

NEUBERGER BERMAN BD LLC

Financial Statements and Supplemental Information

December 31, 2018

(These financial statements and supplemental information should be deemed
confidential pursuant to Subparagraph (e)(3) of Rule 17a-5)

(With Reports of Independent Registered Public Accounting Firm 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 January 1, 2018 AND ENDING December 31, 2018
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Neuberger Berman BD LLC

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

1290 Avenue of the Americas

(No. and Street)

New York

New York

10104

(City)

(State)

(Zip Code)

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

James J. Dempsey

212-476-8538

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

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

345 Park Avenue

New York

New York

10154

(Address)

(City)

(State)

(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 the basis for the exemption. See Section 240.17a-5(e)(2)*

OATH OR AFFIRMATION

I, James J. Dempsey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Neuberger Berman BD LLC, as of December 31, 20 18, 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:

New York
New York

[Signature]

Notary Public

2/27/2019

[Signature]

Signature

Financial and Operations Principal

Title

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

ROBERT CIRAOLA
Notary Public, State of New York
Registration #01CI5086542
Qualified In Richmond County
Commission Expires Oct. 20, 2021

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

- ☒ (a) Facing Page
- ☒ (b) Oath or Affirmation
- ☒ (c) Statement of Financial Condition
- ☒ (d) Statement of Income
- ☒ (e) Statement of Changes in Liabilities Subordinated to Claims of General Creditors
- ☒ (f) Statement of Changes in Member's Capital
- ☒ (g) Statement of Cash Flows
- ☒ (h) Computation of Net Capital Under Rule 15c3-1
- ☒ (i) Exemptive Provision for Broker-Dealers Under Rule 15c3-3
- ☒ (j) Computation of CFTC Minimum Net Capital Requirement
- ☒ (k) Exemption Report Under Rule 17a-5
- ☒ (l) Report of Independent Registered Public Accounting Firm

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



To the Member and Directors
Neuberger Berman BD LLC:

We have audited the accompanying statement of financial condition of Neuberger Berman BD LLC (the Company) as of December 31, 2018, the related statements of income, changes in member's capital, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 statements are 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 statements, 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 statements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

The supplemental information contained in Schedules I, II and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether



the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5 and 17 C.F.R. § 1.10. In our opinion, the supplemental information contained in Schedules I, II and III is fairly stated, in all material respects, in relation to the financial statements as a whole.

KPMG LLP

We have served as the Company's auditor since 2009.

New York, New York
February 28, 2019

NEUBERGER BERMAN BD LLC

Statement of Financial Condition

December 31, 2018

(In thousands)

| | |
|--|------------------|
| Assets | |
| Cash and cash equivalents | \$ 7,132 |
| Cash segregated for the exclusive benefit of customers | 100 |
| Investments, at fair value | 4,863 |
| Receivables: | |
| Clearing broker-dealer | 506 |
| Total assets | <u>\$ 12,601</u> |
| Liabilities and member's capital | |
| Liabilities | |
| Broker-dealers | \$ 2,929 |
| Due to affiliates | 1,583 |
| Accounts payable and accrued expenses | <u>1,200</u> |
| | 5,712 |
| Member's capital | <u>6,889</u> |
| Total liabilities and member's capital | <u>\$ 12,601</u> |

See accompanying notes to the Financial Statements.

NEUBERGER BERMAN BD LLC

Statement of Income

Year ended December 31, 2018

(In thousands)

Revenues:

| | | |
|----------------------|----|---------------|
| Distribution revenue | \$ | 17,638 |
| Intercompany revenue | | 6,590 |
| Commissions | | 1,837 |
| Other income | | 585 |
| Total revenues | | <u>26,650</u> |

Operating expenses:

| | | |
|---|----|---------------------|
| Distribution fees | | 17,367 |
| Brokerage, clearing and exchange fees | | 4,697 |
| Mail, print and supplies expense | | 573 |
| State and local franchise tax expense | | 282 |
| Net realized and unrealized gains and losses from investment activities | | 701 |
| Other expenses | | <u>822</u> |
| Total operating expenses | | <u>24,442</u> |
| Net income | \$ | <u><u>2,208</u></u> |

See accompanying notes to the Financial Statements.

