

Wake USA LLC  
(A wholly owned subsidiary of Wake Holdings LLC)

Statement of Financial Condition  
As of December 31, 2017  
And Report of Independent Registered Accounting Firm

**PUBLIC DOCUMENT**  
Accordance with Rule 17a-5(e)(3)  
Under the Securities Exchange Act of 1934



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

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

To the Member of  
Wake USA LLC:

### **Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of Wake USA LLC (the Company) as of December 31, 2017. In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2017, 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 this 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.

**KPMG LLP**

We have served as the Company's auditor since 2014.

New York, New York  
February 28, 2018

**WAKE USA LLC**  
**(A wholly owned subsidiary of Wake Holdings LLC)**  
**Statement of Financial Condition**  
**December 31, 2017**  
**(In thousands)**

**ASSETS**

Cash.....	\$ 5,132
Receivable from affiliate.....	92
Capitalized software at cost (net of accumulated depreciation of \$55).....	167
Total assets.....	<u>5,391</u>

**LIABILITIES AND MEMBER'S EQUITY**

Payable to affiliates.....	623
Other liabilities, of which \$6 is reported at fair value.....	93
Total liabilities.....	<u>716</u>
Member's equity:	
Member's contributions.....	8,512
Accumulated deficit.....	(3,837)
Total member's equity.....	<u>4,675</u>
Total liabilities and member's equity.....	<u>\$ 5,391</u>

See accompanying notes to the statement of financial condition.

**WAKE USA LLC**  
**(A wholly owned subsidiary of Wake Holdings LLC)**  
**Notes to Statement of Financial Condition**  
**December 31, 2017**

**1. Organization and Summary of Significant Accounting Policies**

**The Company**

Wake USA LLC (the “Company”) is a wholly owned subsidiary of Wake Holdings LLC (“Wake Holdings”), which is co-owned by Credit Suisse (USA) Inc. (“CS USA”) and Tower Research Capital LLC (“Tower”). CS USA is a direct subsidiary of Credit Suisse Holdings (USA), Inc. (“CS Holdings”), whose ultimate parent is Credit Suisse Group AG (“CSG”).

On June 4, 2013 the Company was formed and organized under the laws of the State of Delaware.

In March 2014, the Company commenced operations upon registration with the Securities Exchange Commission (“SEC”), Financial Industry Regulatory Authority (“FINRA”), and the State of New York. The Company is a U.S. registered broker-dealer that is engaged in the business of providing pricing recommendations and related risk management recommendations with respect to fixed income products.

The accompanying statement of financial condition has been prepared from the separate records maintained by the Company and may not necessarily be indicative of the financial condition that would have existed if the Company had been operated as an unaffiliated entity.

**Significant Accounting Policies**

*Basis of financial information.* To prepare the statement of financial condition in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), management is required to make estimates and assumptions, including but not limited to, the fair value measurements of certain financial assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities as of the date of the statement of financial condition. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management’s estimates. Market conditions may increase the risk and complexity of the judgments applied in these estimates.

*Cash.* Cash is a demand deposit held in a bank.

*Receivable from (payable to) affiliates.* Receivable from (payable to) affiliates is primarily comprised of intercompany charges that the Company has incurred (charged) in the ordinary course of business, including management fees and other shared expenses.

*Capitalized software.* The Company capitalizes costs relating to the installation and development of software with a measurable economic benefit, but only if such costs are identifiable and can be reliably measured. The Company depreciates capitalized software costs on a straight-line basis over the estimated useful life of the software, generally not exceeding five years, taking into consideration the effects of obsolescence, technology, competition and other economic factors.

*Intangible asset.* Intangible asset includes an indefinite-lived intangible asset and are reviewed annually at year end for impairment. Based on the Company’s updated business plan, it was determined that the intangible asset is fully impaired as of December 31, 2017.



**WAKE USA LLC**  
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**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2017**

**1. Organization and Summary of Significant Accounting Policies (Continued)**

*Other liabilities.* Other liabilities primarily include accruals for audit fees, deferred compensation, and bonuses.

**2. Fair Value of Financial Instruments**

The Company has deferred compensation plans measured at fair value for which no prices are available, and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's own assumptions about the assumptions that market participants would use in pricing the financial instrument (including assumptions about risk).

**Fair Value Hierarchy**

The levels of the fair value hierarchy are defined as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3:* Inputs that are unobservable for the asset or liability. These inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available in the circumstances, which include the Company's own data. The Company's own data used to develop unobservable inputs are adjusted if information indicates that market participants would use different assumptions.

**WAKE USA LLC**  
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**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2017**

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

**Quantitative Disclosures of Fair Values**

The following is a tabular presentation of fair value of liabilities for instruments measured at fair value on a recurring basis:

December 31, 2017	Level 1	Level 2	Level 3	Total at fair value
<b>Financial liabilities</b>	(in thousands)			
Other liabilities.....	\$ -	\$ -	\$ 6	\$ 6
<b>Total financial liabilities.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6</b>	<b>\$ 6</b>

**Qualitative Disclosures of Valuation Techniques**

**Other liabilities**

Included in other liabilities are deferred compensation plans which are measured at fair value. The value of the deferred compensation liabilities are based on the contractual terms. The significant unobservable input is the credit spread on the CSG's referenced contingent convertible ("coco") instruments. The fair value of deferred compensation is calculated based on a discounted cash flow basis using credit spread, which results in a range of 271 to 285 basis points, with a weighted average of 274 basis points.

