

CLSA Americas, LLC

(a wholly-owned subsidiary of CLSA Americas Holdings, Inc.)

Statement of Financial Condition

Pursuant to the Securities Exchange Act of 1934, Rule 17a-5

December 31, 2019

(With Independent Registered Public Accounting Firm's Report Thereon)

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

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

OMB APPROVAL
OMB Number: 3235-0123
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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 01/01/19 AND ENDING 12/31/19
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CLSA Americas, LLC

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

1301 Avenue of the Americas 15th Floor

(No. and Street)

New York
(City)

NY
(State)

10019
(Zip Code)

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

William Holub

212-549-5062

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

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

300 Madison Avenue
(Address)

New York
(City)

NY
(State)

10017
(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

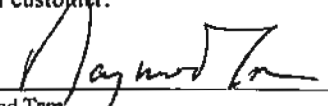
☐ Accountant not resident in United States or any of its possessions.

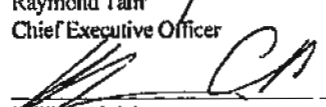
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

We, Raymond Tam and William Holub, swear (or affirm) that, to the best of our knowledge and belief the accompanying statement of financial condition pertaining to the firm of CLSA Americas, LLC, as of December 31, 2019, are true and correct. We 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.


Raymond Tam
Chief Executive Officer


William Holub
Chief Financial Officer


Loretta Jan
Notary Public

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

LORETTA JAN
Notary Public, State of New York
No. 015A6184559
Qualified in Kings County
Term Expires April 2, 2022
May 16, 2020

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Operations.
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Member's Equity.
- ☐ (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 Compliance Report as required by 17C.F.R. 240.17a-5(d)(1) and (3).

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

CLSA AMERICAS, LLC
(a wholly-owned subsidiary of CLSA Americas Holdings, Inc.)

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To the Board of Managers of CLSA Americas, LLC

Opinion on the Financial Statement – Statement of Financial Condition

We have audited the accompanying statement of financial condition of CLSA Americas, LLC (the "Company") as of December 31, 2019, including 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 as of December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The 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 of this financial statement 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.

PricewaterhouseCoopers LLP

February 28, 2020

We have served as the Company's auditor since 2013.

CLSA AMERICAS, LLC
(a wholly-owned subsidiary of CLSA Americas Holdings, Inc.)

Statement of Financial Condition

December 31, 2019

(U.S. dollars in thousands)

ASSETS

Cash and cash equivalents	\$ 56,676
Cash and securities segregated under Federal and other regulations	3,500
Restricted cash	1,663
Receivables:	
Clearing firm	1,743
Brokers and dealers	139
Customers	1,591
Affiliates	2,619
Furniture and equipment, net of accumulated depreciation of \$6,425	604
Right-of-use assets, net of accumulated depreciation of \$2,477	7,358
Other assets	1,534
Total assets	<u>\$ 77,427</u>

LIABILITIES AND MEMBER'S EQUITY

Payables:	
Brokers and dealers	\$ 524
Customers	139
Affiliates	14
Accrued compensation and benefits	5,961
Commission sharing agreement accrued liabilities	4,375
Lease liabilities	11,117
Accrued expenses and other liabilities	4,408
Total liabilities	<u>\$ 26,538</u>
Commitments and contingencies, Note 16	
Member's equity	50,889
Total liabilities and member's equity	<u>\$ 77,427</u>

The accompanying notes are an integral part of the Statement of Financial Condition

CLSA AMERICAS, LLC
(a wholly-owned subsidiary of CLSA Americas Holdings, Inc.)

Notes to Statement of Financial Condition

December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

(1) Business Description and Organization

CLSA Americas, LLC (the “Company”) is a wholly-owned subsidiary of CLSA Americas Holdings, Inc. (the “Parent”), which is wholly-owned by CLSA BV (“CLSA”), which is owned by CITIC Securities International Company Limited (“CITIC”). The Company is a single member Limited Liability Company (“LLC”) with the Parent, a Delaware corporation, as the sole member. The Company is a regulated member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), National Futures Association and other market centers/self-regulators. The Company provides brokerage services to institutional investors. In addition, the Company is the U.S. representative broker for CITIC and certain of entities under common control, as well as CL Securities Taiwan Company Limited in compliance with the U.S. Securities Exchange Act of 1934, as amended (“Exchange Act”), Rule 15a-6 (providing “15a-6 services”). The Company also performs middle and back office services for affiliates.

