

## **Berenberg Capital Markets LLC**

Statement of Financial Condition  
December 31, 2018

FILED PURSUANT TO RULE 17A-5(e)(3) AS A  
PUBLIC DOCUMENT

# **Berenberg Capital Markets LLC**

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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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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 01/01/18 AND ENDING 12/31/18  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BERENBERG CAPITAL MARKETS LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1251 Avenue of the Americas, 53rd Floor

(No. and Street)

New York

New York

10020

(City)

(State)

(Zip Code)

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

Peter Nichols

646-949-9000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

BDO USA, LLP

(Name - if individual, state last, first, middle name)

100 Park Avenue

New York

New York

10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



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

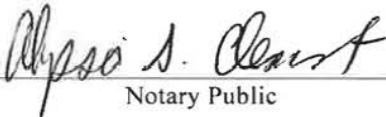
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Peter Nichols, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BERENBERG CAPITAL MARKETS LLC, as of December 31, 20 18, 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:

Alyssa S. Clements  
Notary Public, State of New York  
Reg. No. 01CL6370331  
Qualified in New York County  
Commission Expires 01/29/2022

  
Notary Public

  
Signature

Co-CEO  
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).



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100 Park Avenue  
New York, NY 10017

## **Report of Independent Registered Public Accounting Firm**

Board of Directors  
Berenberg Capital Markets LLC  
New York, New York

### **Opinion on Statement of Financial Condition**

We have audited the accompanying statement of financial condition of Berenberg Capital Markets LLC (the "Company") as of December 31, 2018, and the related notes (collectively referred to as "the financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### **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 presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

*BDO USA, LLP*

We have served as the Company's auditor since 2011.  
New York, New York

March 11, 2019



**Berenberg Capital Markets LLC**  
**Statement of Financial Condition**

*December 31, 2018*

**Assets**

Cash & cash equivalents	\$ 13,965,440
Investments in securities, at fair value	4,989,375
Due from clearing broker	2,738,372
Clearing deposit	1,000,000
Accounts receivable from Berenberg Bank	138,234
Accounts receivable	45,850
Fails to deliver	12,881,510
Due from customer	140,679,130
Property and equipment, net of accumulated depreciation of \$2,728,349	10,314,065
Tax receivable	191,036
Prepaid expenses and other assets	1,366,742
<b>Total Assets</b>	<b>\$ 188,309,754</b>

**Liabilities and Member's Equity**

**Liabilities:**

Accounts payable and accrued expenses	\$ 1,295,024
Compensation payable	3,584,120
Due to Berenberg Bank	981,183
Due to affiliate	422,468
Deferred rent liability	4,792,679
Fails to receive	140,679,130
Due to customer	12,881,510
<b>Total Liabilities</b>	<b>164,636,114</b>

**Commitments and Contingencies (Note 6)**

**Member's Equity:**

Member's equity	23,673,640
<b>Total Member's Equity</b>	<b>23,673,640</b>
<b>Total Liabilities and Member's Equity</b>	<b>\$ 188,309,754</b>

*See accompanying notes to statement of financial condition.*

**Berenberg Capital Markets LLC**  
**Notes to Statement of Financial Condition**

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**1. Business**

Berenberg Capital Markets LLC ("Company"), a Delaware limited liability company, is a registered broker-dealer in securities under the Securities Exchange Act of 1934 and is a registered member of the Financial Industry Regulatory Authority ("FINRA") as of November 9, 2011, incorporated on December 8, 2010 and commenced operations on January 1, 2011. The Company is engaged primarily in introducing customers to a foreign affiliate. The Company is wholly-owned by Berenberg Americas, LLC ("Parent").

The Company conducts its Securities and Exchange Commission ("SEC") Rule 15a-6 activities on a receive versus payment ("RVP")/delivery versus payment ("DVP") basis. The Company is allowed to conduct a settlement system that stipulates cash payment must be made simultaneously with the delivery of a security. The Company is related through ownership to Joh. Berenberg, Gossler & Co. KG, ("Berenberg Bank"), an affiliated German financial institution based in Hamburg with the Parent as the intermediary holding company. Berenberg Bank has only been given the right to settle trades on behalf of the Company through the Prezioso interpreted letter in SEC Rule 15a-6.

On June 10, 2015, the Company was approved to conduct the sales and trading of U.S. securities as an introducing broker dealer. All transactions are cleared on a fully-disclosed basis through Pershing LLC.

The Company does not hold funds or securities for customers and does not carry accounts of customers. Accordingly, the Company operates under the exemptive provisions of SEC Rule 15c3-3(k)(2)(i) for the 15a-6 activities and under SEC Rule 15c3-3(k)(2)(ii) for the U.S. securities business.

