

Guotai Junan Securities USA, Inc.

Statement of Financial Condition

December 31, 2018

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

OMB APPROVAL

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

SEC FILE NUMBER

8-69762

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 01/01/2018 AND ENDING 12/31/2018
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALERS: Guotai Junan Securities USA, Inc.

OFFICIAL USE ONLY

FIRM I.D. NO.

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

630 Fifth Avenue, Suite 1915

(No. and Street)

New York

NY

10111

(City)

(State)

(Zip Code)

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

Fei Yin

646-678-3967

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mazars USA, LLP

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

135 West 50th Street

New York

NY

10020

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

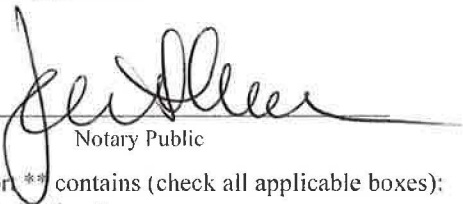
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AFFIRMATION

I, Fei Yin, affirm that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Guotai Junan Securities USA, Inc., as of December 31, 2018, are true and correct. I further 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.



Chief Executive Officer



Notary Public

JANET GERENA
Notary Public, State of New York
No. 01GE623275
Qualified in Sullivan County
Commission Expires 06/07/20

Dutchess
11/21/2022

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 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.
- ☐ (o) Exemption Report pursuant to Securities and Exchange Commission Rule 17a5(d)(4)

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

GUOTAI JUNAN SECURITIES USA, INC.

Index

December 31, 2018

	Page(s)
Report of Independent Registered Public Accounting Firm	1
Financial Statement	
Statement of Financial Condition	2
Notes to the Financial Statement	3-6



Report of Independent Registered Public Accounting Firm

To the Shareholder of Guotai Junan Securities USA, Inc. and
Board of Directors of Guotai Junan Securities Co., Ltd.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Guotai Junan Securities USA, Inc., (the “Company”), as of December 31, 2018, and the related notes (collectively referred to as the “financial statement”). In our opinion, the statement of financial condition 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 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 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.

We have served as the Company’s auditor since 2016.

Mazars USA LLP

February 14, 2019

MAZARS USA LLP

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MAZARS USA LLP IS AN INDEPENDENT MEMBER FIRM OF MAZARS GROUP.



GUOTAI JUNAN SECURITIES USA, INC.

Statement of Financial Condition December 31, 2018

Assets	\$
Cash	3,153,515
Fees receivable	941,200
Fixed assets	15,460
Prepays and other assets	106,325
Total Assets	4,216,500
Liabilities and Stockholder's Equity	
Liabilities	
Accrued expenses	394,916
Income taxes payable	8,399
Total Liabilities	403,315
Stockholder's equity	
Common stock, \$.01 par value, 5,000 shares authorized, 100 issued and outstanding	1
Additional paid-in capital	4,999,999
Accumulated deficit	(1,186,815)
Total Stockholder's equity	3,813,185
Total Liabilities and Stockholder's Equity	4,216,500

GUOTAI JUNAN SECURITIES USA, INC.

Notes to the Financial Statement December 31, 2018

1. Organization and Business Description

Organization

Guotai Junan Securities USA, Inc. (the "Company") was formed as a corporation in the State of Delaware on January 19, 2016 as a wholly-owned subsidiary of Guotai Securities USA, Holdings Inc. (the "Parent"). The Parent is wholly-owned by Guotai Junan Global Limited, a company organized in the British Virgin Islands (the "Indirect Owner"), which is wholly-owned by Guotai Junan Financial Holdings Limited, organized in Hong Kong. Effective December 23, 2016, the Company commenced operations as a registered broker-dealer under the Securities Exchange Act of 1934 subject to certain regulations of the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority, Inc. ("FINRA").

Business Description

The Company was formed to act as financial advisor in connection with mergers, acquisitions, sales of businesses or assets, corporate divestitures or other corporate restructuring and providing corporate finance advice, including advising issuers in connection with capital raising activities, private placement of securities, acting as finder, including qualifying or soliciting potential institutional investors or transaction participants for M&A or capital raising transactions and serving as the U.S. intermediating broker for its foreign broker-dealer affiliates pursuant to SEC Rule 15a-6.

2. Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates in the Preparation of Financial Statements

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from the estimates included in the financial statements.