(2) Significant Accounting Policies

(a) Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

(b) Use of Estimates

The preparation of the financial statements requires management to make certain 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 revenues and expenses during the year. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, and overnight demand deposits that are primarily maintained at one major global bank. Given this concentration, the Company is exposed to certain credit risk. Due to the short-term nature of these instruments, the recorded value has been determined to approximate fair value.

(d) Loss Contingencies

With respect to all significant matters, the Company considers the likelihood of a negative outcome. If the Company determines the likelihood of a negative outcome is probable, and the amount of the loss can be reasonably estimated, the Company records an estimated loss for the expected outcome of the matter. If the likelihood of a negative outcome is at least reasonably possible, and no accrual for an estimated loss has been made or an exposure to loss exists in excess of the amount accrued, the Company discloses that fact together with the estimate of the possible loss or range of loss, or a statement that such an estimate cannot be made.

CLSA AMERICAS, LLC
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Notes to Statement of Financial Condition

December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

(e) Commission Management Program

The Company and its affiliates enter into Client Commission Arrangements and Commission Sharing Agreements (“CCAs”/“CSAs”) with customers. CSA/CCA customers may allocate a portion of their gross commissions to pay for investment related research and authorized brokerage related services provided by third parties and its affiliates in accordance with SEC Rule 28(e). The Company records its commissions net of commission sharing expenses in the Statement of Operations.

The Company executes all CCAs or CSAs with Americas domiciled clients. On trades where the Company’s affiliates recognize the commission revenue, those affiliates recognize the commission sharing expense and pay this expense to the Company. The Company’s affiliates execute CCAs or CSAs with non-Americas domiciled clients. On trades where the company recognizes the commission revenue, the Company recognizes the commission sharing expense and pays this expense to its affiliates.

(f) Income Taxes

The Company is a Limited Liability Company, which effective January 1, 2019 has elected to be a disregarded entity for U.S. tax purposes. The Company’s income or loss is included in the Parent’s U.S. corporate income tax returns with the Parent taxed as a C corporation.

Deferred income taxes are recorded for the effects of temporary differences between the reported amounts in the financial statements and the tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on tax laws and rates applicable to the periods in which the differences are expected to reverse. The Company assesses its ability to realize deferred tax assets primarily based on the Parent’s future earnings potential and the reversal of taxable temporary differences when recognizing deferred assets. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company follows accounting principles related to the accounting for uncertainty in income taxes. In this regard, the Company is required to determine whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation process, based on the technical merits of the position. The tax expense to be recognized is measured as the amount of expense that is greater than fifty percent likely of being realized upon ultimate settlement, which could result in the Company recording a tax liability.

See Note 10, Income Taxes, for additional detail.

(g) Securities Owned, at fair value

Trading investments are stated at fair value with unrealized gains and losses reported in net income. Realized gains and losses on the sale of investments are included in income on a trade date basis.

See Note 9, Fair Value, for additional detail.

CLSA AMERICAS, LLC
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Notes to Statement of Financial Condition

December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

(h) Employee Benefit Plan

The Company's contributions to the defined contribution plan are predetermined by the terms of the plan, which outline the amount to be contributed for each employee for each year.

See *Note 12*, Employee Benefit Plans, for additional detail.

(i) Deferred Compensation

The Company amortizes all deferred compensation on a straight-line method over the life of the award. Share-based amounts are adjusted annually based upon the change in the underlying value of the deferred bonus units.

See *Note 15*, Deferred Compensation, for additional detail.

(j) Receivables from/Payables to Brokers and Dealers

Receivables from brokers and dealers include securities failed-to-deliver. Payables to brokers and dealers include securities failed-to-receive.

See *Note 6*, Receivable from/Payable to Broker Dealers, for additional detail.

(k) Receivables from/Payables to Customers

Receivables from customers include securities failed-to-deliver and receivables for research and other services invoices issued. Payables to customers include securities failed-to-receive.

(l) Receivables from Clearing Firm

Securities transactions are cleared through the Company's clearing firm on a fully-disclosed basis. Receivables from clearing firm include commissions earned on these transactions less costs charged by the clearing firm to settle these transactions. Receivables from clearing firm also include cash or deficit cash balances in the Company's proprietary accounts at the clearing firm, and a \$1,000 cash clearing deposit.

