

STATEMENT OF FINANCIAL CONDITION

Investec Securities (US) LLC

Year Ended March 31, 2019

With Report of Independent Registered Public Accounting Firm
(*Confidential Pursuant to SEC Rule 17a-5(e)(3)*)

(*SEC I.D. No. 8-67162*)

Investec Securities (US) LLC
Statement of Financial Condition
Year Ended March 31, 2019

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Facing page and oath or affirmation

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

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

| |
|-----------------|
| SEC FILE NUMBER |
| 8-67162 |

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 04/01/2018 AND ENDING 03/31/2019
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Investec Securities (US) LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

10 East 53rd Street, 22nd Floor

(No. and Street)

New York

(City)

NY

(State)

10022

(Zip Code)

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

Steve Narov

(212) 259-5617

(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)

5 Times Square

(Address)

New York

(City)

NY

(State)

10036

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*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, Steve Narov, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investec Securities (US) LLC, as of March 31, 2019, 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:

EMINA HADZIC
NOTARY PUBLIC, State of New York
No. 02HA6329380
Qualified in Queens County
Commission Expires August 24, 2019

Emina Hadzic
Notary Public

S. Narov

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).**



Ernst & Young LLP
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New York, NY 10036

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Report of Independent Registered Public Accounting Firm

To the Shareholder and the Board of Directors of Investec Securities (US) LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Investec Securities (US) LLC, (the Company) as of March 31, 2019 and the related notes (the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at March 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement 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 statement is 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 statement, 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 statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ernst & Young LLP

We have served as the Company's auditor since 2007.

May 28, 2019

Investec Securities (US) LLC
Statement of Financial Condition

March 31, 2019

Assets

| | |
|------------------------------|----------------------------|
| Cash and cash equivalents | \$ 7,126,900 |
| Due from Overseas Affiliates | 26,856 |
| Other assets | <u>63,619</u> |
| Total assets | <u><u>\$ 7,217,375</u></u> |

Liabilities and member's equity

Liabilities:

| | |
|-------------------|----------------|
| Accrued expenses | \$ 120,014 |
| Unearned revenue | 3,500 |
| Due to Holdings | <u>110,058</u> |
| Total liabilities | 233,572 |

| | |
|---------------------------------------|----------------------------|
| Member's equity | <u>6,983,803</u> |
| Total liabilities and member's equity | <u><u>\$ 7,217,375</u></u> |

The accompanying notes are an integral part of the financial statements.

Investec Securities (US) LLC

Notes to Financial Statements

March 31, 2019

1. Organization and Nature of Business

Investec Securities (US) LLC (the “Company”) is a wholly owned subsidiary of Investec USA Holdings Corp. (“Holdings”), the ultimate parent of which is Investec plc, a London Stock Exchange listed company. The Company is a registered broker-dealer under the Securities Exchange Act of 1934 (the “SEA”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company distributes affiliate research and serves as an intermediary on behalf of overseas affiliates (the “Overseas Affiliates”) in accordance with SEA Rule 15a-6. Under this rule, the Company intermediates foreign equity transactions, as well as it acts as a placement agent for foreign securities offerings in the United States; for all such transactions and offerings, the executing broker is one of the Overseas Affiliates. The Company operates in a single business segment, the institutional securities business.

2. Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of cash and highly liquid investments with maturities of 90 days or less. The Company had no cash equivalents at March 31, 2019.

Commitments and Contingencies

The Company has not made any commitments, and it is not aware of any contingencies, that would require disclosure in the Notes to Financial Statements.

Income Taxes

The Company is a single member limited liability company and is a “disregarded entity” for tax purposes. Thus, the Company’s assets, liabilities and items of income, deductions and tax credits are treated as those of its sole member, Holdings, which is responsible for including the Company in its tax reports.

2. Significant Accounting Policies (continued)

The Company accounts for taxes in accordance with Accounting Standards Codification 740, *Income Taxes* (“ASC 740”). ASC 740 provides guidance on how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires that the Company determine whether a tax provision is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Once it is determined that a position meets this recognition criteria, the Company measures the position to determine the amount of benefit it may recognize in the financial statements.

