

Pruco Securities, LLC

Financial Statements and Supplementary Information

December 31, 2020

SEC. I.D. No. 8-16402

This report is deemed CONFIDENTIAL in accordance with Rule 17a-5(e) (3) under the Securities Exchange Act of 1934. A statement of financial condition bound separately has been filed with the Securities and Exchange Commission simultaneously herewith as a Public Document.

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- 16402

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 01/01/20 AND ENDING 12/31/20
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Pruco Securities, LLC**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

751 Broad Street

(No. and Street)

Newark

NJ

07102-3777

(City)

(State)

(Zip Code)

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

Robert Smit

973-367-1238

(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

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

300 Madison Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

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*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, Robert Smit, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pruco Securities, LLC, as of December 31, 2020, 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:

Based upon the Division of Trading and Markets Staff Statement regarding requirements for certain paper submissions in light of COVID-19 concerns and the difficulties arising from COVID-19, Pruco Securities, LLC is making this filing without a notarization.

DocuSigned by:

Robert Smit

CCA4F999CACD400... Signature

Chief Financial Officer

Title

Notary Public

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

- ☒ (a) Facing Page.
- ☒ (b) 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 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) Statement of Cash Flows

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

Pruco Securities, LLC

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December 31, 2020

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Report of Independent Registered Public Accounting Firm

To the Board of Managers and Member of Pruco Securities, LLC:

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Pruco Securities, LLC (the "Company") as of December 31, 2020, and the related statements of income, changes in member's equity, and 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 December 31, 2020, 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 Under the Securities Exchange Act of 1934 and the Statement on Exemption from the Computation of Reserve Requirements and Information for Possession or Control Requirements Under Rule 15c3-3 as of December 31, 2020 (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.

PricewaterhouseCoopers LLP

New York, New York
February 25, 2021

We have served as the Company's auditor since 1996.

Pruco Securities, LLC
Statement of Financial Condition
December 31, 2020

(dollars in thousands)

Assets

Cash and cash equivalents	\$ 110,255
Receivable from broker-dealers	2,751
Receivable from affiliates	28,710
Prepaid expenses and other assets	4,577
Federal deferred tax receivable from Parent	1,192
Total assets	<u>\$ 147,485</u>

Liabilities and Member's Equity

Liabilities

Payable to affiliates	\$ 34,630
Accounts payable and other accrued liabilities	5,772
Federal income tax payable to Parent	1,154
Total liabilities	<u>41,556</u>

Commitments and contingent liabilities (see Note 7)

Member's Equity

Contributed capital	\$ 26,500
Undistributed earnings	79,429
Total member's equity	<u>\$ 105,929</u>
Total liabilities and member's equity	<u>\$ 147,485</u>

The accompanying notes are an integral part of these financial statements.

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Pruco Securities, LLC
Statement of Income
Year Ended December 31, 2020

(dollars in thousands)

Revenues

Commission income	\$ 634,880
Distribution & Service fee revenue	132,680
Other income	<u>13,099</u>
Total revenues	<u>\$ 780,659</u>

Expenses

Commission expense	\$ 505,572
Benefits and other compensation	116,310
Other affiliated expenses	22,052
Licenses and regulatory expenses	4,233
Other operating expenses	<u>91,714</u>
Total expenses	<u>\$ 739,881</u>

Income before provision for income taxes	\$ 40,778
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Provision for income taxes	<u>9,098</u>
Net Income	<u><u>\$ 31,680</u></u>

The accompanying notes are an integral part of these financial statements.

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Pruco Securities, LLC
Statement of Changes in Member's Equity
Year Ended December 31, 2020

(dollars in thousands)

	Contributed Capital	Undistributed Earnings	Total Member's Equity
Balance at December 31, 2019	\$ 26,500	47,749	\$ 74,249
Net Income		\$ 31,680	\$ 31,680
Balance at December 31, 2020	<u>\$ 26,500</u>	<u>\$ 79,429</u>	<u>\$ 105,929</u>

The accompanying notes are an integral part of these financial statements.