(m) Furniture and Equipment

The Company's policy is to capitalize furniture, equipment and software with a cost greater than \$2. The Company depreciates its capitalized assets over the estimated useful life, which typically ranges from 3 to 5 years.

(n) Right-of-use Assets

The Company's policy is to capitalize operating leases with a duration longer than 12 months. The Company amortizes its right-of-use assets over the life of the lease.

See *Note 8*, Right-of-use Assets and Lease Liabilities, for additional detail.

CLSA AMERICAS, LLC
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Notes to Statement of Financial Condition

December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

(3) Accounting Pronouncements Not Yet Adopted

In June 2016 the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses in Financial Instruments. The amendment is effective under the modified retrospective approach without restatement method for fiscal years (and interim reporting periods within those years) beginning after December 15, 2019. Management has determined the impact that the adoption of this standard has on the Company's financial statements is not material.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes (Topic 740), which removes certain exceptions to the general principles in Topic 740 and improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, with early adoption permitted. The Company is evaluating the impact of this new standard on its financial statements.

(4) Cash and securities segregated under Federal and other regulations

The Company is required to calculate its reserve requirements under Rule 15c3-3 of the Exchange Act ("Rule 15c3-3"). In connection with that requirement, as of December 31, 2019, \$3,500 of cash was segregated in a special reserve bank custody account for the exclusive benefit of customers under Rule 15c3-3.

(5) Restricted Cash

The Company has entered into a sub-lease that expires in February 2023, and in accordance with the terms of the sub-lease the Company's bank has issued a Letter of Credit ("LOC") in the name of the sub-landlord. As of December 31, 2019, \$1,663 of cash was segregated in a separate non-interest bearing bank account under the LOC.

(6) Receivables from and Payables to Brokers and Dealers

Amounts receivable from and payable to brokers and dealers excluding the Company's Clearing Firm as of December 31, 2019, consisted of the following:

	<u>Receivables</u>	<u>Payables</u>
Receivables/payables on unsettled trades	\$ -	\$ -
Securities failed-to-deliver/receive	139	524
	<u>\$ 139</u>	<u>\$ 524</u>

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(7) Furniture and Equipment, net

The Company's furniture and equipment as of December 31, 2019, consisted of the following:

Furniture and fixtures	\$ 34
Computer equipment and hardware	5,488
Software	1,277
Capitalized lease assets	<u>230</u>
	7,029
Less: Accumulated depreciation/amortization	<u>(6,425)</u>
	<u><u>\$ 604</u></u>

(8) Right-of-use Assets and Lease Liabilities

On adoption of ASU 2016-02, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under generally accepted account principles of the United States of America. These liabilities were measured at the present value of the remaining lease payments, discounted using CLSA's borrowing rates.

The weighted average borrowing rate is 4.6%.

The weighted average remaining lease term is 3.1 years.

The associated Right-of-use assets recorded as of January 1, 2019 for property leases were measured on a retrospective basis as if the new rules had always been applied. The Right-of-use asset has been adjusted for the carrying amount of the restructuring accrual related to lease liabilities recognized under ASC 420, Exit or Disposal Cost obligations as per the transition guidance.

The Company's Right-of-use assets as of December 31, 2019, consisted of the following:

Office space	\$ 8,773
Data centers	574
Business contingency site	<u>488</u>
	9,835
Less: accumulated depreciation	<u>(2,477)</u>
	<u><u>\$ 7,358</u></u>

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(U.S. dollars in thousands unless otherwise noted)

Maturities of lease liabilities under noncancellable operating leases as of December 31, 2019 are as follows:

Year	<u>Payments Due</u>
2020	\$ 3,885
2021	3,727
2022	3,466
2023	<u>547</u>
Total Undiscounted lease payments	11,625
Less: Imputed interest	<u>(508)</u>
Total lease liabilities	<u>\$ 11,117</u>

(9) Fair Value

FASB Accounting Standards Codification ("ASC") 820 defines fair value as 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 measure date. Various valuation inputs were used to determine the fair value of assets or liabilities. Such inputs are defined broadly as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities as of the reported date.
- Level 2 – Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable as of the reported date.
- Level 3 – Prices or valuation techniques that are both significant to the fair value measurement and unobservable as of the reported date. These financial instruments do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The Company's policy is to recognize transfers between levels at year-end. For the year ended December 31, 2019, the Company did not have any such transfers.

