

**SHINHAN INVESTMENT AMERICA INC.**  
(A Wholly Owned Subsidiary of  
Shinhan Investment Corp.)

Financial Statements and Schedules

December 31, 2018

(With Report of Independent Registered Public Accounting Firm Thereon)

These financial statements and schedules  
should be deemed confidential pursuant  
to subparagraph (e)(3) of Rule 17a-5 of the  
Securities Exchange Act of 1934

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

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

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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 01/01/18 AND ENDING 12/31/18  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SHINHAN INVESTMENT AMERICA, INC.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1325 Avenue of the Americas, Suite 2002A

(No. and Street)

New York

NY

10019

(City)

(State)

(Zip Code)

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

Yoon Pak

(212) 397-0041

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Sejong LLP

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

65 Challenger Road, Suite 250 Ridgefield Park

NJ

07660

(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, YOON PAK, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SHINHAN INVESTMENT AMERICA, INC., as of December 31, 2018, 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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Yoon Pak  
Signature

President  
Title

Jeffrey E. Lile  
Notary Public

02/28/19

Notary Public, State of New York  
No. 01AV6339820  
Qualified in Bronx County  
My Commission Expires 04/04/2020

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.

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



integrity·trust·professionalism

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholder  
of Shinhan Investment America, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Shinhan Investment America, Inc. as of December 31, 2018, the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Shinhan Investment America, Inc. as of December 31, 2018, 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 Shinhan Investment America, Inc.'s management. Our responsibility is to express an opinion on Shinhan Investment America, Inc.'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 Shinhan Investment America, Inc. 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.

### **Audit's Report on Supplemental Information**

The supplemental information contained Schedule 1 and 2 has been subjected to audit procedures performed in conjunction with the audit of Shinhan Investment America, Inc.'s financial statements. The supplemental information is the responsibility of Shinhan Investment America, Inc.'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. In our opinion, the supplemental information contained Schedule 1 and 2 is fairly stated, in all material respects, in relation to the financial statements as a whole.

**SEJONG LLP**

We have served as Shinhan Investment America, Inc.'s auditor since 2012.

Ridgefield Park, New Jersey

February 26, 2019

**SHINHAN INVESTMENT AMERICA INC.**

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**Statement of Financial Condition**

December 31, 2018

**Assets**

Cash and cash equivalents	\$	277,459
Certificates of deposit		3,053,462
Commissions receivable		36,047
Other receivable		37,109
Prepaid taxes		11,427
Fixed assets, net		24,136
Other assets		21,604
	\$	<u>3,461,244</u>

**Liabilities and Stockholder's Equity**

**Liabilities:**

Accrued expenses and other liabilities	\$	43,364
Deferred rent payable		75,496
Total liabilities		<u>118,860</u>

**Stockholder's equity:**

Common stock, \$0.01 par value. Authorized, issued and outstanding, 25,000 shares		250
Additional paid-in capital		7,039,750
Accumulated deficit		(3,697,616)
Total stockholder's equity		<u>3,342,384</u>
	\$	<u>3,461,244</u>

See accompanying notes to financial statements.

**SHINHAN INVESTMENT AMERICA INC.**

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**Statement of Operations**

**Year ended December 31, 2018**

**Revenues:**

Commissions	\$ 456,468
Service fees	168,892
Interest	55,301
Other loss	(3,074)
	<u>677,587</u>

**Expenses:**

Employee compensation and benefits	581,450
Communications and data processing	158,550
Occupancy and equipment rental	282,273
Other operating expenses	213,085
	<u>1,235,358</u>

Loss before income tax (557,771)

Income tax expense 1,385

Net loss \$ (559,156)

See accompanying notes to financial statements.

**SHINHAN INVESTMENT AMERICA INC.**

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## Statement of Changes in Stockholder's Equity

Year ended December 31, 2018

	<u>Shares</u>	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total stockholder's equity</u>
Balance at December 31, 2017	25,000	\$ 250	7,039,750	(3,138,460)	3,901,540
Net loss	-	-	-	(559,156)	(559,156)
Balance at December 31, 2018	<u>25,000</u>	<u>\$ 250</u>	<u>7,039,750</u>	<u>(3,697,616)</u>	<u>3,342,384</u>

See accompanying notes to financial statements.