NEUBERGER BERMAN BD LLC

Statement of Changes in Liabilities Subordinated to Claims of General Creditors

Year ended December 31, 2018

(In thousands)

| | |
|------------------------------|------|
| Balance at December 31, 2017 | \$ - |
| Balance at December 31, 2018 | \$ - |

See accompanying notes to the Financial Statements.

NEUBERGER BERMAN BD LLC
Statement of Changes in Member's Capital
Year ended December 31, 2018
(In thousands)

| | |
|------------------------------|-----------------|
| Balance at December 31, 2017 | \$ 17,431 |
| Dividends to Member, net | (12,750) |
| Net income | <u>2,208</u> |
| Balance at December 31, 2018 | <u>\$ 6,889</u> |

See accompanying notes to the Financial Statements.

NEUBERGER BERMAN BD LLC

Statement of Cash Flows

Year ended December 31, 2018

(In thousands)

| | |
|--|------------------------|
| Cash flows from operating activities: | |
| Net income | \$ 2,208 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Net realized and unrealized losses from investment activities | 701 |
| Amortization of deferred revenue | (782) |
| Cash flows due to changes in operating assets and liabilities: | |
| Receivable from clearing broker-dealer | 471 |
| Distribution fees receivable | 2,561 |
| Due from affiliates | 225 |
| Payable to broker-dealers | (156) |
| Due to affiliates | 1,583 |
| Securities sold not yet purchased | (526) |
| Accounts payable and accrued expenses | 204 |
| Net cash provided by operating activities | <u>6,489</u> |
| Cash flows from investing activities: | |
| Proceeds from sales of investments | <u>8,426</u> |
| Net cash provided by investing activities | <u>8,426</u> |
| Cash flows used in financing activities: | |
| Cash dividends paid* | <u>(24,188)</u> |
| Net cash used in financing activities | <u>(24,188)</u> |
| Net change in cash and cash equivalents and restricted cash | (9,273) |
| Cash and cash equivalents and restricted cash, beginning of the year | 16,505 |
| Cash and cash equivalents and restricted cash, end of the year | \$ <u><u>7,232</u></u> |
| Supplemental disclosure of cash flow information: | |
| Interest payments | \$ <u><u>3</u></u> |
| *net assets of approximately \$12.8 million were dividended to Neuberger Berman Investment Advisers LLC of which approximately \$24.2 million was cash and the balance was non-cash liabilities. | |
| Reconciliation of cash and cash equivalents and restricted cash to the Statement of Financial Condition: | |
| Cash and cash equivalents | \$ 7,132 |
| Cash segregated for the exclusive benefit of customers | \$ 100 |

See accompanying notes to the Financial Statements.

NEUBERGER BERMAN BD LLC

Notes to Financial Statements

December 31, 2018

(Dollars in thousands, except where noted)

(1) **Organization and Description of Business**

Neuberger Berman BD LLC, a Delaware limited liability company (NBBD LLC or the Company), is an indirect wholly owned subsidiary of Neuberger Berman Group LLC, a Delaware limited liability company (NB Group), which is a majority owned subsidiary of NBSH Acquisition, LLC, a Delaware limited liability company (NBSH). Neuberger Berman Investment Advisers LLC (NBIA) is the sole member of the Company. NBBD LLC is a registered broker-dealer and registered investment adviser with the Securities and Exchange Commission and a registered introducing broker with the National Futures Association.

NBBD LLC is engaged principally in providing distribution services to registered mutual funds that are part of the Neuberger Berman mutual funds complex (Mutual Funds). The Company also introduces NBIA clients' securities transactions on a fully disclosed basis through National Financial Services LLC (NFS) for execution and settlement. NFS also serves as custodian for certain of NBIA's clients.

