

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

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PART III

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 10/01/2022 AND ENDING 09/30/2023
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Royce Fund Services, LLC

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

745 Fifth Avenue

(No. and Street)

New York

NY

10151

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Thomas R Palasits

212 508-4561

tpalasits@royceinvest.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

PricewaterhouseCoopers LLP

(Name – if individual, state last, first, and middle name)

405 Howard Street Suite 600 San Francisco

CA

94105

(Address)

(City)

(State)

(Zip Code)

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

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, Thomas R Palasits, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Royce Fund Services, LLC, as of 9/30, 2023, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Ingeborg C Johnson
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 01106253972
Qualified in New York County
Commission Expires 02/21/2024

Signature: [Signature]

Title:

Chief Financial Officer

Notary Public Ingeborg C Johnson
12/15/23

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

- ☒ (a) Statement of financial condition.
- ☐ (b) Notes to consolidated statement of financial condition.
- ☒ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☒ (d) Statement of cash flows.
- ☒ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☒ (g) Notes to consolidated financial statements.
- ☒ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☒ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☒ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☒ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: _____

**To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Financial Statements and Supplemental Schedules

Pursuant to Rule 17a-5 of the Securities and

Exchange Commission

September 30, 2023

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

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September 30, 2023

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Members of Royce Fund Services, LLC

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Royce Fund Services, LLC (the “Company”) as of September 30, 2023, and the related statements of loss, of changes in members’ equity and of cash flows for the year then ended, including the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s 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 of these financial statements 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.

Supplemental Information

The accompanying Computation of Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission, Statement Regarding Determination of Reserve Requirements Pursuant to Rule 15c3-3 of the Securities and Exchange Commission and Information Relating to Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 of the Securities and Exchange Commission as of September 30, 2023 (collectively, the “supplemental information”) have 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 Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Arthur Andersen LLP

December 15, 2023

We have served as the Company's auditor since 2002.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Statement of Financial Condition**September 30, 2023**

ASSETS

Cash and cash equivalents	\$	5,190,429
Receivables:		
Distribution fees receivable from affiliated funds		448,364
Due from Parent		147,304
Other assets		<u>19,317</u>
Total assets	\$	<u><u>5,805,414</u></u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Accounts payable	\$	155,236
Accrued distribution expense		<u>573,113</u>
Total liabilities		<u>728,349</u>

Commitments and contingencies (Note 4)

Members' equity:	<u>5,077,065</u>
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Total liabilities and members' equity	\$	<u><u>5,805,414</u></u>
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See accompanying notes to the financial statements

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Statement of Loss**For the Year Ended September 30, 2023**

Revenues:

Distribution fees received from affiliated funds, net of waivers	\$ 5,646,476
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Total revenues	5,646,476
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Expenses:

Third party distribution fees and other direct costs	5,345,673
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Sales commissions	17,832
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Administrative fees and other expenses	516,897
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Total expenses	5,880,402
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Net Loss	\$ (233,926)
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See accompanying notes to the financial statements

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Statement of Changes in Members' Equity**For the Year Ended September 30, 2023**

Balance at October 1, 2022	\$ 5,310,991
Net Loss	(233,926)
Balance at September 30, 2023	<u><u>\$ 5,077,065</u></u>

See accompanying notes to the financial statements

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Statement of Cash Flows**For the Year Ended September 30, 2023**

Net Loss	\$	(233,926)
Net changes in assets and liabilities:		
Distribution fees receivables		15,118
Other Receivables		19,519
Due from parent		(147,304)
Other assets		11,422
Accounts payable		131,673
Accrued distribution fees		<u>(88,681)</u>
Net cash used in operating activities		(292,179)
Net decrease in cash and cash equivalents		<u>(292,179)</u>
Cash and cash equivalents at the beginning of the year		<u>5,482,608</u>
Cash and cash equivalents at the end of the year	\$	<u>5,190,429</u>

.See accompanying notes to the financial statements

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Organization

Royce Fund Services, LLC (the “Company”) is registered as a broker-dealer in securities under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. The Company, a wholly owned subsidiary of Royce & Associates, LP (the “Parent”), which is an indirect majority owned subsidiary of Franklin Resources, Inc. is the distributor of shares of The Royce Funds and The Royce Capital Funds, which are open-end registered investment companies with multiple portfolios (hereinafter referred to as the “Funds”).

