIROC”].

The Company’s primary source of revenue is commission income relating to securities trade execution for U.S. resident clients. For retail clients, the Company clears its transactions through Hilltop Securities Inc. and self clears for retail clients where transactions cannot be processed through Hilltop Securities Inc. The Company also self clears for all institutional business directly.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The significant accounting policies are as follows:

### Revenue recognition

Commission revenue consists of revenue generated through traditional commission-based brokerage services. Commission revenue is recognized on a trade-date basis as the performance obligation is satisfied when the underlying financial instrument or purchaser is identified, the price is agreed upon and risks and rewards of ownership of the securities have been transferred to/from the customer.

Investment banking revenue consists of new issue and private placements revenue consisting of commissions earned on initial and secondary public offerings and private placements of securities. Revenue from commissions earned on initial and secondary public offerings and private placements of securities are recorded upon closing of the underlying transaction, which represents completion of the performance obligation as that is when the purchaser is identified, the price is agreed upon and risks and rewards of ownership of the securities have been transferred to/from the customer.

Research fee income consists of fee income earned by the Company for services performed in connection with research activities for institutional clients. Research fee income is recognized over time in line with the satisfaction of the performance obligation.

Interest revenue consists of amounts earned on cash deposited in bank accounts and on client balances held at Hilltop Securities Inc. Interest is recognized on an accrual basis.



# NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

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Fee income includes fees charged to clients for processing wires and legend removals. Revenue is recognized when wires and legend removals are processed which is when the performance obligation is satisfied.

## Securities transactions and commissions

Customers' securities transactions are recorded on a settlement-date basis, with related commission income and expenses recorded on a trade-date basis.

## Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgements and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. Given that the full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian economy and the Company's business is highly uncertain and difficult to predict at this time, there is a higher level of uncertainty with respect to management's judgements and estimates related to the fair value of financial instruments and provisions, the impairment of goodwill, intangible assets and other long-lived assets and the estimation of the allowance for credit losses.

## Foreign currency translation

The functional currency of the Company is the U.S. dollar. Monetary asset and liability accounts denominated in foreign currencies are translated into United States dollars at the exchange rate in effect at the financial statement and reporting date. Revenue and expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Gains and losses from currency transactions are included in the determination of net income for the year.

## Income taxes

The Company provides for income taxes and the related accounts under the asset and liability method.



# NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

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Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates expected to be in effect during the year in which the basis differences reverse. Valuation allowances are established when management determines it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

The Company recognizes a tax benefit if it is more likely than not that a tax position taken or expected to be taken in a tax return will be sustained upon examination by taxing authorities based on the merits of the position. The tax benefit recognized in the financial statements is measured based on the largest amount of benefit that is more likely than not to be realized upon settlement. The difference between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to this guidance represents an unrecognized tax benefit. The Company recognizes interest accrued related to unrecognized tax benefits and penalties in operating expenses.

## **Fair value measurements**

Financial Accounting Standards Board [“FASB”] Accounting Standards Codification [“ASC”] 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices [unadjusted] in active markets for identical assets or liabilities the Company has the ability to access.

Level 2 inputs are inputs [other than quoted prices included within Level 1] that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Company’s own data.



# NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

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As at September 30, 2020, the valuation of the Company's financial assets and liabilities recorded at fair value meet the definition of Level 1 inputs.

## 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

### **ASU No. 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes**

In December 2019, the FASB issued Accounting Standards Update 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (or ASU 2019-12), as part of its initiative to reduce complexity in the accounting standards. The amendments in ASU 2019-12 eliminate certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences, among other changes. The guidance becomes effective for annual reporting periods beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the effect of adopting this new guidance.

### **ASU No. 2018-13, Fair Value Measurement – Disclosure Framework**

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement – Disclosure Framework*. The updated guidance improves the disclosure requirements related to fair value measurements. The updated guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities. The Company has conducted a preliminary review and assessed that the impact would be immaterial.