(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 (GAAP) as set forth in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC). 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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best available information, actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held at Citibank, N.A. and other liquid investments that are payable on demand. At December 31, 2018, the Company held money market mutual fund investments of \$7.1million and \$32 as cash with Citibank, N.A.

(c) Cash Segregated For The Exclusive Benefit of Customers

At December 31, 2018, cash of \$100 was segregated in a special reserve bank account for the exclusive benefit of customers. Such amounts are not available for the creditors of the Company.

(d) Investments

Investments held by the Company are carried at market or fair value, with realized and unrealized gains and losses recognized in the statement of income. Investments in money market funds are valued using the year end quoted net asset value per share.

NEUBERGER BERMAN BD LLC

Notes to Financial Statements

December 31, 2018

(Dollars in thousands, except where noted)

(e) Fair Value of Investments

The Company follows GAAP with respect to fair value measurements, which among other things, requires enhanced disclosure about investments that are measured and reported at fair value. Fair value of a financial instrument is the amount at which the Company believes the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

GAAP establishes a hierarchal disclosure framework, which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. In accordance with GAAP, investments measured and reported at fair value are classified and disclosed based on observability of inputs used in the determination of fair values in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are, among other things, money market funds and listed equities. As required by GAAP, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and the sale of such position would likely deviate from the quoted price.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include fixed income securities.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of fair value require significant management judgment or estimation. Shares in privately held companies and certain loans and bonds are examples of investments that would be included in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input used to determine the fair value measurement in its entirety requires judgment and includes factors specific to the investment.

(f) Securities Transactions

Securities transactions are recorded on a trade date basis. Securities owned and securities sold, not yet purchased are valued at market value or fair value as determined by management.

(g) Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*, which provides guidance to reduce diversity in practice in the classification and presentation of changes in restricted cash on the statements of cash flows. The new guidance requires that a statement of cash flows explain the change during the period in the total of cash and cash equivalents, and amounts generally

NEUBERGER BERMAN BD LLC

Notes to Financial Statements

December 31, 2018

(Dollars in thousands, except where noted)

described as restricted cash. Entities are also required to reconcile such total to amounts on the Company's statement of financial condition.

In May 2014, the FASB issued ASC 606, *Revenue from Contracts with Customers*, which outlines a single comprehensive revenue recognition model for all contracts with customers. The Company adopted this new standard on January 1, 2018. The new standard did not change the timing of revenue recognition for our distribution and commission revenues. All revenues are generated in the United States of America.

(h) Revenue Recognition

Distribution Revenue and Distribution Fees

Distribution revenues consist of fees paid to NBBD LLC from Mutual Funds for the costs of marketing and selling fund shares and are generally determined as a percentage of funds' assets. These revenues accrue daily and are recorded at month end. When NBBD LLC enters into third-party distribution arrangements and marketing support arrangements with third party broker-dealers to sell or market Mutual Funds, distribution fees are accrued for the amounts owed. Such distribution revenues and distribution fees are recorded when services are rendered. As the Company is acting in a principal capacity in these transactions, the revenues and expenses are recorded on a gross basis.

Commissions

Brokerage commission revenues are related to securities transactions introduced on behalf of NBIA clients to the Company's clearing firm, NFS. Brokerage commissions for trade execution services and related expenses are recorded on a trade-date basis when the performance obligations are satisfied. Generally, the transaction price is agreed upon at the point of each trade and based upon the number of shares traded or the value of the consideration traded.

Other Income

Other income included dividends and interest income as well as certain amounts refunded from governmental agencies. Dividends and interest income is accrued as earned.

Net Realized and Unrealized Gains and Losses From Investment Activities

Investment gains and losses on the statement of income include unrealized gains and losses on investments held at fair value and realized gains and losses on investments sold.