**SHINHAN INVESTMENT AMERICA INC.**

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## Statement of Cash Flows

Year ended December 31, 2018

Cash flows from operating activities:	
Net loss	\$ (559,156)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	5,709
Deferred rent	(12,504)
Changes in assets and liabilities:	
Commissions receivable	(18,964)
Other receivable	(36,497)
Prepaid taxes	954
Other assets	271
Accrued expenses and other liabilities	1,364
Total adjustments	(59,667)
Net cash used in operating activities	(618,823)
Cash flows from investing activities	
Purchase of fixed assets	(9,436)
Sale of certificates of deposit	154,291
Net cash provided by investing activities	144,855
Net decrease in cash and cash equivalents	\$ (473,968)
Cash and cash equivalents at beginning of year	751,427
Cash and cash equivalents at end of year	\$ 277,459
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Income tax	\$ 431

See accompanying notes to financial statements.



**SHINHAN INVESTMENT AMERICA INC.**

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Notes to Financial Statements

December 31, 2018

**(1) Description of Business**

Shinhan Investment America Inc. (the Company) was incorporated on February 1, 1993 under the laws of the State of New York to conduct a securities business in the United States of America. The Company, a wholly owned subsidiary of Shinhan Investment Corp. (the Parent), a Korean corporation, is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc. (FINRA), and Securities Investor Protection Corporation (SIPC).

The Company engages primarily in broker and dealer transactions of Korean securities and the underwriting of Korean debt and equity securities. Its principal customers are institutions in the United States of America investing in Asian markets. As shown in the accompanying statement of operations, the major source of income is commission income from its brokerage services.

The Company has a clearing agreement with the Parent whereby the Parent clears Korean security transactions for the Company and the Company's customers, and carries such accounts on a fully disclosed basis as the Parent's customers. Accordingly, the Company does not carry customers' accounts and does not receive, deliver, or hold cash or securities in connection with such transactions. The company claims exemption from SEC rule 15c3-3 under paragraph (k)(2)(i).

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

**(b) Cash Equivalents**

For the purpose of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**(c) Depreciation and Amortization**

Fixed assets are stated at cost. Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from five to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of their useful lives or terms of their related leases.

**(d) Commissions and Commissions Receivable**

Commissions are recorded on a trade-date basis. The majority of the commission income is earned on the transactions with the Parent. As of December 31, 2018, the Company has outstanding commissions receivable of \$36,047 from the Parent.

**SHINHAN INVESTMENT AMERICA INC.**  
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Notes to Financial Statements

December 31, 2018

**(e) Service Fees**

Service fees are recognized as earned based on the terms of contract.

**(f) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**(g) Fair value of Financial Instruments**

In accordance with Financial Accounting Standard Board (FASB) Accounting, Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the Company categorizes its assets and liabilities that are accounted for at fair value in the statement of financial condition in the fair value hierarchy as defined by ASC 820. The fair value hierarchy is directly related to the amount of subjectivity associated with the inputs utilized to determine the fair value of these assets and liabilities. See note 3 for further information about the fair value hierarchy and the Company's assets and liabilities that are accounted for at fair value.

**(h) Comprehensive Income**

The Company has no components of other comprehensive income for the year ended December 31, 2018.

**(i) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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. Actual results could differ from those estimates.

**SHINHAN INVESTMENT AMERICA INC.**  
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Notes to Financial Statements

December 31, 2018

**(j) New Accounting Standards**

Effective January 1, 2018, we adopted FASB ASC Topic 606, Revenue from Contracts with Customers, or ASC 606. ASC 606 provides a five-step model where revenue is recognized when the customer obtains control of the promised goods or services in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. The adoption of ASC 606 does not have a material impact on how we recognize revenue for Commission revenues or research fees income. We will continue to recognize revenue for commission-based arrangements and research fee will continue to be recognized at a point-in-time.

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes existing guidance on accounting for leases in ASC 840, Leases and generally requires all leases to be recognized in the balance sheet. The provisions of ASU 2016-02 are effective for reporting periods beginning after December 15, 2019 with early adoption permitted. The provisions of this ASU are to be applied using a modified retrospective approach. The Company will adopt this ASU in 2019. We are still assessing the impact on financial disclosures related to the new standard. We do not expect this new guidance to have any other material impacts on our financial statements.