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Pruco Securities, LLC
Statement of Cash Flows
Year Ended December 31, 2020

(dollars in thousands)

Cash flows from operating activities

Net income	\$ 31,680
Adjustments to reconcile net income to net cash provided by operating activities	
Federal deferred income tax	2,564
(Increase) decrease in operating assets:	
Receivable from broker-dealers	108
Receivable from affiliates	(6,025)
Prepaid expenses and other assets	(2,178)
Increase (decrease) in operating liabilities:	
Payable to affiliates	4,885
Accounts payable and other accrued liabilities	(11,853)
Payable to customers	—
Federal income taxes payable to Parent	(2,589)
Net cash provided by operating activities	<u>\$ 16,592</u>

Cash and cash equivalents

Beginning of year	<u>\$ 93,663</u>
End of year	<u><u>\$ 110,255</u></u>

Supplemental cash flow disclosures

Cash paid to Parent during the year for income taxes	<u><u>\$ 9,123</u></u>
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The accompanying notes are an integral part of these financial statements.

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(dollars in thousands)

1. Organization and Nature of Business

Pruco Securities, LLC (the “Company”) is a wholly-owned subsidiary of The Prudential Insurance Company of America (“PICA” or the “Parent”), which is a subsidiary of Prudential Financial, Inc. (“Prudential”). The Company, with its principal offices in Newark, NJ, is a registered broker dealer subject to the rules and regulations of the Security and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

The Company is the principal underwriter and broker dealer for SEC registered variable life insurance products issued by affiliated companies, Pruco Life Insurance Company (“PLAZ”) and Pruco Life Insurance Company of New Jersey (“PLNJ”).

The Company provides a wide range of financial services. Its business includes mutual funds, equity and fixed income securities, 529 education savings plans, variable life insurance, and variable annuity contracts. The Company introduces and clears its non-insurance securities transactions and general securities trading activity on a fully disclosed basis through National Financial Services LLC (“NFS”).

The Company is also registered with the SEC as an investment advisor and conducts such business under the name Prudential Financial Planning Services (“PFPS”). PFPS investment advisory representatives may offer managed money programs and/or provide financial planning services to clients.

As more fully described in Note 5, the Company has agreements with PLAZ, PLNJ and PICA (Prudential companies) relating to reimbursement of expenses, including services of officers, the use of telecommunications, office space, systems and equipment. The agreement terms may not be the same as those that would result from agreements with unrelated parties. The accompanying financial statements may not be indicative of the financial condition or the results of operations if the Company had been operated as an unaffiliated entity.

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(dollars in thousands)

2. Summary of Significant Accounting Policies

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

The preparation of financial statements in conformity with U.S. 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 could differ from these estimates.

The Company defines cash and cash equivalents as amounts due from banks and from money market mutual funds. Cash and cash equivalents of \$110,255 includes a \$102,069 investment in a non-proprietary money market mutual fund. The remaining \$8,186 represents amounts on deposit in corporate accounts at commercial banks. The Company earned investment income of \$335 from these cash balances in 2020, which is included in *Other Income*.

Commission income includes commissions associated with the sale of mutual funds, equity and fixed income securities, 529 education savings plans, variable life insurance and variable annuity contracts, and investment advisory fees generated from managed money programs.

Commission income and associated expense for variable life insurance and variable annuity business is recorded when the contract is placed. Mutual fund commission income, investment advisory fees, 529 education savings plan and general securities trading commissions, and related expenses, are recorded on a trade date or accrual basis.

In accordance with federal and applicable state tax law, the Company is treated as a branch of its single member owner, PICA which is included in the consolidated federal income tax return of Prudential. Subsequent to the conversion to a limited liability company on January 1, 2004, the Company is generally not subject to state income taxes because the Company's single-member Parent is an insurance company that generally pays state premium tax in lieu of state income tax.

Pursuant to the tax allocation arrangement with Prudential, total federal income tax expense is determined on a separate company basis. Members with losses record tax benefits to the extent such losses are recognized in the consolidated federal tax provision. Deferred taxes are generally recognized when assets and liabilities have different values for financial statement and tax reporting purposes. A valuation allowance is recorded to reduce a deferred tax asset to the amount expected to be realized.

