

**DWS Distributors, Inc.**  
(A Wholly Owned Subsidiary of DWS Investment Management Americas, Inc.)

Statement of Financial Condition

December 31, 2022

(With Report of Independent Registered Public Accounting Firm Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

To the Stockholder and the Board of Directors  
DWS Distributors, Inc.:

### *Opinion on the Financial Statement*

We have audited the accompanying statement of financial condition of DWS Distributors, Inc. (the Company) as of December 31, 2022, and the related notes (collectively, the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2022, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

*KPMG LLP*

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

New York, New York  
March 20, 2023

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December 31, 2022

**Assets**

Cash and cash equivalents	\$ 36,659,685
Time Deposits	20,000,000
Administrative, service and distribution fees receivable	3,288,439
Commissions receivable	16,372
Receivable from affiliates	20,854,290
Property, plant and equipment	632
Other assets	311,826
Income tax receivable	161,732
Deferred tax asset, net	2,830,330
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Total assets	\$ 84,123,306
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**Liabilities and Stockholder's Equity**

Administrative, service and distribution fees payable	\$ 5,085,965
Payable to affiliates	6,592,911
Income tax payable	1,802,705
Compensation payable	16,728,623
Accounts payable and accrued expenses	4,512,388
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Total liabilities	34,722,592
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Stockholder's equity:	
Common stock:	
Class A, par value \$1.00 per share. Authorized, issued, and outstanding 1,000 shares	1,000
Class B, par value \$0.01 per share. Authorized, issued, and outstanding 1,000 shares	10
Paid-in capital	12,059,211
Retained earnings	37,340,493
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Total stockholder's equity	49,400,714
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Total liabilities and stockholder's equity	\$ 84,123,306
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See accompanying notes to financial statement.

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Notes to Financial Statement

December 31, 2022

**(1) Organization and Business**

DWS Distributors, Inc. (the Company) is a wholly owned subsidiary of DWS Investment Management Americas, Inc. (“DIMA or the Parent”). DIMA is a wholly owned subsidiary of DWS USA Corporation (“DWS USA”). DWS USA is a wholly owned subsidiary of DWS Group GmbH & Co. KGaA (“DWS Group”), a publicly traded company on the Frankfurt Stock Exchange, which is majority-owned by Deutsche Bank AG (“the Bank”). The Company was incorporated in Delaware on September 20, 1994 and is a registered broker-dealer under the Securities Exchange Act of 1934. The Company is a registered broker dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

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

***(a) Basis of Presentation***

The Company’s financial condition have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial condition have been prepared from separate records maintained by the Company, and may not necessarily be indicative of the financial condition, which would have existed if the Company had been operating as an unaffiliated entity.

***(b) Use of Estimates***

The preparation of the financial condition requires management to make estimates and assumptions that affect the amounts reported in the financial condition and accompanying notes. These estimates and assumptions are based on the Company’s best estimates and judgment. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

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**(c) Foreign Currency Translation**

The functional currency of the Company is U.S. dollar. Assets and liabilities denominated in non-U.S. dollar currencies are translated into U.S. dollar equivalents using year-end spot foreign exchange rates.

**(d) Cash and Cash Equivalents**

The Company defines cash and cash equivalents as cash or short term, highly liquid securities and interest earning deposits with original maturities of three months or less.

**(e) Time Deposits**

Time deposits are held to maturity and defined by the Company as short-term, highly liquid securities or deposits with original maturities of greater than three months. Time deposits are recorded at cost, which approximates fair value. As of December 31, 2022, time deposit amounted to \$20 million, which is classified as a level 2 security investment in the ASC 820, *Fair Value Measurements* hierarchy.

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**(f) Common Stock**

The Company has two classes of common stock. The Parent holds all Class A voting shares and Class B non-voting shares.

**(g) Share-Based Compensation**

Awards were granted by DWS Group to selected employees of the Company. Both awards (DWS Equity Plan and DWS Stock Appreciation Rights (SAR)) Plan are considered as cash settled but equity-linked plans. All employees who are offered the DWS Equity Plan are subject to performance conditions and forfeiture provisions, which need to be met for each tranche to be eligible for settlement. In case such performance conditions are not met, the tranche will lapse. Employees who are offered the DWS SAR Plan awards are also subject to specific performance and forfeiture provisions, as applicable under the SAR Plan.

The employees continue to participate in the DB Equity Plan under the rules established for the Bank as applicable. Share-based payment transactions where the Bank grants Deutsche Bank AG shares to the employees of the Company are classified as equity-settled transactions reflected in the equity in the financial condition as the Bank has the obligation to settle the shares. The substance of Bank's share award programs is that the Bank makes a capital contribution to the Company, which correspondingly makes a share-based payment to its employees in exchange for services.

**(h) Income Taxes**

The results of the Company are included in the consolidated U.S. Federal income tax return of DWS USA Corporation.

The Company's full year results are included in certain combined and unitary state tax returns of the Deutsche Bank New York Branch. In addition, the Company files tax returns in certain states on a standalone basis.