**2. Significant Accounting Policies**

***Basis of Presentation***

The statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

***Use of Estimates***

The preparation of the statement of financial condition in conformity with U.S. GAAP requires Company 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 statement of financial condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments, with maturities of ninety days or less, as cash and cash equivalents. Cash and cash equivalents held at financial institutions, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation.



**Berenberg Capital Markets LLC**  
**Notes to Statement of Financial Condition**

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**2. Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents (Continued)***

As of December 31, 2018, restricted cash of approximately \$3,074,900, is included in cash and cash equivalents. Restricted cash is collateral for a letter of credit on an operating lease.

As of December 31, 2018, the Company maintains a cash account of approximately \$294,000 with Berenberg Bank.

***Fair Value of Financial Instruments***

The carrying value of the Company's assets and liabilities, which qualify as financial instruments, approximate fair value.

The Company values all investments at fair value. U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the investment based on available market data. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the investment based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical investments.

Level 2 - Valuations based on (i) quoted prices in markets that are not active; (ii) quoted prices for similar investments in active markets; and (iii) inputs other than quoted prices that are observable or inputs derived from or corroborated by market data.

Level 3 - Valuations based on inputs that are unobservable, supported by little or no market activity, and that are significant to the overall fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, such as, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.



**Berenberg Capital Markets LLC**  
**Notes to Statement of Financial Condition**

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**2. Significant Accounting Policies (Continued)**

***Fair Value of Financial Instruments (Continued)***

As of December 31, 2018, the Company held investments in U.S. Treasury securities which are generally valued using quoted market prices or are benchmarked thereto. U.S. Treasury securities with maturities greater than 90 days are classified as Level 1 within the fair value hierarchy.

***Property and Equipment***

Furniture and fixtures and other equipment are depreciated over the estimated useful lives of the assets (ranging from 3-7 years) using the straight-line method. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the respective lease (ranging from 1-10 years), using the straight-line method.

***Revenue Recognition and Related Party Transactions***

***Transfer Pricing***

The Company offers its brokerage services to U.S. institutional investors in compliance with Rule 15a(b)(a)2 and a(3), and is compensated under the Transfer Pricing Agreement ("TPA"), effective January 1, 2018. The TPA provides for a net profit split to be paid to the Company through a Net Profit Split distribution earned by the Company. The Company recognizes income when it is earned and, from time to time, there are nominal intercompany transactions incurred between the Company and Berenberg Bank.

As of December 31, 2018, the Company had a payable from an overpayment of TPA compensation of \$954,306, which is included in due to Berenberg Bank which is shown on the statement of financial condition.

***Commissions***

The Company earns commissions from executing transactions through its fully disclosed clearing broker, Pershing LLC, on behalf of its customers, as well as Berenberg Bank. The execution of each trade order on trade date represents a distinct performance obligation and the transaction price at the point in time the trade order is fixed. The Company believes that the performance obligation is satisfied on trade date because that is when the underlying financial instrument or purchasers are identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer.

As of December 31, 2018, the Company had a receivable from these commissions attributable from Berenberg Bank of \$55,622, which is included in accounts receivable from Berenberg Bank on the statement of financial condition.

**Berenberg Capital Markets LLC**  
**Notes to Statement of Financial Condition**

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**2. Significant Accounting Policies (Continued)**

***Revenue Recognition and Related Party Transactions (Continued)***

The Company records all securities transactions on a settlement date basis. There is no material difference between settlement date and trade date.

***Cost Plus***

The Company has entered into an agreement with Berenberg Bank, effective January 1, 2018, "Cost-Plus Agreement – Sales Shipping US", whereas under the SEC Rule 15a-6 chaperoning arrangement in accordance with Rule 15a-6(a)(3), the Company agrees to chaperone Berenberg Bank's commercial transactions in non-publicly traded securities issued by companies doing business in the shipping and infrastructure industry sector. As consideration for this agreement, Berenberg Bank agrees to pay the Company the total amount of costs earned by the US Shipping department plus a mark-up of 10% ("Cost-Plus"). As of December 31, 2018, \$82,612 was receivable at year-end and is included in accounts receivable from Berenberg Bank on the statement of financial condition.

***Investment Banking***

The Company participates in securities underwriting transactions. The Company recognizes underwriting fees on the trade date of the transaction as there are no significant actions which the Company needs to take subsequent to this date and the client obtains the control and benefits of the offering at that point. Payment for investment banking revenue is typically collected from the lead underwriter within 90 days of the closing of the transaction. Costs associated with fulfilling underwriting assignments are deferred until the related revenue is recognized or the assignment is otherwise concluded. All other underwriting costs are expensed as incurred.