### **ASU No. 2016-13, Financial Instruments – Credit Losses**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The new standard replaces the existing incurred impairment loss methodology with a methodology that reflects the expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard is effective for fiscal years beginning after December 15, 2019. The Company has conducted a preliminary review and assessed that the impact would be immaterial.

### **ASU No. 2016-02, Leases**

In February 2016, the FASB issued ASU 2016-02, *Leases*, that will supersede previous lease accounting standards in US GAAP. The standard is effective for annual periods beginning after December 15, 2019. Early adoption is permitted for all entities. The Company has conducted a preliminary review and assessed that the impact would be immaterial.



# NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

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## 4. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash, accounts receivable, amounts due to/from customers, amounts due to/from brokers/dealers, deposits and amounts receivable from carrying brokers, amounts due to/from HSI, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

### Credit risk

The Company's exposure to credit risk arises from the possibility that a counterparty to a transaction might fail to perform under its contractual commitment, resulting in a financial loss to the Company. The risk is managed by the Company's overall credit risk management framework, including monitoring credit exposures, obtaining collateral, limiting transactions with specific counterparties and assessing the creditworthiness of counterparties.

As at September 30, 2020, the maximum exposure to credit risk relating to cash, restricted cash, amounts due to/from customers, amounts due to/from brokers/dealers, and other accounts receivable without consideration of collateral is represented by the carrying values on the Company's statement of financial condition.

### Foreign Exchange Risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in a loss. The Company's primary foreign exchange risk results from pending settlements in foreign currencies and cash balances denominated in foreign currencies. The Company minimizes its exposure to foreign exchange risk through daily monitoring.

## 5. CASH AND CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Cash on deposit of \$53,329,971 is segregated in a special reserve bank account for the exclusive benefit of clients under Rule 15c3-3 of the SEC.



## NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

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	<b>2020</b>
	<b>\$</b>
Cash	4,808,750
Restricted cash	53,329,971
	<u>58,138,721</u>

### 6. DEPOSITS AND AMOUNTS RECEIVABLE FROM CLEARING BROKER

Under the terms of the fully disclosed clearing agreement with Hilltop Securities, Inc., the Company is required to maintain a clearing deposit. The clearing deposit was \$51,768 as at September 30, 2020 and is recorded in deposits and amounts receivable from clearing broker on the statement of financial condition.

### 7. RECEIVABLE FROM AND PAYABLE TO CUSTOMERS

Accounts receivable from and payable to customers include amounts due on cash transactions.

	<b>Receivable</b>	<b>Payable</b>
	<b>\$</b>	<b>\$</b>
Due from/to customers	682,698	53,127,424
Securities failed to deliver/receive		682,698
	<u>682,698</u>	<u>53,810,122</u>

### 8. COMMON STOCK

	<b>2020</b>
	<b>\$</b>
<b>Authorized</b>	
10,000 common shares without par value	
<b>Issued and outstanding</b>	
10 common shares at par value	<u>100</u>



## NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

### 9. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the financial statements are as follows:

- [a] At September 30, 2020, amounts due to/from brokers/dealers represent amounts due to/from HSI for failed settlements on trades executed in the normal course of business.
- [b] Certain expenses are incurred in connection with an expense sharing agreement with the Company's parent, HSI. These expenses are allocated to the Company based on the midpoint between the total commission revenue of the Company as a percentage of the total commission revenue of HSI and the total trades of the Company as a percentage of the total trades of HSI for the preceding fiscal year. The following expenses were charged by HSI during the current fiscal year, in accordance with expense-sharing agreements executed between the companies on October 1, 2007 and most recently revised on September 12, 2019.