The Company provides for income taxes on all transactions that have been recognized in the statement of financial condition in accordance with ASC Topic 740, *Income Taxes*. Accordingly, deferred taxes are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on future deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in the period during which such changes are enacted. Deferred tax assets are recognized subject to management's

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judgment that realization is more likely than not. Deferred tax assets are included in the statement of financial condition.

ASC Topic 740 provides guidance on the accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition.

***(i) Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation of furniture, fixtures, equipment, and computer software is computed using the straight-line method over their estimated useful lives of three to seven years.

**(3) Related Party Transactions**

The Company has related-party transactions with Deutsche Bank AG and affiliated companies as the result of transactions entered into in the ordinary course of business. Such transactions are based on contractual agreements or standard allocations methodologies between the Company and its affiliates.

***(a) Related Party Assets and Liabilities***

The following table sets forth related party assets and liabilities as of December 31, 2022, as included in the statement of financial condition:



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Assets

Receivable from affiliates	\$ 20,854,290
Administrative, service and distribution fee receivable	3,288,439
Commission receivable	<u>16,372</u>
	<u>\$ 24,159,101</u>

Liabilities

Payable to affiliates	\$ 6,592,911
Compensation payable	82,752
Income tax payable	<u>1,802,705</u>
	<u>\$ 8,478,368</u>

**(4) Income Taxes**

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2022, were as follows:

Deferred tax assets:

Deferred compensation	\$ 2,811,223
State net operating loss carryforward	3,185
Accrued but unpaid foreign related party expense	888,403
Other	<u>5,801</u>
Gross deferred tax assets	3,708,612
Valuation allowance	<u>(3,185)</u>
Deferred tax assets, net of valuation allowance	<u>3,705,427</u>

Deferred tax liabilities:

Pension and post-retirement benefits	<u>(875,097)</u>
Gross deferred tax liabilities	<u>(875,097)</u>
Net deferred tax asset	<u>\$ 2,830,330</u>

The Company participates in the tax sharing agreement with DWS USA as a result of the Company being included in the Federal consolidated tax return filed under DWS USA.

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The Company also participates in the tax sharing agreement with Deutsche Bank New York Branch Consolidated Group as a result of the Company being included in the New York State and New York City Combined tax returns filed under the Deutsche Bank New York Branch.

Income taxes are computed on a modified separate company basis and the Company reflects the separate return tax liability as a current tax liability on the books and records. U.S. Federal tax liability is paid by the Company to DWS USA on a current basis. In the event the Company generates a tax benefit from Federal tax losses or tax credits, such benefit is reflected as a current tax receivable on the Company's books and the Company is reimbursed for this tax benefit on a current basis by DWS USA.

Since the Company utilizes a modified separate company method for its separate company income tax computation, the taxable income of the DWS USA consolidated tax group of which the Company is a member is considered in evaluating whether deferred tax assets ("DTAs") are expected to be realized. The Company believes it is more likely than not that the results of future operations, taking into account the impact of the Company's various strategic initiatives, will generate sufficient taxable income to realize the net DTAs.

As of December 31, 2022, the Company determined that it has no uncertain tax positions, interest, or penalties as defined within FASB ASC 740, and accordingly, no additional disclosures are required. In the next twelve months the Company believes that there will be no material changes to unrecognized tax benefits.

As of December 31, 2022, the consolidated group of which the Company is a member, is under examination by the IRS for tax years 2017 through 2018. New York State and New York City are under examination for tax years 2015 through 2016. Illinois is under examination for tax years 2011 through 2012.

The Company primarily files in the following jurisdictions: Federal, New York State and New York City.

Tax refunds receivable from other state tax authorities at December 31, 2022 was \$161,732. Net tax payable to affiliates at December 31, 2022 was \$1,802,705.

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**(5) Employee Benefit Plans**

**Retirement Plans**

The Company continues to participate, together with other affiliates of Deutsche Bank Americas Holding Corporation (DBAH) in a tax-qualified 401(k) plan. Employees are able to contribute up to 40% of their eligible compensation on a before-tax and /or after-tax basis, up to IRS limits. For employees hired before January 1, 2005, after a participant has completed six months of service, the Company matches dollar for dollar up to 5% of eligible compensation, up to a maximum of \$4,000 per year.

Effective January 1, 2005, the plan was amended for employees hired on or after January 1, 2005. Participants who have completed six months of service receive a Company matching contribution of up to 4% of eligible compensation, up to the IRS annual compensation maximum. Participants employed less than 10 years receive a Company fixed contribution equal to 4% of the first \$100,000 of eligible compensation. Participants employed 10 or more years receive a Company fixed contribution equal to 6% of the first \$100,000 of eligible compensation. In addition, effective as of when Deutsche Bank AG no longer owned (directly or indirectly) at least 80% of DWS KGaA, participants that are not eligible for a Company fixed contribution since they were hired, rehired or localized before January 1, 2005, will receive a supplemental annual contribution in an amount equal to 6.5% of eligible compensation.