***Other Related Party Transactions***

The Company is related to Berenberg Asset Management LLC ("BAM"), an investment advisor registered with the SEC, through common ownership with the Parent. The Company occasionally incurs operating expenses on behalf of BAM, which are offset with amounts due to BAM.

***Foreign Currency***

In the normal course of business, the Company may enter into transactions not denominated in U.S. dollars. The Company's balances denominated in foreign currencies are translated into U.S. dollars at the end of each period, whereas the corresponding operating results denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions.

The resulting net loss from these translations is included in foreign exchange loss on the statement of operations.



## **2. Significant Accounting Policies (Continued)**

### ***Deferred Rent***

Rent expense under operating leases is recorded on a straight-line basis over the lease term. Lease incentives, such as rent-free periods, are recognized on a straight-line basis over the term of the lease or until the first rent review date, whichever occurs first. Deferred rent represents the difference between rent charged on a straight-line basis and amounts paid under the terms of the lease. Deferred rent liability is shown on the statement of financial condition.

### ***Income Taxes***

The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, "Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When applicable, a valuation allowance is established to reduce any deferred tax asset when it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized. It is the policy of the Company to comply with the provisions applicable to companies, as defined by Subchapter C of the Internal Revenue Code.

The Company files Federal, state and local income tax returns. On the Federal and State of Massachusetts returns, the Company files on a consolidated basis with BAM. As the Company was able to utilize losses generated by BAM in 2014 and 2015, the Company initially recorded a liability to BAM for the tax benefit received of \$544,999. As of December 31, 2018, \$422,468 remains payable to BAM and is included in due to affiliate on the statement of financial condition. No income tax returns are currently under examination. The Company's tax returns since 2015 are currently open to examination. As of the end of the tax year 2018, the Company estimated to have approximately \$4.2 million of Federal net operating losses, as well as certain state local net operating losses, which start expiring in 2035.

As a result of the Tax Act which became law on December 22, 2017, the Federal statutory tax rate was reduced to 21% as of January 1, 2018. As part of the new Tax Act, we are subject to the IRC Section 163(j) interest limitations, as well as a base erosion and anti-abuse tax ("BEAT"). The effect of these two provisions did not have a material impact on the statement of financial condition for the year. As part of the new Tax Act, IRC Section 163(j) interest limitations were revised and the base erosion and anti-abuse tax ("BEAT") was newly implemented. The effect of these two provisions did not have any impact on the statement of financial condition for the year.



**Berenberg Capital Markets LLC**  
**Notes to Statement of Financial Condition**

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**2. Significant Accounting Policies (Continued)**

***Income Taxes (Continued)***

For the period ended December 31, 2018 the effective tax rate differs from the statutory rate of 21% primarily due to the full valuation allowance, state and local income taxes and nondeductible expenses.

Management has analyzed the Company's tax positions taken on income tax returns for all open tax years. The Company has no unrecognized tax benefits at December 31, 2018. In addition, the Company has concluded that it does not have any uncertain tax positions.

Differences between the financial statement carrying amounts and the tax bases of assets and liabilities that give rise to significant portions of the deferred tax assets and liabilities are as follows:

Deferred tax assets:		
Deferred rent	\$	1,351,443
Net operating losses carryforward		1,883,585
State bonus depreciation		42,970
Total deferred tax assets		3,277,998
Property and equipment, net		(538,432)
Deferred rent		(9,712)
Net deferred tax assets before valuation allowance		2,729,854
Valuation allowance		(2,729,854)
Net deferred tax assets after valuation allowance	\$	-

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the existence of, or generation of, taxable income in the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, taxes paid in carryback years, projected future taxable income, and tax planning strategies in making this assessment.

Based upon the inability to predict estimates of future taxable income over the periods in which the deferred tax assets are deductible, at December 31, 2018, management is uncertain the Company will realize the benefits of these deductible differences, and therefore, has placed a full valuation allowance against these deferred tax positions.

## **2. Significant Accounting Policies (Continued)**

### ***Accounting Standards to be Adopted in Future Periods***

#### *Fair Value Measurement*

In August 2018, FASB issued ASU No. 2018-13, *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of this guidance is to improve the effectiveness of disclosures related to Fair Value measurement in the notes to statement of financial condition by eliminating certain disclosure requirements for fair value measurement, requiring public business entities to disclose certain new information and modifying some disclosure requirement. The guidance is effective for the Company's fiscal year ending December 31, 2020, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance on its disclosures in the statement of financial condition and related documents.