Estimated Fair Value of Financial Instruments Not Measured at Fair Value

The Company estimates that the fair value of its remaining financial instruments as recognized on the Statement of Financial Condition approximates their carrying value because they have limited counterparty credit risk and are short-term replaceable on demand or bear interest at market rates.

	<u>Fair Value</u>			<u>Carrying Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and cash equivalents	\$ 56,676	-	-	\$ 56,676
Cash and securities segregated	3,500	-	-	3,500
Restricted cash	1,663	-	-	1,663
Receivables-Clearing Firm	-	\$ 1,743	-	1,743
Receivables-Brokers and dealers	-	139	-	139
Receivables-Customers	-	1,591	-	1,591
Receivables-Affiliates	-	2,619	-	2,619
Total assets	<u>\$ 61,839</u>	<u>\$ 6,092</u>	<u>\$ -</u>	<u>\$ 67,931</u>

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Notes to Statement of Financial Condition

December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

	Fair Value			Carrying Value
	Level 1	Level 2	Level 3	
Payables-Brokers and dealers	-	\$ 524	-	\$ 524
Payables-Customers	-	139	-	139
Payables-Affiliates	-	14	-	14
Total liabilities	\$ -	\$ 677	-	\$ 677

(10) Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are associated with bonuses that are not currently deductible for tax purposes, depreciation not currently deductible for tax purposes, accrued restructuring costs not currently deductible for tax purposes, deferred rent and net operating loss carryforward. The tax effect of significant items comprising the net deferred tax asset is as follows:

Deferred tax asset:

Differences between book and tax basis:

Compensation	\$ 1,411
Deferred rent	3,082
Right-of-use assets	(1,907)
Accrued liabilities	225
Net operating loss and other carryforward	19,214
Valuation Allowance	(22,025)
Net deferred tax asset	<u>\$ -</u>

As the Parent continues to recognize tax losses, Management has established a full valuation allowance of \$22,025 against the deferred tax asset, as the Parent and the Company in prior years showed taxable losses on a separate company basis it is more likely than not the deferred tax asset will not be realizable. For the year ended December 31, 2019, the Valuation Allowance decreased by \$1,927.

The principal reasons for the difference between the effective tax rates and the 2019 Federal corporate statutory tax rate of 21% are the valuation allowance established against the deferred tax asset, non-deductibility of travel and entertainment expenses and state taxes.

The Company's Parent is subject to taxation in the United States and various state and local jurisdictions. Prior to January 1, 2019, the Company was subject to taxation in the United States and various state and local jurisdictions. As of December 31, 2019, the Company's tax returns for 2014 to 2018 are subject to examination by state and local tax authorities, and the Company's tax returns for 2015 to 2018 are subject to examination by the Federal tax authority. The Federal tax authority completed its examination of the Company's 2013 and 2014 Federal corporate income tax returns during 2016, with no proposed adjustments. As of December 31, 2019 and 2018, the Company has no amount of unrecognized tax benefits. For the year ended December 31, 2019, the Company has not recognized any amounts associated with unrecognized tax benefits.

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December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

As of December 31, 2019, the Company has a Federal net operating loss carryforward of \$72,330 which begins to expire in 2034.

As of December 31, 2019, the Company has State and Local net operating loss carryforwards of \$53,290 which begin to expire in 2026.

(11) Related Party Transactions

Expenses are allocated to the Company by CLSA Limited ("Limited"), SetClear Pte. Ltd. ("SetClear") and CLSA Singapore in accordance with Service Level Agreements ("SLA"s). The services provided to the Company primarily relate to technology, management, research, and sales, trading and marketing services. The related payable of \$43 is netted in Receivables from affiliates.

The Company allocates expenses to Limited, SetClear, CLSA India Private Ltd, CLSA Finance Limited, CSI Global Markets Ltd., CITIC Securities International USA, LLC ("CSIUSA") and the Parent in accordance with SLAs. The services provided to affiliates primarily relate to sales, trading and marketing services, technology and other middle and back office functions. The related receivable of \$2,873 is in Receivables from affiliates and netted versus research amounts billed on behalf of affiliates.

Certain expenses of the Company incurred in the normal course of business are paid by Limited and other affiliates and reimbursed by the Company. The related payable of \$56 for such expenses are included net within Receivables from affiliates and payable of \$14 is Payable to affiliates.