	<b>2020</b>
	<b>\$</b>
Commissions	529,751
Communications and technology	437,371
Insurance	27,008
Membership and exchange fees	201,311
Marketing and promotion	17,845
Office and general	76,374
Postage and courier	46,245
Printing and stationery	25,908
Rent	283,330
Repairs and maintenance	100,406
Salaries and benefits	1,300,104
	<u>3,045,653</u>



## NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

### 10. INCOME TAXES

The provision for income taxes is comprised of:

	2020 \$
Current federal and provincial	90,804
Deferred federal and provincial	18,711
	<u>109,515</u>

The provision for income taxes differs from the amount computed by applying the combined federal and provincial income tax rates to income before provision for income taxes. The sources and tax effects of the differences are as follows:

	2020 \$
Income before income taxes	347,750
Statutory tax rates	26.775%
Income taxes at the statutory rates	93,111
Tax effect of cumulative foreign exchange translation	12,507
Non-deductible expenses	3,897
Income tax expense – current and deferred	<u>109,515</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At September 30, 2020, deferred tax liability of \$27,148 is recognized on taxable temporary differences relating to the timing of revenue recognition for tax purposes.

The Company files income tax returns in the Canadian jurisdiction. Tax liabilities are settled in Canadian dollars. The Company is no longer subject to Federal or Provincial examinations by tax authorities for years before 2014. The Company does not have any unrecognized tax benefits as at September 30, 2020.

### 11. CONTINGENCIES AND COMMITMENTS

The Company applies the provisions of ASC 460, *Guarantor's Accounting and Disclosure Requirements for Guarantees*, including Indirect Guarantees of Indebtedness of Others, which provides accounting and disclosure requirements for certain guarantees. The Company has agreed





## NOTES TO FINANCIAL STATEMENTS

September 30, 2020  
[Expressed in U.S. dollars]

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to indemnify Hilltop Securities Inc., the clearing broker, for losses that it may sustain from the customer accounts introduced by the Company. At September 30, 2020, the total amount of customer balances maintained by its clearing broker subject to such indemnification was \$4,990. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions.

### 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred from September 30, 2020 through to November 30, 2020, that being the date the financial statements were available to be issued. No issues or transactions have occurred in that period that would require recognition or disclosure in the financial statements of the Company.

### 13. REGULATORY NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to the net capital rule of the SEC [Rule 15c3-1]. Rule 15c3-1 requires that the Company maintain a regulatory net capital equal to the greater of 6 2/3% of aggregate indebtedness, as defined, or \$250,000. At September 30, 2020, the Company had net capital of \$4,772,271 an excess of \$4,522,271 over the minimum requirements.

Advances to affiliates, dividend payments and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule and the rules and requirements of other regulatory bodies.



## **NOTES TO FINANCIAL STATEMENTS**

September 30, 2020  
[Expressed in U.S. dollars]

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## **SUPPLEMENTAL INFORMATION**



**Schedule I****COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION**

[Expressed in U.S. dollars]

As of September 30

Firm ID: 042072

	<b>2020</b>
	<b>\$</b>
<b>Total stockholder's equity</b>	5,238,917
<b>Deductions and/or charges</b>	
Non-allowable assets:	
Prepaid expenses	28,093
Goods and service tax receivable	35,137
Accounts receivable	1,514
Income Tax Receivable	230,507
Due to/from HUSA/HSI	156,135
Total non-allowable assets	451,386
Haircut on foreign currency balances	15,260
Hilltop Unsecured Debits	0
<b>Net capital</b>	<b>4,772,271</b>
 [a] Minimum net capital required (6 2/3% of aggregate indebtedness)	 66,178
 [b] Minimum dollar requirement	 250,000
<b>Minimum net capital (greater of a and b)</b>	<b>250,000</b>
 <b>Excess net capital</b>	 <b>4,522,271</b>
 <b>Computation of aggregate indebtedness</b>	
Total aggregate indebtedness liabilities from Statement of Financial Condition	54,126,917
Adjustment based upon deposits in Special Reserve Bank Accounts	53,134,251
<b>Total aggregate indebtedness</b>	<b>992,666</b>
 Percentage of total aggregate indebtedness to net capital	 20.80%
 Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	 <b>0%</b>

There are no material differences between the amounts presented above and the amounts presented in the Company's September 30, 2020 unaudited FOCUS Part II Report filed on Oct 26, 2020.