#### *Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* that requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases for which the recognition exemption is detected. For lessees, leases will continue to be classified as either operating or finance leases in the Statement of Operations.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements*, which allows for an additional transition method under the modified retrospective approach for the adoption of Topic 842. The two permitted transition methods are now: (1) to apply the new lease requirements at the beginning of the earliest period presented, and (2) to apply the new lease requirements at the effective date. The Company is currently in the process of adopting this standard for an effective date of January 1, 2019 by applying the new lease requirements at the effective date which may have an impact on the Company's statement of financial condition.

## **3. Significant Risk Factors**

#### *Market risk*

The Company's revenues are subject to substantial fluctuations due to a variety of factors that cannot be predicted with great certainty, including the overall condition of the economy and the securities markets as a whole. As a result, net income and revenues may vary significantly from year-to-year.

#### *Credit risk*

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers and banks. Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform pursuant to the terms of their obligations to the Company. The Company minimizes its exposure to credit risk by conducting transactions with established and reputable financial institutions. Counterparty exposure is monitored on a regular basis.



**Berenberg Capital Markets LLC**  
**Notes to Statement of Financial Condition**

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**3. Significant Risk Factors (Continued)**

*Operational risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company outsources a portion of its critical business functions to third party firms. Accordingly, the Company negotiates its agreements with these firms with attention focused not only on the delivery of core services but also on the safeguards afforded by back-up systems and disaster recovery capabilities.

*Cyber-Security risk*

Cyber-security risk is the risk that the Company's computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. To mitigate the risks related to cyber-attacks on our critical data, the Company takes protective measures and devotes significant resources to maintaining and upgrading its systems and networks. Such measures include intrusion and detection prevention systems, monitoring firewalls to safeguard critical business applications, monitoring third-parties that the Company does business with and employee training.

**4. Due from Clearing Broker**

The Company has a clearing agreement with its clearing broker to carry its customers' Delivery vs. Payment ("DVP") & Receive vs. Payment ("RVP") accounts at Pershing, LLC, as well as the Company's accounts as a customer of the clearing broker. As part of the Company's clearing agreement with its clearing broker, a minimum deposit of \$1,000,000 is to be maintained at all times. At times, the Company will have receivables (e.g. client commissions received) and/or payables to the broker, which may include cash balances, net of margin debit balances and collateral posted (e.g. clearing deposit).

**5. Property and Equipment, Net**

At December 31, 2018, property and equipment, net consisted of:

	Estimated Useful Life	Amount
Artwork	-	63,554
Leasehold improvements	Lease term	8,758,599
Computers and equipment	3-5 years	2,557,671
Furniture and fixtures	7 years	1,662,590
		13,042,414
Less: Accumulated depreciation		(2,728,349)
		<u>\$ 10,314,065</u>

During the year ended December 31, 2018, the Company disposed of fully depreciated property and equipment with a cost of \$2,512,705.



**Berenberg Capital Markets LLC**  
**Notes to Statement of Financial Condition**

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**6. Commitments and Contingencies**

***Operating Leases***

The Company leases office space under non-cancellable lease agreements expiring through 2030. The Company also receives rent from the sublease of office space under a non-cancellable lease agreement expiring through 2022.

Minimum rental payments and minimum rental receipts were approximately as follows:

<i>Year ending December 31,</i>	<i>Future Minimum Rental Payments</i>	<i>Future Minimum Rental Receipts</i>	<i>Net Future Minimum Rental Payments</i>
2019	3,726,000	(195,000)	3,531,000
2020	3,596,000	(199,000)	3,397,000
2021	3,485,000	(203,000)	3,282,000
2022	3,320,000	(34,000)	3,286,000
2023	3,392,000	-	3,392,000
Thereafter	23,033,000	-	23,033,000
	<b>\$ 40,552,000</b>	<b>\$ (631,000)</b>	<b>\$ 39,921,000</b>

As of December 31, 2018, the Company had a deferred rent liability of \$4,792,679.

Berenberg Bank serves as the guarantor under provisions of the lease. Payments under the guaranty are not to exceed \$7,000,000 and are payable under breach of any warranty or default.

As of December 31, 2018, the Company declared \$3,334,120 in discretionary bonuses and \$250,000 in non-discretionary bonuses, which is included in compensation and employee benefits on the statement of operations at year end and in compensation payable on the statement of financial condition.

**7. Regulatory Net Capital Requirements**

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires that the Company maintain minimum net capital. The Company has elected to use the alternative method, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of customer debit items, as defined. At December 31, 2018, the Company had net capital of \$10,091,060 which exceeded its requirement of \$250,000 by \$9,841,060.

**8. Subsequent Events**

Management has evaluated the possibility of subsequent events existing in the Company's statement of financial condition through March 11, 2019, the date the statement of financial condition was available to be issued. Management has determined that there are no material events that would require adjustment to or disclosure in the Company's statement of financial condition.