**(3) Fair Value of Assets and Liabilities**

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and requires disclosures about fair value measurements.

In accordance with ASC 820, the Company groups its financial assets and liabilities measured at fair value in three levels, based on markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models, options pricing models, and similar techniques.

Money market accounts are recorded at fair value on a recurring basis.

**SHINHAN INVESTMENT AMERICA INC.**  
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Notes to Financial Statements

December 31, 2018

The balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 are as follows:

Description	Total	Level 1	Level 2	Level 3
Money market accounts	\$ 214,145	-	\$ 214,145	-

**(4) Related Party Transactions**

The Company executes purchases and sales of Korean securities for customers through the Parent. Commissions on Korean equity security transactions for customers are collected by the Parent directly from the customers and remitted periodically to the Company. The Company also invests its cash surplus in the form of certificate of deposit and money market account with an affiliated bank. A summary of balances and transactions with the Parent and the affiliate as of and for the year ended December 31, 2018 is approximately as follows:

Certificates of deposit and money market account	\$ 2,056,000
Commissions receivable	36,000
Accrued interest on certificates of deposit	8,000
Commissions	447,000
Interest income on certificates of deposit and money market account	43,000

**(5) Certificates of Deposit**

At December 31, 2018, certificates of deposit amounted to \$3,053,462, which mature through December 28, 2019, with interest rates ranging from 0.2% to 2.4% per annum.

**(6) Fixed Assets**

Fixed assets, at cost, at December 31, 2018 are summarized as follows:

Equipment	\$ 75,616
Furniture and fixtures	64,521
Leasehold improvements	173,328
	<u>313,465</u>
Less accumulated depreciation and amortization	289,329
	<u>\$ 24,136</u>

The total depreciation expense for the year ended December 31, 2018 was \$5,709.

**SHINHAN INVESTMENT AMERICA INC.**  
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Notes to Financial Statements

December 31, 2018

**(7) Net Capital Requirements**

The Company, as a registered broker and dealer in securities, is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. Such rule prohibits the Company from engaging in any securities transactions whenever its “aggregate indebtedness”, as defined, exceeds 15 times its “net capital”, as defined. Under such rule, and the related rules of FINRA, the Company may be required to reduce its business if its net capital ratio exceeds 12 to 1, and it may be prohibited from expanding its business if its net capital ratio exceeds 10 to 1.

At December 31, 2018, the Company had a minimum net capital requirement of \$250,000. The Company had a service agreement (“Chaperoning arrangement”) with the Parent, which was regarded as a foreign broker-dealer under SEC Rule 15a-6(a)(3). SEC requires registered broker and dealers that enter into a service agreement with a foreign broker-dealer to maintain a minimum net capital of \$250,000. At December 31, 2018, the Company had net capital of \$842,103, which exceeded the minimum requirement by \$592,103. The Company’s percentage of aggregate indebtedness to net capital was 14.11%.

**(8) Income Taxes**

Income tax provision for the year ended December 31, 2018 is summarized as follow:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ -	-	\$ -
States and local	<u>1,385</u>	<u>-</u>	<u>1,385</u>
	<u>\$ 1,385</u>	<u>-</u>	<u>\$ 1,385</u>

Income tax expense for the year ended December 31, 2018 differs from the “expected” income tax expenses (computed by applying the U.S. federal corporate income tax rate of 21% to income (loss) before income taxes) mainly due to valuation allowance, state and local income taxes, net of federal income tax expense, and permanent differences.

The tax effects of temporary differences that give rise to the deferred tax assets at December 31, 2018 are as follows:

Deferred tax assets:	
Net operating loss carry-forwards	\$ 1,164,669
Deferred rent	21,583
Fixed assets, principally due to differences in depreciation	<u>17,537</u>
Total gross deferred tax assets	1,203,789
Less valuation allowance	<u>1,203,789</u>
Net deferred tax assets	<u>\$ -</u>

**SHINHAN INVESTMENT AMERICA INC.**  
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Notes to Financial Statements

December 31, 2018

The net change in the valuation allowance for the year ended December 31, 2018 was an increase of approximately \$149,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the company will not realize the benefits of these deductible differences. Accordingly, deferred tax assets have been reduced by a valuation allowance.