Deferred income taxes are recognized, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes. The application of U.S. GAAP requires the Company to evaluate the recoverability of the Company's deferred tax assets and establish a valuation allowance if necessary to reduce the Company's deferred tax assets to an amount that is more-likely-than-not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. Although realization is not assured, management believes it is more-likely-than-not that the deferred tax assets, net of valuation allowances, will be realized.

ASC 740 requires the Company to account for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the Internal Revenue Service ("IRS") or other taxing jurisdictions. Audit periods remain open for review until the statute of limitations has passed.

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(dollars in thousands)

Generally, for tax years which produce net operating losses, capital losses or tax credit carry forwards ("tax attributes"), the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes. The Company classifies all interest and penalties related to tax uncertainties as income tax expense.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted into law. One provision of the CARES Act amends the Tax Act of 2017 and allows companies with net operating losses ("NOLs") originating in 2018, 2019 or 2020 to carry back those losses for five years. In addition, the CARES Act permits corporate taxpayers to elect to accelerate the refund schedule for any remaining AMT credits that otherwise would become incrementally refundable from 2018 through 2021. The CARES Act permits claiming the refund in full in either 2018 or 2019. Enactment of the CARES Act did not have a financial impact on the Company.

See Note 4 for additional information regarding income taxes.

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASU") to the FASB Accounting Standards Codification ("ASC").

Commission income, Distribution & Service fee revenue and *Other income* (which are recognized in the period in which the services are performed) principally include asset-based mutual fund and insurance contract sales and distribution related fees, and customer account service fees. The Company records this revenue when the contractual terms of the fee arrangement have been satisfied and it is probable that a significant reversal in the amount of the fee will not occur.

The Company accounts for estimated credit losses on financial assets measured at an amortized cost basis and certain off-balance sheet credit exposures in accordance with FASB ASC 326, Financial Instruments – Credit Losses. FASB ASC 326 requires the Company to estimate expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The Company may be exposed to credit risk regarding its receivables, which are primarily receivables from broker-dealers, clearing organizations and mutual funds. The Company evaluated the nature of the receivables, historical collection experience and duration and other specific data. The company determined that due to the short duration of the receivables and history of collections that any current expected credit losses would be immaterial to the financial statements.

The FASB has issued several other standards with varying effective dates. None of these are expected to materially impact the Company.

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(dollars in thousands)

3. Fair Value Assets and Liabilities

Fair Value Measurement—Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the positions measured at fair value based on the level of observability of the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1—Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. The Company's Level 1 assets represent an investment in a non-proprietary money market mutual fund.

Level 2—Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other market observable inputs.

Level 3—Fair value is based on at least one or more significant unobservable inputs for the asset or liability. The assets and liabilities in this category may require significant judgment or estimation in determining the fair value. The Company does not have any level 3 assets or liabilities.

The table below presents the balances of assets measured at fair value on a recurring basis. There were no liabilities carried at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash equivalents (money market mutual fund)	\$ 102,069	—	—	\$ 102,069

The table below presents the carrying amount and fair value by hierarchy level of certain financial instruments that are not reported at fair value. However, as described below, the carrying amounts equal or approximate fair value. The Company did not have any transfers between the levels.

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Pruco Securities, LLC
Notes to Financial Statements
December 31, 2020

(dollars in thousands)

	Fair Value				Carrying Amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Cash	\$ 8,186	\$ —	\$ —	\$ 8,186	\$ 8,186
Receivable from broker-dealers	—	2,751	—	2,751	2,751
Receivable from affiliates	—	28,710	—	28,710	28,710
Prepaid Expenses and other assets	—	4,577	—	4,577	4,577
Federal deferred tax receivable from Parent	—	1,192	—	1,192	1,192
Total Assets	<u>\$ 8,186</u>	<u>\$ 37,230</u>	<u>\$ —</u>	<u>\$ 45,416</u>	<u>\$ 45,416</u>
Liabilities					
Payable to affiliates	\$ —	\$ 34,630	\$ —	\$ 34,630	\$ 34,630
Accounts payable and other accrued liabilities	—	5,772	—	5,772	5,772
Federal income tax payable to Parent	—	1,154	—	1,154	1,154
Total Liabilities	<u>\$ —</u>	<u>\$ 41,556</u>	<u>\$ —</u>	<u>\$ 41,556</u>	<u>\$ 41,556</u>

Due to the short-term nature of the assets and liabilities listed above, the Company believes the carrying values approximate fair value.