NEUBERGER BERMAN BD LLC

Notes to Financial Statements

December 31, 2018

(Dollars in thousands, except where noted)

(3) Fair Value Measurements

Financial assets and financial liabilities measured at fair value on a recurring basis using the fair value hierarchy levels at December 31, 2018 were as follows:

| | December 31, 2018 | | | Total |
|-------------------|-------------------|----------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial Assets: | | | | |
| Cash equivalents | \$ 7,100 | - | - | \$ 7,100 |
| Foreign equities | 3,420 | - | - | 3,420 |
| U.S. equities | 1,223 | - | - | 1,223 |
| Mutual funds | 220 | - | - | 220 |
| | <u>\$ 11,963</u> | <u>-</u> | <u>-</u> | <u>\$ 11,963</u> |

The following is a description of the valuation methodologies used for NBBBD LLC investments measured at fair value on a recurring basis, as well as the general classification of those investments pursuant to the valuation hierarchy:

Cash equivalents – Cash equivalents consist of excess cash invested in various money market mutual funds that are valued based on published net asset values and are included in Level 1 of the valuation hierarchy.

Equities – Equity investments include equity securities and sponsored mutual funds. Equity securities generally are valued using unadjusted quoted market prices and are included in Level 1 of the valuation hierarchy. Sponsored funds consist of publicly quoted funds which are valued using published net asset values and are included in Level 1 of the valuation hierarchy.

(4) Related Party Transactions

Investments include \$4.9 million invested in sponsored funds and strategies at December 31, 2018, and included on the statement of income is approximately \$0.7 million of net realized and unrealized losses from investment activities in various sponsored funds and strategies.

The Company has entered into an agreement where it sells certain distribution fees receivable to NBIA, without recourse to the Company. The distribution fees receivable are sold at carrying value and in 2018, the Company sold \$13.33 million of distribution fees receivable to NBIA.

During 2018, the Company was allocated expense for its office space, and provided and received a variety of services to and from related parties, which were primarily NB Group and NBIA. The Company clears certain of NBIA clients' securities transactions on a fully disclosed basis through National Financial Services LLC. Under a remuneration agreement between the Company and NBIA, costs incurred in performing these services in excess of commission revenues generated are charged back to NBIA under the terms stipulated in the agreement. For 2018, NBBBD LLC charged NBIA \$6.6 million under this agreement which is reflected as Intercompany revenue on the statement of income. The Company also reimburses NB

NEUBERGER BERMAN BD LLC

Notes to Financial Statements

December 31, 2018

(Dollars in thousands, except where noted)

Group for various expenses paid on its behalf. At December 31, 2018, the Company owed NB Group approximately \$1.6 million which is reflected on the statement of financial condition under "Due to affiliates".

The Company, as a single member LLC, is a disregarded entity for tax purposes. The Company is wholly owned by NBIA, which is a partnership subject to New York City unincorporated business tax ("NYC UBT"). The Company is not itself a taxpayer nor is it considered an entity for NYC UBT purposes. Instead, any NYC UBT is accrued and paid by NBIA.

(5) Commitments and Contingencies

Litigation and Contingencies

From time to time, NBBB LLC is involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. NBBB LLC recognizes liabilities for contingencies when there is an exposure that, when analyzed, indicates it is both probable that a liability will be incurred and the amount of such liability can be reasonably estimated. When a range of probable liability can be estimated, NBBB LLC accrues the amount it has determined it is most likely to incur. If the amount is not determinable, NBBB LLC accrues the minimum of the range of probable loss. The Company's management believes, based on currently available information, advice of counsel, and established reserves, that the eventual outcome of such proceedings, in the aggregate, will not have a material adverse effect on NBBB LLC's financial condition, results of operations or liquidity.

(6) Capital Requirements

As a registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc., NBBB LLC is subject to the Securities Exchange Commission's (SEC) Uniform Net Capital Rule 15c3-1. NBBB LLC is also a member of the National Futures Association and is subject to the Commodity Futures Trading Commission's (CFTC) Rule 1.17.