**Leveling of Assets and Liabilities not at Fair Value where a Fair Value is Disclosed**

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the statement of financial condition. The disclosure excludes all non-financial instruments such as intangible assets and capitalized software.

December 31, 2017	Carrying Value	Level 1	Level 2	Level 3	Total at fair value
<b>Financial assets</b>	(In thousands)				
Cash.....	\$ 5,132	\$ 5,132	\$ -	\$ -	\$ 5,132
Receivable from affiliate.....	92	-	92	-	92
<b>Total financial assets.....</b>	<b>\$ 5,224</b>	<b>\$ 5,132</b>	<b>\$ 92</b>	<b>\$ -</b>	<b>\$ 5,224</b>
<b>Financial liabilities</b>					
Payable to affiliates.....	\$ 623	\$ -	\$ 623	\$ -	\$ 623
Other liabilities.....	87	-	87	-	87
<b>Total financial liabilities.....</b>	<b>\$ 710</b>	<b>\$ -</b>	<b>\$ 710</b>	<b>\$ -</b>	<b>\$ 710</b>

**3. Related Party Transactions**

In the ordinary course of business, the Company enters into operating transactions with affiliated companies.



**WAKE USA LLC**  
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**Notes to Statement of Financial Condition (Continued)**  
**December 31, 2017**

**3. Related Party Transactions (Continued)**

The following table sets forth the Company's related party assets and liabilities as of December 31, 2017:

<b>ASSETS</b>		<b>(In thousands)</b>
Receivable from affiliate.....	\$	92
Total assets.....	\$	92
<b>LIABILITIES</b>		
Payable to affiliates.....	\$	623
Total liabilities.....	\$	623

**4. Intangible Asset**

As of December 31, 2017, based on the Company's updated business plan, it was determined that the intangible asset is fully impaired. Impairment amounts to \$1.4 million.

**5. Concentrations of Credit Risk**

As a U.S. registered broker-dealer, the Company operates an electronic pricing information business that provides pricing recommendations and related risk management recommendations with respect to US Treasuries, futures and other fixed income products to CS Securities. Credit risk is the potential for loss resulting from the default by a counterparty of its obligations. As of December 31, 2017, the Company did not have any significant concentrations of credit risk.

**6. Net Capital Requirements**

The Company is a registered broker-dealer and is subject to the net capital requirements of the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA").

Under the alternative method permitted by SEC Rule 15c-3-1, the required net capital may not be less than 2% of aggregate debit balances arising from customer transactions or \$250 thousand, whichever is greater. As of December 31, 2017, the Company's net capital of \$4.4 million was in excess of the SEC's minimum requirement by \$4.2 million.

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as of December 31, 2017, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii).

**7. Income Taxes**

The Company is treated as a disregarded entity of Wake Holdings, which is a partnership for U.S. federal and state income tax purposes. A partnership is generally not subject to federal or state income tax, as

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**Notes to Statement of Financial Condition (Concluded)**  
**December 31, 2017**

**7. Income Taxes (Continued)**

each member is responsible for reporting their allocable share of the partnership's income, gain, losses, deductions and credits on their individual or corporate federal and state income tax returns. The Company, however, is subject to New York City Unincorporated Business Tax ("UBT"), and is included in the UBT return of Wake Holdings. Accordingly, the Company has not accrued federal or state income tax. However, it has provided for UBT in the accompanying statement of financial condition, which is allocated by Wake Holdings to the Company on a pro rata basis, pursuant to a tax sharing arrangement.

As of December 31, 2017, no unrecognized tax benefit was recorded. There was no change in the unrecognized tax benefit during the year, and no additional reserve is required at this time.

The Company's tax years from 2014 and forward are open to examination and inquiries with the tax authorities in jurisdictions that it does business; however there are no examinations open at this time. It is reasonably possible that inquiries could arise and be resolved within the next twelve months. The Company does not anticipate any material changes to its statement of financial condition due to settlements.

Deferred tax assets and deferred tax liabilities are generated by the following temporary differences:

Deferred tax assets:	<u>(In thousands)</u>
Compensation and benefits.....	\$ 2
Total deferred tax assets .....	<u>2</u>
Deferred tax liabilities:	
Depreciation on capitalized software.....	6
Total deferred tax liabilities .....	<u>6</u>
Net deferred tax liability.....	<u>\$ (4)</u>

As of the balance sheet date, the net UBT deferred tax liability of \$4 thousand was included in other liabilities from affiliates in the statement of financial condition

On December 22, 2017, President Trump signed into law P.L. 115-97. As a partnership, the Company is generally not subject to Federal income taxes. Therefore the U.S. tax reform did not have a material impact on the Company's 2017 financial statements.

**8. Legal Proceedings**

Management of the Company is not aware of any legal proceedings or other matters arising out of the Company's activities as a U.S. registered broker-dealer that would result in a material adverse effect on the Company's financial position.

**9. Subsequent Events**

The Company has evaluated the potential for subsequent events from December 31, 2017 through the date of issuance of the statement of financial condition on February 28, 2018.