Income Taxes

In accordance with Accounting Standard Codification (ASC) 740, *Accounting for Income Taxes*, the asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Net deferred tax assets are recognized to the extent the Company believes these assets are more likely than not to be realized. In making such a determination, all available positive and negative evidence are considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. If it is determined, the Company would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

GUOTAI JUNAN SECURITIES USA, INC.

Notes to the Financial Statement December 31, 2018

Uncertain tax positions are recorded in accordance with ASC 740, *Accounting for Income Taxes*, on the basis of a two-step process, whereby (1) the Company determines whether it is more likely than not the tax positions would be sustained on the basis of the technical merits of the position taken and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company would recognize the largest amount of tax benefit that is more than 50% likely to be realized upon the ultimate settlement with the related tax authority.

Cash

Cash consists of cash deposits held in an account at a major financial institution and therefore are subject to credit risk at the financial institution. The amount on deposit at this institution exceeds the maximum balance insured by the Federal Deposit Insurance Corporation ("FDIC"). However, the Company has not experienced any losses in such account and does not believe there to be any significant credit risk with respect to these deposits.

Fixed Assets

Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the underlying assets using the straight-line method of depreciation. The useful lives for furniture and equipment are four years and three years, respectively.

Fair Value of Financial Assets and Liabilities

The majority of the Company's financial assets and liabilities are recorded at amounts that approximate fair value. Such assets and liabilities include cash, fees receivable, and accrued expenses.

3. Related Party Transactions

The Company has entered into a Fees Allocation Agreement relating to non-US advisory engagements (the "Agreement") with an affiliate, Guotai Junan Securities Co., Ltd ("GTJA Co.") whereby the parties agree to share the fees earned on advisory services. The Company's part of the fee will be attributed and linked solely to the services rendered or to be rendered by the Company in the United States. GTJA Co.'s part of the fee will be attributed and linked to the work rendered or to be rendered by GTJA Co. outside the United States under the engagement. The parties have agreed the allocation of the overall advisory fees on each transaction based on the actual advisory services provided by each party.

4. Income Taxes

The Company is subject to taxation in the United States and various state jurisdictions.

At December 31, 2018, the Company had federal and state net operating loss carryforwards ("NOL") of approximately \$1,051,000 and \$1,038,000, respectively, available to offset future taxable income. These losses begin to expire in 2037 with net operating losses generated in 2018 carrying forward indefinitely. The net operating losses generated in 2018 amounted to \$678,457. The Company's net deferred tax asset before valuation allowance was approximately \$227,000, primarily as a result of NOL. As of December 31, 2018, the Company recorded a full valuation allowance against its deferred tax asset since it is more likely than not that the deferred tax asset will not be realized. During 2018, the valuation allowance increased by \$106,594 from \$120,664 at December 31, 2017 to \$227,258 at December 31, 2018 due net operating losses for the year.

At December 31, 2018, management believes the Company did not have any uncertain tax positions. At December 31, 2018, the Company's income tax return for the years 2015, 2016 and 2017 is subject to examination by the tax authorities.

GUOTAI JUNAN SECURITIES USA, INC.

Notes to the Financial Statement December 31, 2018

5. Regulatory Requirements

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined, equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness, as defined. At December 31, 2018, the Company had net capital of \$2,750,200 that was \$2,500,200 in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.15 to 1 at December 31, 2018.

6. Significant Customers

Fee income from four customers amounted to 100% of fee income for the fiscal period ended December 31, 2017. Fees receivable from one customer amounted to 100% of fees receivable as at December 31, 2017.

The fees receivable as of the year ended December 31, 2017 represents amounts due from another customer which was collected in 2018.

7. Accounting Developments

In February 2017, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current US GAAP. Accounting by lessors remains largely unchanged from current US GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2018, and interim periods within those years, with early application permitted. The Company expects to record a right-of-use asset of \$347,378 and related lease liability of \$347,378 upon the adoption of this accounting standard update, with minimal effect on net capital.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date to be based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the new guidance to determine the impact it may have on its financial statements.

GUOTAI JUNAN SECURITIES USA, INC.

Notes to the Financial Statement December 31, 2018

8. Commitments and Contingencies

The Company leases office space under a non-cancelable operating lease. The lease, which was to expire in December 2018, was extended until December 2020. The following is a schedule of future minimum lease payments:

Year Ending December 31	Amount
2019	\$ 183,833
2020	183,833
	<u>\$ 367,666</u>

The Company is currently not subject to any litigation, claims or assessment by regulatory or other governmental agencies, or any other third parties.

9. Subsequent Events

No other events or transactions subsequent to December 31, 2018 through the date this financial statement was issued that would require recognition or disclosure in this financial statements.