4. Income Taxes

The components of income tax expense for the year ended December 31, 2020 are as follows:

Federal Current	\$ 6,534
Federal Deferred	2,564
Total Expense	<u>\$ 9,098</u>

There are no material differences between the effective tax rate of 22.31% and the federal statutory income tax rate of 21%.

The Company has deferred tax assets of \$1,192 due to temporary differences attributable to reserves established as described in Note 7.

The application of U.S. GAAP requires the Company to evaluate the recoverability of deferred tax assets and establish a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not expected to be realized. As of December 31, 2020, the Company does not require a valuation allowance for its deferred tax assets.

U.S. GAAP prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or

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(dollars in thousands)

expects to take on its tax returns. The Company does not have any unrecognized tax benefits at December 31, 2020.

The Company files a consolidated Federal income tax return with its Parent. The tax years that remain subject to examination by the Internal Revenue Service at December 31, 2020 are 2014 through 2020.

The Company is participating in the IRS's Compliance Assurance Program ("CAP"). Under CAP, the IRS assigns an examination team to review completed transactions as they occur in order to reach agreement with the Company on how they should be reported in the relevant tax returns. If disagreements arise, accelerated resolution programs are available to resolve the disagreements in a timely manner before the tax return is filed.

5. Related Party Transactions

The Company has an arrangement with a Prudential company, Prudential Investment Management Services Inc. ("PIMS"), whereby the Company receives income from the sale of mutual fund products distributed by PIMS. The Company receives a commission generally ranging from 0.25% to 5.00% based on the specific mutual fund being sold. Trail and service commissions range from 0.1% to 1.00% based on the average daily asset balance of the mutual funds sold by the Company. Revenue recognized under this arrangement totaled \$19,967 in 2020 and is included in *Commission income* and *Distribution & Service fee revenue*.

The Company has arrangements with PLAZ, PLNJ and PICA ("Prudential companies") whereby the Company receives commission income from the sale of variable life insurance and variable annuity contracts issued by Prudential companies. Revenue recognized under these arrangements totaled \$620,798 in 2020 and is included in *Commission income*.

The Company receives various services from Prudential companies including services of officers and the use of telecommunications, office space, systems and equipment. The costs of these services, which are included in *Other affiliated expenses*, are allocated to the Company pursuant to service agreements with Prudential companies. In most cases, payments due to the Company from affiliated entities and payments due to affiliates were effected by PICA, on behalf of the Company. In all other cases, the Company receives and remits payment directly to/from affiliated entities.

The Company reimburses Prudential companies for payments made on behalf of the Company. Payments are made for management and agent compensation, field management support and other miscellaneous expenses. These expenses are included in *Commission expense*, *Benefits and other compensation*, *Licenses and regulatory expenses* and *Other operating expenses*.

Certain balances included in *Payable to affiliates*, on the Statement of Financial Condition have been recorded net in accordance with ASC 210-20 and there is no cross-netting between different affiliated entities.

It is noted that balances included below may not agree to the face of the financial statements as these amounts are settled through our affiliated entities, although the Company may be contractually liable to a third party.

At December 31, 2020 and for the year then ended, the Company had the following Statement of Financial Condition and Statement of Income related party balances and activity:

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Pruco Securities, LLC
Notes to Financial Statements
December 31, 2020

(dollars in thousands)

Statement of Financial Condition

	Receivable	Payable
Receivable from broker-dealers	\$ 1,341	\$ —
Receivable from/payable to affiliates	28,710	34,630
Federal income taxes	1,192	1,154
	<u>\$ 31,243</u>	<u>\$ 35,784</u>

Statement of Income

	Income	Expense
Commission income/expense	\$ 625,473	\$ 505,572
Distribution & Service fee revenue	15,292	
Benefits and other compensation	—	116,310
Other affiliated expenses	—	22,052
Licenses and regulatory expenses		4,233
Other operating expenses	—	88,660
Provision for income taxes	—	9,098
	<u>\$ 640,765</u>	<u>\$ 745,925</u>

6. Concentrations of Credit Risk

As discussed in Note 1, the Company clears its securities transactions through NFS on a fully disclosed basis. Pursuant to the terms of the agreement between the Company and NFS, NFS has the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. During 2020, the Company was not required to pay any amounts related to these guarantees and, based on historic performance, has recorded no liability as of December 31, 2020. The risk of default depends on the creditworthiness of the individual counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

7. Commitments and Contingent Liabilities

The Company is subject to legal and regulatory actions in the ordinary course of its business. Management of the Company, after consultation with its legal counsel, believes that the ultimate resolution of any pending litigation and regulatory matters should not have any material adverse effect on the Company's financial statements.