**(a) *Share-Based Compensation Plans***

**DWS Equity and Stock Appreciation Rights (SAR) Plans**

DWS Group made grants of share-based compensation under the DWS Equity Plan. This plan represents a contingent right to receive a cash payment by referencing to the value of DWS shares during a specified time period. The DWS SAR Plan represents a contingent right to receive a cash payment equal to any appreciation (or gain) in the value of a set number of notional DWS shares over a fixed period of time. This award does not provide any entitlement to receive DWS shares, voting rights or associated dividends. The DWS Equity Plan is a phantom share plan representing a contingent right to receive a cash payment by referencing to the value of DWS shares during a specified period of time. The award recipient for any share-based compensation plan is not entitled to receive dividends during the vesting period of the award. The share awards granted under the terms and conditions of any share-based compensation plan are forfeited fully or partly if the recipient voluntarily terminates employment before the end of the relevant vesting period or the end of the retention period for Upfront Awards. Vesting usually continues after termination of employment in cases such as redundancy or retirement.

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The fair value of the DWS SAR Plan awards have been measured using the generalised Black-Scholes formula model. The liabilities incurred are re-measured at the end of each reporting period until settlement. The principal inputs being the market value on reporting date, discounted for any dividends foregone over the holding periods of the award, and adjustment for expected and actual levels of vesting which includes estimating the number of eligible employees leaving Deutsche Bank Group and number of employees eligible for early retirement. Given the limited trading in the market years of DWS share price volatility and the absence of implied volatility, the expected volatility of the DWS share price has been based in an evaluation of the historical volatility for a comparable peer group over the preceding 5-year period.

Deutsche Bank Equity Plan:

The Company employees continue to participate in the DB Equity Plan under the rules established for Deutsche Bank as applicable. Shared-based payment transactions where the Deutsche Bank Group AG granted the Deutsche Bank AG shares to the employees of the DWS Group are classified as equity-settled transactions reflected in the equity in the statement of financial condition as the Bank has the obligation to settle the shares. The award recipient is not entitled to receive dividends during the vesting period of the award. The share awards granted under the terms and conditions of the DB Equity Plan may be forfeited fully or partly if the recipient voluntarily terminates employment before the end of the relevant vesting period. Vesting usually continues after termination of employment in cases such as redundancy or retirement.

To the extent that the settlement price is less or greater than the price at grant date, the Company is allocated a gain or loss based on the difference.

For the year ended December 31, 2022, the Company was allocated a gain of approximately \$0.1 million related to its portion of the overall net gain realized by the Bank that was attributable to share-based awards granted to the Company's employees. This amount has been reflected as an adjustment to the Company's paid-in capital.

**(b) Cash Retention Plan**

The Company participates in the DB Restricted Incentive Plan, a cash retention plan of the Bank, under which Restrictive Incentive Awards ("RIA") are granted as deferred cash compensation. The RIA consists of four tranches each amounting to one quarter of the grant volume. It is subject to a four-year pro-rata vesting period during which time specific forfeiture conditions apply. In line with regulatory requirements, this plan includes performance-indexed clawback rules. Thus, there is the possibility that parts of the awards

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will be subject to forfeiture in the event of non-achievement of defined targets, breach of policy or financial impairment.

**(6) Legal Contingencies**

The Company operates in a legal and regulatory environment that exposes it to significant legal risks. As a result, the Company is involved in litigation, arbitration and regulatory proceedings in the ordinary course of business.

In accordance with ASC 450, *Loss Contingencies*, the Company will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits, regulatory proceedings and arbitration, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the matter is close to resolution, in which event no accrual is made until that time. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, the Company cannot determine the probability or estimate what the eventual loss or range of loss related to such matters will be. Subject to the foregoing, the Company continues to assess such matters and believes, based on information available, that the resolution of these matters will not have a material adverse effect on the financial condition of the Company.

The Company may settle litigation or regulatory proceedings or investigations prior to a final judgment or determination of liability. It may do so for a number of reasons, including to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Company believes it has valid defenses to liability. It may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement.

**(7) Credit Risks**

Credit risk is measured by the loss the Company would record if its counterparties failed to perform pursuant to the terms of their contractual obligations and the value of collateral held, if any, was not adequate to cover such losses. The Company has established controls to monitor the creditworthiness of counterparties.

Concentrations of credit risk from financial instruments, including contractual commitments, exist when groups of issuers or counterparties have similar business characteristics or are engaged in like activities that

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would cause their ability to meet their contractual commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. The Company monitors credit risk on both an individual and group counterparty basis. The Company minimizes this risk through credit reviews, approvals, trading limits, and monitoring procedures.

**(8) Regulatory Requirements – Net Capital**

Pursuant to the SEC's Uniform Net Capital Rule (Rule 15c-1), the Company is required to maintain minimum net capital. The Company computes its required net capital using the alternative method. As of December 31, 2022, the Company's net capital, alternative net capital requirement, and excess net capital were \$21,673,273, \$250,000, and \$21,423,273 respectively. Capital may not be withdrawn nor dividends paid to the extent capital is required for continued compliance with Rule 15c3-1.

**(9) Subsequent Events**

In accordance with U.S. GAAP disclosure requirements on subsequent events, management has evaluated events for possible recognition or disclosure in the financial condition through March 20, 2023, the date the financial condition were issued.