

CLEARPOOL EXECUTION SERVICES, LLC

A WHOLLY OWNED SUBSIDIARY OF

CLEARPOOL GROUP, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

SEC FILE NUMBER
8 - 69313

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:

CLEARPOOL EXECUTION SERVICES, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

17 STATE STREET, 38TH FLOOR

(No. And Street)

NEW YORK

(City)

NY

(State)

10004

(Zip Code)

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

JOSEPH WALD

212-531-8500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report *

Withum Smith & Brown PC

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

5 Vaughn Drive

(Address)

Princeton

(City)

NJ

(State)

08540

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

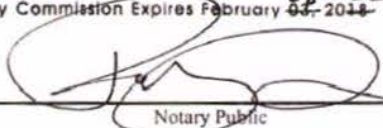
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as basis for the exemption. See section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, JOSEPH WALD, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CLEARPOOL EXECUTION SERVICES, LLC, as of DECEMBER 31, 2018, 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:

by 3005 3/1
PETER VINCENT DISCENZA, JR.
NOTARY PUBLIC-STATE OF NEW YORK
No. 02DI6296527
Qualified in Richmond County
My Commission Expires February 22, 2022


Notary Public


Signature

CEO

Title

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

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 previous audit.
- ☐ (o) Supplemental Independent Auditors' Report on Internal Accounting Control.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management and Member of
Clearpool Execution Services, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Clearpool Execution Services, 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 as of 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 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.

WithumSmith+Brown, PC

We have served as the Company's auditor since 2018.

New York, New York
February 28, 2019

CLEARPOOL EXECUTION SERVICES, LLC
(A WHOLLY OWNED SUBSIDIARY OF CLEARPOOL GROUP, INC)
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2018

ASSETS:

Cash	\$	6,783,050
Accounts receivable		4,935,770
Accounts receivable from clearing broker-dealers		1,896,557
Due from related party (see Note F)		1,159,673
Rebates receivable		157,495
Other assets		125,220
TOTAL ASSETS	\$	15,057,765

LIABILITIES AND MEMBER'S EQUITY:

Liabilities:

Accounts payable and accrued expenses (see Note E)	\$	6,284,577
Total Liabilities		6,284,577

Member's equity:

Member's equity		8,773,189
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	15,057,765

NOTE A. ORGANIZATION AND NATURE OF BUSINESS

Clearpool Execution Services, LLC, (the "Company"), a wholly owned subsidiary of Clearpool Group, Inc. (the "Parent"), is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a limited liability company under the laws of the State of New York.

The Company engages in securities commission business on behalf of its clients, including execution, order routing and riskless principal transactions. The Company has entered into clearing agreements with broker/dealers (the "Clearing Brokers") that provide for the securities transactions to be cleared and carried through the Clearing Brokers on a fully disclosed basis.

NOTE B. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Presentation:

The financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

(2) Use of Estimates:

The preparation of these financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(3) Revenue Recognition:

Effective January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). The new revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The Company applied the modified retrospective method of adoption which resulted in no adjustment to retained earnings as of January 1, 2018. The new revenue recognition guidance does not apply to revenue associated with financial instruments and interest income and expense, leasing and insurance contracts.

The Company had outstanding receivable of \$2,801,514 and \$3,639,776 from contracts with customers at January 1, 2018 and December 31, 2018. The Company had outstanding contract assets or liabilities of \$0 at January 1, 2018 and December 31, 2018.

(4) Concentration of credit risk:

The Company maintains cash balances in excess of insured limits and with clearing brokers that are not federally insured. Collateral is not required on accounts receivable and management believes its credit policies are prudent and reflect normal industry terms and business risk. Accounts receivable from clearing broker-dealers are subject to strict capital requirements. It is anticipated that in the event of a default on accounts receivable, normal collection procedures would be followed.

CLEARPOOL EXECUTION SERVICES, LLC
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NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE C. ACCOUNTS RECEIVABLE

Accounts receivable represent receivables from non broker-dealer clients and non-clearing broker-dealer clients and are stated net of allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts receivable based upon management's periodic evaluation of the collectability of outstanding accounts on an account-by-account basis. As of December 31, 2018, the Company did not record an allowance for doubtful accounts.

NOTE D. ACCOUNTS RECEIVABLE FROM CLEARING BROKER-DEALERS

Accounts receivable from clearing broker-dealers at December 31, 2018 was \$ 1,896,557. The Company clears its client transactions through third-party clearing broker-dealers on a fully disclosed basis.

NOTE E. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consists of \$3,985,825 of payables to vendors, \$2,141,257 of accrued expenses, and \$157,495 of rebates payable to clients.

NOTE F. RELATED PARTY TRANSACTIONS

The Company licenses facilities management services from its Parent for a fee. The services are related to salaries, rent, equipment, furniture, utilities, facilities and administrative support. The facility management fee for the year ended December 31, 2018 amounted to \$4,368,000 of which \$3,480,000 and \$888,000 is included in compensation & benefits and premises, respectively, on the Statement of Operations.

The Company licenses technology management services from an entity affiliated through common ownership for a fee. The technology management fee for the year ended December 31, 2018 was \$60,000 and is included in other expense on the Statement of Operations.

On June 16, 2016 the Company entered into an agreement to sell certain accounts receivable to the Parent. On August 1, 2018 the Company amended the agreement with the Parent. Throughout 2018, the Company sold \$17,498,624 of such receivables to Clearpool Group. The loss on sold invoices for the year ended December 31, 2018 was \$289,798 and is included in other expenses on the Statement of Operations.

The Company has an intercompany netting agreement with its Parent and affiliate and offsets its intercompany balances. As of December 31, 2018, the Parent owes the Company \$1,159,673, comprised of the Parent owing the Company \$5,993,025 and the Company owing an affiliate through common ownership \$4,833,352. The net balance, \$1,159,673, is included in due from related party on the Statement of Financial Condition.

During 2018, the Company made cash distributions to the parent of \$5,100,000 and non-cash distributions by forgiving amounts due from the Parent of \$3,600,000.

NOTE G. INCOME TAXES

Clearpool Execution Services LLC is a wholly owned, disregarded entity of Clearpool Group Inc., a corporation. The tax obligations of Clearpool Execution Services LLC are passed through to their owners and are not the responsibility of the single member LLC. As a result, Clearpool Execution Services LLC is not required to provide for an Income Tax provision.

Clearpool Group Inc. accounts for income taxes in accordance with ASC 740, Income Taxes. ASC 740 prescribes the use of the asset and liability method whereby deferred assets and liabilities are determined based on differences between the financial reporting and tax basis of the assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

NOTE H. CONTINGENCIES

In the ordinary course of business the Company may be subject to regulatory inquiries or proceedings primarily in connection with its activities as a securities broker-dealer. Currently the Company has a pending investigation ongoing with FINRA. The Company does not know the ultimate outcome of the pending investigation, but has accrued a contingent liability of \$473,000 as of December 31, 2018, which is included in accounts payable and accrued expenses on the Statement of Financial Condition.

NOTE I. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of \$250,000 pursuant to the alternative method of calculating net capital. At December 31, 2018, the Company had net capital of \$2,552,525 which was \$2,302,525 in excess of its required net capital of \$250,000.

NOTE J. SUBSEQUENT EVENTS

On January 31, 2019 and February 28, 2019, the Company forgave \$500,000 and \$500,000, respectively, of due from Parent and recorded a non-cash distribution to the Parent. On January 28, 2019 and February 25, 2019, the Company distributed \$750,000 and \$1,000,000, respectively, of profits to the Parent.