The Company's internal supervisory and control functions review the quality of sales and other customer interface procedures and practices and may recommend modifications or enhancements. In certain cases, if appropriate, the Company may offer customers remediation and may incur charges, including the cost of such remediation, administrative costs and regulatory fines.

At December 31, 2020, the Company had reserves of \$5,110, including a remediation reserve of \$2,460 and a regulatory fine of \$2,500 pursuant to an advisory program analysis related to industry-wide regulatory share class and revenue sharing initiatives. This reserve is included in *Accounts*

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(dollars in thousands)

payable and other accrued liabilities in the Statement of Financial Condition. The company anticipates that it will complete the remediation in the first quarter of 2021.

8. Regulatory Requirements

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1), pursuant to the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2020, the Company had net capital of \$81,894, which was \$79,124 in excess of its required net capital of \$2,770. The Company's ratio of aggregate indebtedness to net capital was 0.51 to 1.

The Company is exempt from the Customer Protection Rule (Rule 15c3-3) since it does not hold customer funds or safekeep customer securities. The Company introduces its customers' accounts in the sale of general securities and mutual funds while operating under the exemption provided by Section (k)(2)(ii) of Rule 15c3-3.

9. Subsequent Events

The Company has evaluated and determined that no events or transactions occurred after December 31, 2020 and through the issuance date, February 25, 2021 of these financial statements that would require recognition or disclosure in these financial statements.

Pruco Securities, LLC
Computation of Net Capital Pursuant to Rule 15c3-1
Under the Securities Exchange Act of 1934
December 31, 2020

Schedule I

(dollars in thousands)

Net Capital

Total member's equity	\$ 105,929
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Deductions and/or charges

Nonallowable assets

Receivable from broker-dealers	2,266
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Receivable from affiliates	13,977
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Prepaid expenses and other assets	4,558
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Federal deferred tax receivable from Parent	1,192
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Total Nonallowable assets	<u>\$ 21,993</u>
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Other deductions and/or charges	<u>\$ —</u>
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Net capital before haircuts on securities positions	<u>\$ 83,936</u>
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Haircuts on securities

Money market mutual fund	<u>\$ 2,042</u>
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Net Capital	<u><u>\$ 81,894</u></u>
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Calculation of excess net capital

Net Capital	\$ 81,894
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Less minimum net capital requirement (6 2/3% of aggregate indebtedness or \$250, whichever is greater)	<u>2,770</u>
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Excess Net Capital	<u><u>\$ 79,124</u></u>
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Net Capital less 10% of Aggregate Indebtedness	<u><u>\$ 77,738</u></u>
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Ratio of aggregate indebtedness to net capital

Payable to affiliates	\$ 34,630
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Accounts payable and other accrued liabilities	5,772
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Federal Income tax payable to Parent	1,154
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Total Aggregate Indebtedness	<u><u>\$ 41,556</u></u>
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Ratio of Aggregate Indebtedness to Net Capital	<u><u>0.51 to 1</u></u>
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Statement Pursuant to Paragraph (d)(4) of Rule 17a-5 of the Securities and Exchange Commission.

There are no differences between the above computation and the computation included in the Company's unaudited Part II FOCUS Report as of December 31, 2020, filed on January 27, 2021.

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Pruco Securities, LLC

**Statement on Exemption from the Computation of Reserve
Requirements and Information for Possession or Control
Requirements Under Rule 15c3-3
December 31, 2020**

Schedule II

In accordance with the exemptive provisions of SEC Rule 15c3-3, specifically exemption k(2)(ii), the Company is exempt from the computation of a reserve requirement and the information relating to the possession or control requirements.

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