Certain expenses of the Company's affiliates incurred in the normal course of business are paid by the Company and reimbursed by the affiliates. Such amounts are billed and collected on a monthly basis. The related receivable of \$112 is in Receivables from affiliates.

The Company executes orders for Limited and CLSA Global Markets Limited, on which it earns execution fees. These orders are only in securities listed or traded on markets in North or South America. The related receivable of \$175 is in Receivables from affiliates.

The Company acts as the collection agent for all payments to CLSA Group for research and retention services from Americas-domiciled clients. This means certain amounts of funds received are payments for research and retention services provided by other CLSA entities. During the year ended December 31, 2019, the Company issued research invoices for \$8,667 on behalf of Limited for research services provided to Americas clients. The payable of \$1,444 as of December 31, 2019, is netted in Receivables from affiliates. During the year ended December 31, 2019, the Company issued retention invoices for \$2,103 on behalf of Limited for research services provided to Americas clients. The payable of \$55 as of December 31, 2019, is netted in Receivables from affiliates.

During the year ended December 31, 2019, the Company accrued CCA/CSA account credits due to affiliates for non-Americas domiciled clients is netted in Receivable from affiliates.

During the year ended December 31, 2019, the Company's affiliates accrued CCA/CSA account credits due to CLSAA for Americas domiciled clients the receivable of \$1,108 as of December 31, 2019, is in Receivables from affiliates.

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December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

The Company leases office space to an affiliate that expires in February 2023 and the receivable of \$6 as of December 31, 2019, is in Receivable from affiliates.

The Company has been allocated taxes from its Parent during the year and the payable of \$15 as of December 31, 2019, is netted in Receivable from affiliates.

The Company has a cash account with HSBC in Hong Kong ("cash pool account"). This account is a part of the CLSA Group intercompany cash pooling arrangement with HSBC. Under this arrangement, while all funds contributed to the pool remain in the contributing company's cash account, the Parent can draw against such funds. As of December 31, 2019, the amount in the Company's cash pool account was \$4 which is included in Cash and cash equivalents on the Statement of Financial Condition. The account balance is considered a nonallowable asset for capital purposes under the Uniform Net Capital Rule 15c3-1 of the Exchange Act.

The Company had a \$200,000 uncommitted revolving credit facility (the "BV Credit Facility") with CLSA BV, with no established maturity date. The BV Credit Facility was terminated by the Company during the year.

The Company has a \$200,000 uncommitted revolving credit facility (the "Finance Credit Facility") with CLSA Finance, an affiliate, with no established maturity date. The Finance Credit Facility is available for the Company's business purposes, and the Company can draw directly under the Finance Credit Facility.

The Finance Credit Facility includes customary events of default (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all outstanding loans accelerated and/or lender's commitments may be terminated. Also, under such provisions, upon the occurrence of certain insolvency- or bankruptcy-related events of default, all amounts payable under the BV Credit Facility would automatically become immediately due and payable, and the lender's commitments would automatically terminate.

Amounts under the BV Credit Facility may be borrowed, repaid and re-borrowed by the Company from time to time. Voluntary prepayments by the Company are permitted at any time without fee. Borrowings under the BV Credit Facility bear interest at a prevailing market rate to be agreed between the parties from time to time.

During the year ended December 31, 2019, the Company did not draw upon the Finance Credit Facility. As of December 31, 2019, there was no amount outstanding under the Finance Credit Facility.

(12) Employee Benefit Plans

The Company sponsors a defined contribution plan. The 401(k) savings plan allows participants to make before-tax contributions from 1% to 100% of their compensation, subject to the maximum allowable contribution as established by the Internal Revenue Code. The Company makes matching contributions, which will not exceed more than a total of 6% of the employee's eligible compensation. Participants are immediately vested in their contributions, earnings thereon, and employer match in the plan.

There was no associated liability.

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Notes to Statement of Financial Condition

December 31, 2019

(U.S. dollars in thousands unless otherwise noted)

(13) Regulatory Requirements

As a broker-dealer and as an introducing broker regulated by the CFTC, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the SEC Exchange Act. The Company computes its net capital under the alternative method permitted by the rule, which requires that minimum net capital, as defined, exceed the greater of \$250 or two percent of aggregate debit items included in the Customer Reserve Calculation, as defined by Rule 15c3-3 of the Exchange Act. As of December 31, 2019, the Company had net capital of \$44,378, which was \$44,128 in excess of the minimum net capital requirement of \$250. Advances, dividend payments and other equity withdrawals are restricted by the regulations of the SEC, FINRA and other securities agencies.