At December 31, 2018, the Company had net operating loss carryforwards available for federal income tax purpose of approximately \$3,834,000. The Company also has net operating loss carryforwards for New York state and New York City tax purposes amounting to approximately \$1,781,000 and \$4,715,000 respectively at December 31, 2018.

FASB ASC 740-10, *Income Taxes*, requires the Company to determine whether it is more likely than not that a tax position will be sustained upon examination by the applicable tax authority based on technical merits of the position. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company remains subject to examination for the years ended December 31, 2015, 2016, and 2017 for the federal, state, and local jurisdictions.

**(9) Commitment**

The office lease was extended under new term starting April 1, 2014. It expires on March 31, 2023. The office lease contains a rent escalation clause for increases in property taxes and wage over base year, and provisions for payments for maintenance and certain other operating costs.

The future minimum lease payments under the non-cancelable operating lease contracts as of December 31, 2018 are as follows:

<u>Years ending December 31:</u>	
2019	\$ 238,000
2020	238,000
2021	238,000
2022	238,000
2023	<u>60,000</u>
	<u>\$ 1,012,000</u>

The total rent expense for the year ended December 31, 2018 under such operating lease contract was approximately \$228,000 for office space.

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Notes to Financial Statements

December 31, 2018

**(10) Off-Balance-Sheet Risk**

The Company reviewed its exposure on off-balance-sheet credit risks regarding the creditworthiness of its customers to fulfill their contracted obligations of security transactions, and determined that the fair value of such exposure is not material. There were no customers' unsettled trades at December 31, 2018.

As the assets and liabilities of the Company are short term in nature, the difference between carrying value and fair value is minimal, and separate disclosure of fair values has not been made.

**(11) Concentration of Credit Risk**

Concentrations of credit risk that arise from financial instruments (whether on or off balance sheet) exist for group of counterparties when they have similar economic characteristics that would cause their ability to meet obligations to be similarly affected by economic, industry or geographic factors. There were no significant concentrations of credit risk at December 31, 2018. The Company seeks to control its credit risk and the potential for risk concentration through a variety of reporting and control procedures.

Cash and certificates of deposit in banks periodically exceeds the Federal Deposit Insurance Corporation's (FDIC) insurance coverage of \$250,000. The Company has not experienced any losses in such accounts and does not believe there to be any significant credit risk with respect to these deposits.

**(12) Subsequent Events**

The Company has evaluated subsequent events from the date of the statement of financial condition through February 26, 2019, the date at which the financial statements were available to be issued, and determined that there were no other items which required accounting for or disclosure in the financial statements.

**SHINHAN INVESTMENT AMERICA INC.**  
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Computation of Net Capital under Rule 15c3-1  
 of the Securities and Exchange Commission

December 31, 2018

Computation of net capital:

Total ownership equity	\$	3,342,383
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Deduction and /or charges:

Total nonallowable assets:

Certificate of deposit and money market account with an affiliated bank	2,055,682
Accrued interest receivable	8,383
Commissions receivable	36,047
Other receivable	37,109
Security Deposit	970
Fixed assets	24,136
Prepaid taxes and other assets	23,679

Total non-allowable assets and other capital charges	<u>2,186,006</u>
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Net capital before haircuts on securities positions	1,156,377
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Haircuts on securities	<u>314,274</u>
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Net Capital	\$ <u><u>842,103</u></u>
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Computation of basic net capital requirement:

Minimum net capital requirement (6-2/3% of aggregate indebtedness)	\$ 7,923
Minimum dollar net capital requirement	250,000
Excess net capital	592,103
Net capital in excess of the greater of 10% of total aggregate indebtedness or 120% of minimum dollar net capital requirement	542,103

Computation of aggregate indebtedness:

Total aggregate indebtedness	\$ 118,860
Percentage of aggregate indebtedness to net capital	14.11%

Note: There are no material differences between this computation and that filed by the Company  
 on unaudited Securities and Exchange Commission unaudited Form X-17A-5 as of December 31, 2018.

See accompanying notes to financial statements.



**SHINHAN INVESTMENT AMERICA INC.**

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Computation for Determination of Reserve Requirements  
for Broker and Dealers Pursuant to Rule 15c3-3

December 31, 2018

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in Paragraph (k)(2)(i) of the Rule.

See accompanying report of independent registered public accounting firm.