Under these rules, the Company is required to maintain minimum net capital, as defined, of not less than the greater of; a) 2% of aggregate debit items arising from customer transactions; b) \$45 under CFTC Rule 1.17, or c) \$250 under SEC Rule 15c3-1. As of December 31, 2018, NBBB LLC had net capital of approximately \$3.1million, which exceeded the minimum net capital requirement by approximately \$2.9 million. Based on applicable regulatory requirements, the Company may not withdraw equity capital if its net capital falls below certain specified levels, as defined.

(7) Subsequent Events

The Company's management has evaluated events occurring after the date of the financial statements (subsequent events) through February 28, 2019, the date the financial statements were available to be issued. All subsequent events requiring recognition have been incorporated into these financial statements.

SUPPLEMENTAL INFORMATION

Schedule I

NEUBERGER BERMAN BD LLC

Computation of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission

December 31, 2018

(In thousands)

| | |
|--|----------|
| Net capital: | |
| Total member's capital | \$ 6,889 |
| Deductions and charges: | |
| Other capital charges | (1) |
| Total deductions and charges | (1) |
| Net capital before haircuts on security positions | 6,888 |
| Haircuts on securities: | |
| Money market funds | (142) |
| Other securities | (3,637) |
| Total haircuts | (3,779) |
| Net capital | \$ 3,109 |
| Computation of alternative net capital requirement: | |
| Net capital | \$ 3,109 |
| Minimum dollar net capital requirement | 250 |
| Excess net capital | \$ 2,859 |
| Net capital in excess of 120% of minimum net capital requirement | \$ 2,809 |

There are no material differences between the above computation and that reported in the unaudited Form X-17A-5 FOCUS Report filed as of December 31, 2018.

NEUBERGER BERMAN BD LLC
Exemptive Provision for Broker-Dealers Under Rule 15c3-3
December 31, 2018

Neuberger Berman BD LLC was in compliance with the exemptive provisions of Rule 15c3-3 (k)(2)(ii) as it introduced all customer securities transactions on a fully disclosed basis through its clearing firm.

See accompanying report of independent registered public accounting firm.

NEUBERGER BERMAN BD LLC

Computation of CFTC Minimum Net Capital Requirement

December 31, 2018

(in thousands)

| | | |
|--|----|-----|
| (A) Risk-based requirement | \$ | - |
| (B) Minimum CFTC net capital requirement | | 45 |
| (C) Other SEC requirement | | 250 |
| (D) Minimum CFTC net capital requirement (the greater of lines A, B, or C) | | 250 |
| CFTC early warning level (150% of minimum net capital requirement) | \$ | 375 |

There are no material differences between the above computation and that reported in the unaudited Form X-17A-5 FOCUS Report filed as of December 31, 2018.

See accompanying report of independent registered public accounting firm.

SUPPLEMENTARY REPORTS

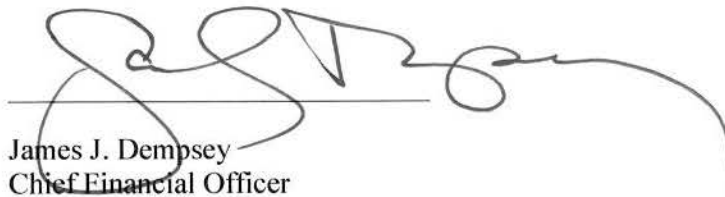
Neuberger Berman BD LLC
Reports To Be Made By Certain Broker-Dealers
Securities Exchange Act Rule 17a-5
Exemption Report

Neuberger Berman BD LLC (NBBD LLC or the Company) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange and Commission (17 C.F.R. § 240.17a-5, "Reports To Be Made By Certain Broker-Dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, NBBD LLC states the following:

- (1) NBBD LLC claimed exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3(k)(2)(ii); and
- (2) NBBD LLC met the identified exemption provisions in 17 C.F.R. § 15c3-3 throughout the most recent fiscal year without exception.

Neuberger Berman BD LLC

I, James J. Dempsey, affirm that, to the best of my knowledge and belief, this Exemption Report is true and correct.



James J. Dempsey
Chief Financial Officer

February 28, 2019