The Company is required to comply with SEC Rule 15c3-3 for all foreign transactions cleared on a delivery-versus-payment ("DVP") or receipt-versus-payment ("RVP") basis. The Company claims exemption from Rule 15c3-3 under paragraph (k)(2)(ii) for all domestic transactions cleared through another U.S. broker-dealer on a fully disclosed basis.

(14) Risk Management

(a) Customer Activities

In the normal course of business, the Company's brokerage activities involve the execution of various customer securities trades, which may expose the Company to off-balance sheet risk by requiring the Company to purchase or sell securities at prevailing market prices in the event the customer is unable to fulfill its contractual obligations.

The Company's customer securities activities are transacted on a DVP/RVP basis.

In accordance with industry practice, the Company records customer transactions on a trade date basis. The Company is exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts, in which case the Company may have to purchase or sell financial instruments at prevailing market prices. The risks assumed by the Company in connection with these transactions are not currently expected to have a material adverse effect upon the Company's financial condition or results of operations.

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(U.S. dollars in thousands unless otherwise noted)

(b) Other Counterparties

The Company is engaged in various brokerage activities on behalf of clients. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty of the instrument.

(c) Market Risk

Market risk is defined as the exposure to adverse changes in the market value of a security due to the change in the values of various risk factors. The four standard market risk categories are equity, interest rate, currency and commodity.

The Company does not engage in proprietary trading activities and thus does not typically hold overnight positions.

In the course of broking the Company will, from time to time, facilitate customer orders that result in market risk exposures. The Company manages the market risks associated with these activities by completing the transactions in a short period of time in a trading day. In addition, such transactions are monitored through a variety of risk measures and techniques, by establishing intra-day limits and by monitoring exposures and limits on a daily basis.

(15) Deferred Compensation

The Company may issue either cash-based or share-based deferred compensation to employees, at its discretion. For all deferred compensation, vesting is generally conditional upon the eligible employees' continued employment with the Company during the vesting period(s), with vesting periods generally ranging from one to three years and accelerated vesting of awards in certain circumstances.

For cash-based deferred compensation, as of December 31, 2019, the Company had accrued liabilities of \$701, included in Accrued compensation and benefits on the Statement of Financial Condition.

The Company's employees are eligible for the Parent's share-based compensation plan ("SBCP") for services rendered. Share-based compensation is granted to eligible participants in the form of Deferred Bonus Units ("DBU"s) and accounted for as cash-settled share-based payment arrangements.

As defined in the plan, the valuation of DBUs is driven by the value of the Parent. This value is calculated as a multiple of the Net Asset Value ("NAV") of the consolidated accounts of the Parent, subject to minimum and maximum multiples. DBUs are valued twice per calendar year. The December 31st valuation of the Parent is estimated each December, and the DBU value is adjusted accordingly, if material. Once the December 31st audited consolidated accounts of the Parent are available, the December 31st valuation of the Parent is finalized, and the DBU value is adjusted accordingly. The amount of all SBCP awards and payments are determined based on the latest valuation of the Parent.

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Included in Accrued Compensation and benefits is \$6 payable under the SBCP.

	<u>Units</u>	<u>Value</u>
Balance, January 1, 2019	630,063	\$ 2,445
Granted	-	-
Transfers	-	-
Change in Value	-	-
Forfeited	(34,621)	(134)
Payments	(593,984)	(2,305)
Balance, December 31, 2019	<u>1,458</u>	<u>\$ 6</u>

As of December 31, 2019, the number of DBUs vested are 1,458 which are expected to be paid in accordance with the plan.

(16) Commitments and Contingencies

The Company has entered into various office and data center leases/sub-leases. Such leases have been recorded on the books as a Right-of-use asset, as described in *Note 8, Right-of-use Asset and Lease Liabilities*.

The Company has been named in several arbitration claims and threatened claims from former employees. The Company believes these claims are without merit but is required to participate in arbitration for all claims brought against the Company.

(17) Subsequent Events

We evaluated subsequent events through February 28, 2020, the date the financial statements were available to be issued.

No subsequent events were identified that require recognition or disclosure in the statement of financial condition.