**Schedule II****COMPUTATION FOR DETERMINATION OF RESERVE  
REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3**

[Expressed in U.S. dollars]

As of September 30  
Firm ID: 042072

	<b>2020</b>
	<b>\$</b>
	<hr/>
<b>Credit balances</b>	
Free credit balances and other credit balances in customers' security accounts	53,127,424
Customers' securities failed to receive	682,698
<b>Total 15c3-3 credits</b>	<hr/> 53,810,122 <hr/>
<b>Debit balances</b>	
Debit balances in customers' cash and margin accounts	675,871
Failed to deliver of customers' securities not older than 30 calendar days	<hr/> — <hr/>
<b>Total 15c3-3 debits</b>	<hr/> 675,871 <hr/>
<b>Reserve computation</b>	
Excess of total credits over total debits	<hr/> 53,134,251 <hr/>
<b>Amounts held on deposit in Reserve Bank Accounts</b>	<hr/> 53,329,971 <hr/>
<b>Frequency of computation</b>	<hr/> Weekly <hr/>

There are no material differences between the amounts presented above and the amounts presented in the Company's September 30, 2020 amended unaudited FOCUS Part II Report filed on October 26, 2020.



# **INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3**

[Expressed in U.S. dollars]

As of September 30  
Firm ID: 042072

State the market valuation and the number of items of:

	<b>2020</b> \$
1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of September 30, 2020, but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3	<hr/> — <hr/>
A. Actual number of items	<hr/> None <hr/>
2. Customers' fully paid securities and excess margin securities for which instructions to reduce for possession or control had not been issued as of September 30, 2020, excluding items existing from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3	<hr/> — <hr/>
A. Actual number of items	<hr/> None <hr/>

There are no material differences between the amounts presented above and the amounts presented in the Company's September 30, 2020 amended unaudited FOCUS Part II Report filed on October 26, 2020.



## Report of independent registered public accounting firm on applying agreed-upon procedures

To the Board of Directors and Management of  
**Haywood Securities (USA) Inc.**

We have performed the procedures enumerated below, which were agreed to by the Board of Directors, management of **Haywood Securities (USA) Inc.** [the "Company"], and the Securities Investor Protection Corporation ["SIPC"], as set forth in the Series 600 Rules of SIPC, solely to assist the specified parties in evaluating the Company's schedule of assessments and payments is in accordance with the applicable instructions of the General Assessment Reconciliation ["Form SIPC-7"] for the fiscal year ended September 30, 2020. The Company's management is responsible for the Company's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed, and our findings are as follows:

- [1] Compared the assessment payments made in accordance with the General Assessment Payment Form ["Form SIPC-6"] and applied to the General Assessment calculation on Form SIPC-7 with the respective wire transfer records on April 29, 2020 and November 23, 2020.

No findings were found as a result of applying the procedure.

- [2] Compared the total revenue amounts reported in the audited financial statements required by SEC Rule 17a-5 with the amounts reported in Form SIPC-7 for the fiscal year ended September 30, 2020.

No findings were found as a result of applying the procedure.

- [3] Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers supporting the adjustments.

No findings were found as a result of applying the procedure.

- [4] Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the schedules and working papers supporting the adjustments.

No findings were found as a result of applying the procedure.

This agreed-upon procedures engagement was conducted in accordance with the interim attestation standards of the Public Company Accounting Oversight Board (United States) and the attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether **Haywood Securities (USA) Inc.**'s schedule of assessments and payments is in accordance with the applicable instructions of the General Assessment Reconciliation Form SIPC-7 for the fiscal year ended September 30, 2020. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Vancouver, Canada  
November 30, 2020

*Ernst & Young LLP*

Chartered Professional Accountants



A member firm of Ernst & Young Global Limited