Accounting Developments

Pending adoption

ASU 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which was mandatorily effective as of 1 April 2019. The standard substantially changes how lessees account for operating lease commitments, requiring a lease liability with a corresponding right-of-use asset to be recognized on the balance sheet, compared with the current off-balance sheet treatment of such leases. The Company adopted the standard as of its mandatory effective date on April 1, 2019. The Company is not listed on lease agreements, hence the adoption of this standard is not expected to have a material impact on the financial statements.

ASU 2016-13

In June 2016, the FASB issued ASU 2016-03, *Financial Instruments – Credit Losses* (Topic 326). ASU 2016-13 represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management’s estimates of current expected credit losses (CECL). Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The adoption of this standard will require the Company to recognize the rights and obligations arising from operating leases as assets and liabilities. ASU 2016-03 will be effective for fiscal years beginning after December 15, 2019, early adoption is permitted. The Company is currently assessing the impact that ASU 2016-13 will have on the Company’s financial statements.

ASU 2016-16

In October 2016, the FASB issued ASU 2016-16, “Intra-Entity Transfers of Assets Other Than Inventory” to ASC 740, *Income Taxes*. This amendment requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Company adopted the standard as of its mandatory effective date on April 1, 2019. The adoption of this standard did not have a material impact on the financial statements.

3. Credit Risk

The Company maintains its Cash and cash equivalents in bank accounts. Balances in such accounts, at times, may exceed federally insured limits. The Company's customers and counterparties are in the financial services industry. Changes in the industry's regulatory framework relevant to the Company, and to its business environment, could have a material effect on the Company and its operations.

4. Related-Party Transactions

The Company shares office space, equipment and other related support with Holdings. Under an administrative services agreement (the "ASA") with Holdings, certain overhead and operating expenses, including employee salaries and related costs, insurance and other expenses are allocated to the Company based on formulae applied to these expenses. In addition, Holdings allocates taxes to the Company, as discussed in Notes 2 and 5, and is the Company's payment agent for essentially all of the Company's vendor invoices.

Receivable or payable balances are settled between the Company and Holdings throughout the year on at least a quarterly basis. At March 31, 2019, the Company owed Holdings, net, \$110,058 related to the items described above. The Company settled outstanding balance on April 1, 2019.

Pursuant to service agreements, the Company charges certain Overseas Affiliates for services rendered, including operating as an intermediary broker-dealer for the Overseas Affiliates pursuant to SEC Rule 15a-6. Receivable or payable balances are settled between the Company and the Overseas Affiliates throughout the year on at least a quarterly basis. At March 31, 2019, the Overseas Affiliates owed the Company \$26,856 related to the items described above and was included in Due from Overseas Affiliates. The Overseas Affiliates settled the full amount of \$26,856 with the Company on April 24, 2019.

5. Provision for Income Taxes

Holdings allocates a provision for income and other taxes to the Company as if it were a separate taxpayer. At March 31, 2019, the Company has no deferred taxes or liabilities. All taxes are deemed to be current and are periodically settled with Holdings.

As of March 31, 2019, the Company determined that it has no material uncertain tax positions, and no interest or penalties as defined within ASC 740-10. Accordingly, management has concluded that no additional ASC 740-10 disclosures are required.

Although Holdings is not currently under examination by federal or state income tax authorities, Holdings' returns for the tax years ended March 31, 2016, 2017 and 2018 are open to adjustment by the relevant federal and state income tax authorities. The Company would recognize any future penalties and/or interest allocated to it by Holdings in the then-current period.

6. Regulatory Requirements

The Company, a registered broker-dealer, is subject to the Net Capital Rule 15c3-1 under the SEA (the “Rule”), which requires the maintenance of minimum net capital. The Company utilizes the alternative method available under the Rule and is required to have net capital equal to the greater of \$250,000 or 2 percent of its customer-related receivables from the reserve calculation of Rule 15c3-3. Since the Company claims an exemption from Rule 15c3-3, its minimum net capital is \$250,000.

At March 31, 2019, the Company had net capital of \$6,893,328, which was \$6,643,328 in excess of the required minimum net capital.

Various regulations may limit advances, dividends, and capital withdrawals in order to maintain required minimum net capital or for other reasons.

7. Subsequent Events

The Company has evaluated all subsequent events through May 28, 2019, the date the financial statements were available to be issued, and has determined that no subsequent events have occurred that would require disclosure in the financial statements or accompanying notes.