

DIGITAL BROKERAGE SERVICES LLC
(SEC I.D. No. 8-70512)

STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2020
AND
REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

Filed pursuant to Rule 17a-5(e)(3) under the
Securities Exchange Act of 1934 as
a PUBLIC DOCUMENT



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member of Digital Brokerage Services LLC

Opinion on the Financial Statement – Statement of Financial Condition

We have audited the accompanying statement of financial condition of Digital Brokerage Services LLC (the "Company") as of December 31, 2020, 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, 2020 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 24, 2021

We have served as the Company's auditor since 2020.

DIGITAL BROKERAGE SERVICES LLC
STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2020
(Dollars in thousands)

ASSETS

Securities owned—at fair value	\$ 21,976
Software, net	3,033
Other assets	<u>40</u>
Total Assets	<u><u>\$ 25,049</u></u>

LIABILITIES

Payable to affiliate	\$ 83
Payable to Ultimate Parent	1,839
Accrued expenses and other liabilities	<u>90</u>
Total Liabilities	<u><u>2,012</u></u>

COMMITMENTS AND CONTINGENCIES

MEMBER'S EQUITY

Member's equity	<u>23,037</u>
Total Liabilities and Member's Equity	<u><u>\$ 25,049</u></u>

The accompanying notes are an integral part of the statement of financial condition.

DIGITAL BROKERAGE SERVICES LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
(Dollars in thousands)

1. Organization:

Digital Brokerage Services LLC (the “Company”), a single member limited liability company established on February 27, 2020, is wholly-owned by Fidelity Global Brokerage Group, Inc. (the “Parent”), a wholly-owned subsidiary of FMR LLC (“FMR” or “Ultimate Parent”).

Effective November 24, 2020, the Company registered as a broker-dealer with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). The principal business of the Company is to provide securities brokerage services to a retail customer base through a digital mobile application-based brokerage platform.

The Company clears all customer transactions through National Financial Services LLC (“NFS”), an affiliated registered broker-dealer, on a fully disclosed basis. As an introducing broker, the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, and therefore claims an exemption from the provisions of Rule 15c3-3 pursuant to section (k)(2)(ii) under the Securities Exchange Act of 1934.

2. Summary of Significant Accounting Policies:

Basis of Presentation and Use of Estimates

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including fair value measurements, and the disclosure of contingent assets and liabilities. Actual results could differ from the estimates included in the statement of financial condition.

Cash

For the purposes of reporting amounts in the statement of financial condition, the Company defines cash as cash on hand, demand deposits, and time deposits with original maturities less than 60 days. The Company’s policy is to invest excess cash into money market funds, which are classified as securities owned in the statement of financial condition.

Software, net

Software includes certain costs incurred for purchasing or developing software for internal use and is amortized over estimated useful lives, generally three years. Software is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When the estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is reduced to its fair value.

Other Assets

Other assets includes prepaid registration fees and other prepaid expenses.

DIGITAL BROKERAGE SERVICES LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
(Dollars in thousands)

2. Summary of Significant Accounting Policies, continued:

Income Taxes

As a single-member limited liability company, the Company is disregarded as an entity separate from its owner and its operations are included in the federal and state income tax returns of FMR or its Parent. The Company is not allocated income taxes by FMR.

3. Securities Owned:

Securities owned—at fair value at December 31, 2020 was \$21,976 and is recorded in the statement of financial condition and consists of an investment in a money market fund managed by an affiliate.

4. Software, net:

Software, net consists of the following at December 31, 2020:

Software	\$ 3,276
Less: Accumulated amortization	<u>(243)</u>
	<u>\$ 3,033</u>

5. Commitments and Contingencies:

From time to time in the ordinary course of business, the Company is named as a defendant in legal proceedings and is subject to regulatory inquiries incidental to the nature of its business. The Company reviews such matters on a case by case basis and records reserves if a loss is probable and the amount of the loss can be reasonably estimated.

6. Member's Equity:

During 2020, the Company received cash contributions from the Parent totaling \$30,000.

7. Disclosure About Fair Value of Financial Assets and Liabilities:

Valuation Hierarchy

The Company categorizes the financial assets and liabilities carried at fair value in its statement of financial condition based upon a three-level valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable valuation inputs (Level 3). If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, categorization is based on the lowest level input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the overall fair value measurement of a financial asset or liability requires judgment and considers factors specific to the asset or liability. The three levels are described below:

Level 1 Inputs

Unadjusted quoted prices for identical assets and liabilities in an active market.

- Level 1 assets primarily include investments in Fidelity sponsored money market funds.

DIGITAL BROKERAGE SERVICES LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
(Dollars in thousands)

7. Disclosure About Fair Value of Financial Assets and Liabilities, continued:

Valuation Hierarchy, continued

- The Company did not have any Level 1 financial liabilities at December 31, 2020.

Level 2 Inputs

Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- The Company did not have any Level 2 financial assets or liabilities at December 31, 2020.

Level 3 Inputs

Prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall fair value measurement. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset or liability, and are based on the best available information, some of which is internally developed.

- The Company did not have any Level 3 financial assets or liabilities at December 31, 2020.

Valuation Processes and Techniques

There are three main approaches to measuring fair value of assets and liabilities: the market approach, which uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities; the income approach, which uses valuation techniques to convert future amounts to a single, discounted amount; and the cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset.

Fair Value Measurements

The following fair value hierarchy table presents information about the Company's financial assets measured at fair value on a recurring basis at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Money market fund	\$ 21,976	\$ -	\$ -	\$ 21,976
Total	<u>\$ 21,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,976</u>

Financial Assets and Liabilities Not Carried at Fair Value

Certain financial assets and liabilities that are not carried at fair value in the statement of financial condition are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. These financial assets and liabilities include payable to affiliate and payable to Ultimate Parent which are classified as Level 2 within the fair value hierarchy.

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8. Regulatory Requirements:

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 (the “Rule”) in addition to the rules of FINRA and other principal exchanges on which it is licensed to transact business. The Company has elected the alternative method permitted by the Rule which requires that minimum net capital, as defined, be the greater of \$250 or 2% of aggregate debit items arising from customer transactions. At December 31, 2020, the Company had net capital of \$19,524 which exceeded its minimum requirement by \$19,274.

9. Transactions with Affiliated Companies:

Clearing services are provided to the Company under an agreement with NFS. Pursuant to the clearing agreement, NFS charges the Company for services which include the execution, clearance, and settlement of introduced customer securities transactions. The clearing agreement with NFS is reviewed on a periodic basis and is subject to change upon approval from both parties.

Transactions with affiliated companies are settled with FMR, with the exception of transactions with NFS, which are settled directly pursuant to the clearing agreement. The payable to NFS, which is presented as payable to affiliate in the statement of financial condition, was \$83 at December 31, 2020. The payable to FMR of \$1,839 at December 31, 2020 is presented as payable to Ultimate Parent in the statement of financial condition.

10. Subsequent Events:

The Company has performed an evaluation of events that have occurred subsequent to December 31, 2020, and through February 24, 2021 (the date of this report). As part of an initiative to centralize technology across FMR in Fidelity Technology Group, LLC (“FTG”), a wholly-owned subsidiary of FMR, effective January 2021 the Company declared and settled a dividend to the Parent of software assets at their carrying value of \$3,033. There have been no additional material subsequent events that occurred during such period that would require disclosure in this report, or would be required to be recognized in the statement of financial condition as of December 31, 2020.