As an introducing broker, the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

B. Operations

Under a distribution agreement with the Funds, the Company seeks to promote the sale and/or continued holding of shares of such Funds through a variety of activities, including advertising, direct marketing, servicing investors and introducing parties on an ongoing basis. The Company pays commissions and other fees to certain broker-dealers who have introduced investors to certain of the Funds.

As compensation for its services, the Company is entitled to receive from the average net assets of the Consultant Classes of Royce Pennsylvania Mutual, Opportunity, MicroCap, Total Return, Premier, Special Equity, Small Cap Value, Smaller Companies Growth, International Premier and Dividend Value Funds, a monthly fee equal to 1% per annum of their respective average net assets. The Company is also entitled to receive 0.25% per annum of the respective average net assets of the Service Class of Royce Pennsylvania Mutual, Opportunity, MicroCap, Opportunity, Total Return, Premier, Special Equity, Small Cap Value, Smaller Companies Growth, Dividend Value, Global Financial Services and International Premier Funds as well as Royce Capital Fund Micro-Cap and Small-Cap Portfolios. The Company is also entitled to receive 0.50% per annum of the respective average net assets of the R Class of Pennsylvania Mutual, Opportunity, Total Return, Premier and Small Cap Value. Effective April 20, 2023, the Consultant Class of Small Cap Value, Smaller Companies Growth, International Premier and Dividend Value Funds along with the R Class of Pennsylvania Mutual, Premier and Small Cap Value were closed.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Notes to Financial Statements

For the year ended September 30, 2023, the Company voluntarily waived fees from the following classes of shares:

Service Class

Pennsylvania Mutual	\$	9,777
Royce Financial Services		7,188
	\$	<u>16,965</u>

Because the Company serves as distributor only for mutual funds managed by the Parent, the Parent provides administrative services to the Company at no cost. Therefore, the Company's results from operations may not be indicative of the results of operations of a stand-alone company.

C. Fair Value of Financial Instruments

The Company uses a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on whether the inputs to those valuation techniques are observable or unobservable. The three levels of fair value hierarchy are set forth below. The Company's assessment of the hierarchy level of the assets or liabilities measured at fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities, which may include published net asset values ("NAV") for fund products.

Level 2 Observable inputs other than Level 1 quoted prices, such as non-binding quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity. These inputs require significant management judgment and reflect the Company's estimation of assumptions that market participants would use in pricing the asset or liability.

Quoted market prices may be adjusted, if events occur such as significant price changes in proxies traded in relevant markets after the close of corresponding markets, trade halts or suspensions, or unscheduled market closures. These proxies consist of correlated country-specific exchange-traded securities, such as futures, American Depositary Receipts indices or exchange-traded funds. The price adjustments are primarily determined based on third-party factors derived from model-based valuation techniques for which the significant assumptions are observable in the market.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Notes to Financial Statements

D. Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that, when purchased, have an original maturity of 90 days or less. The carrying amount of cash equivalents approximates fair value. The Company maintains cash in bank accounts, which at times, may exceed federally insured limits. Deposits with one financial institution exceeded local regulatory insured limits by a total of \$4,940,000 at September 30, 2023, representing a concentration of credit risk.

E. Revenue Recognition

Distribution Revenue

The Company earns revenue from providing sales and distribution services to Royce sponsored investment funds. Revenues are recognized when the Company's obligations related to the services are satisfied and it is probable that a significant reversal of the revenue amount would not occur in future periods. The obligations for the sale of shares of Royce-sponsored funds are satisfied on trade date. Multiple services included in distribution and services agreements are accounted for separately when the obligations are determined to be distinct.

Distribution fees primarily consist of upfront sales loads and ongoing distribution fees. Sales loads are generally based on contractual rates as a percentage of client assets and are recognized on trade date. Ongoing distribution fees are variable consideration determined based on a percentage of daily net asset value of the fund and are dependent on the net asset value of the shares at future points in time as well as the length of time the investor remains in the fund. As the ongoing distribution fees are uncertain on trade date, they are initially constrained and recognized as the amounts become known. At the time of recognition, these fees may relate to sales of shares of Royce-sponsored funds in prior periods.

When the Company enters into arrangements with broker-dealers or other third parties to sell or market proprietary fund shares and/or provide shareholder account maintenance services, distribution and servicing expenses are accrued for the amounts owed to third parties.

F. Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America that require management to make assumptions and estimates that affect the amounts and disclosures presented. Actual results could differ from those estimates and the differences could have a material impact on the financial statements.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Notes to Financial Statements

2. Income Taxes

The Company is a disregarded limited liability company of its Parent, Royce & Associates, LP, which files as a partnership for tax purposes. The Company has the following tax returns “open” as they file with the Parent federal and state partnership returns: Federal (2017), New York (2016) and New York City (2016). The Company does not anticipate any significant increases or decrease to unrecognized tax benefits during the next twelve months.

The Company has determined that it has no material uncertain tax positions for the year ended September 30, 2023. The federal and state partnership returns filed by the Parent are subject to examination by the respective tax authorities. The following tax years remain open for each of the more significant jurisdictions where the Company is subject to income tax: after fiscal year 2020 for U.S. federal tax returns and after fiscal year 2020 for New York State Partnership Returns and after 2017 for New York City UBT returns.

3. Regulatory Requirements

The Company is subject to the Securities and Exchange Commission’s (“SEC”) Uniform Net Capital Rule pursuant to Rule 15c3-1 (the “Rule”), which requires the maintenance of minimum net capital of \$5,000 or 6-2/3% of total aggregate indebtedness, whichever is greater, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (or 1500%). Net capital and the related ratio of aggregate indebtedness to net capital, as defined, may fluctuate on a daily basis.

As of September 30, 2023, the Company had net capital of \$4,462,080 which was \$4,413,523 in excess of required capital of \$48,557. The Company’s percentage of aggregate indebtedness to net capital was 16.32%.

The Company claims exemption from the SEC’s Customer Protection Rule (“Rule 15c3-3”). Section (k)(1) of Rule 15c3-3 allows for this exemption because the Company’s business is limited to the distribution of mutual funds.

4. Commitments and Contingencies

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Company’s maximum exposure under these arrangements is unknown, as they would involve future claims that may be made against the Company that have not yet occurred.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Notes to Financial Statements

5. Related Party Transactions

The Company has an expense sharing agreement with the Parent whereby the Parent assumes expenses related to Marketing, Accounting and Distribution Services on behalf of the Company. For the year ended September 30, 2023, the Parent assumed \$1,317,291 of expenses, therefore the results differ from those that would have been achieved had the Company operated as an independent entity.

6. Subsequent Events

The Company has evaluated all subsequent events through December 15, 2023, the date that the financial statement were available to be issued.

SUPPLEMENTAL SCHEDULES

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

Computation of Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission**September 30, 2023**

Total Members' Equity		\$	5,077,065
Deductions and/or charges			
Intercompany receivables	\$	147,325	
Other assets		<u>467,660</u>	
Total non-allowable assets		\$ 614,985	
Other deductions and/or charges		<u>0</u>	
Total deductions and/or charges			<u>614,985</u>
Net capital before haircuts on securities positions			4,462,080
Haircuts on securities positions			<u>0</u>
Net capital			<u>4,462,080</u>
Computation of basic aggregate indebtedness and net capital requirement			
Computed net capital required (6-2/3% of total Aggregate indebtedness)		\$48,557	
Minimum dollar net capital requirement		<u>5,000</u>	
Net capital requirement			<u>48,557</u>
Excess net capital			<u><u>\$ 4,413,523</u></u>
Total aggregate indebtedness			<u><u>\$ 728,349</u></u>
Percentage of aggregate indebtedness to net capital			<u>16.32%</u>

Statement Pursuant to Paragraph (d)(4) of SEC Rule 17a-5

There are no material differences between this computation of net capital and the corresponding computation prepared by Royce Fund Services, LLC and included in its amended Part IIA FOCUS filing as of December 13, 2023.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

**Statement Regarding Determination of Reserve Requirements Pursuant to Rule 15c3-3 of the Securities and Exchange Commission
September 30, 2023**

The Company has claimed exemption from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(1) of that rule.

There are no material differences between the information presented above and the information presented in the Company's unaudited amended Part II-A FOCUS filing as of September 30, 2023, filed on December 13, 2023.

Royce Fund Services, LLC

(a majority owned subsidiary of Franklin Resources, Inc.)

**Information Relating to Possession or Control Requirements for Brokers and Dealers
Pursuant to Rule 15c3-3 of the Securities and Exchange Commission
September 30, 2023**

The Company is claiming an exemption from the possession or control requirements in accordance with provisions of Rule 15c3-3 pursuant to paragraph k(1) of such rule under the Securities Exchange Act of 1934.

There are no material differences between the information presented above and the information presented in the Company's unaudited amended Part II-A FOCUS filing as of September 30, 2023, filed on December 13, 2023.