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

SEC FILE NUMBER
8-66471

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



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 01/01/14 AND ENDING 12/31/14
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **INDUSTRIAL AND COMMERCIAL BANK OF CHINA
FINANCIAL SERVICES LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1633 BROADWAY

(No. and Street)

New York

(City)

NY

(State)

10019

(Zip Code)

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

Mr. Frederick Ferraro

(212) 993-7350

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

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

345 Park Avenue

(Address)

New York

(City)

NY

(State)

10154

(Zip Code)

SECURITIES AND EXCHANGE COMMISSION

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DIVISION OF TRADING & MARKETS

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)

Potential 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.

SEC 1410 (06-02)

Handwritten signature and date 3/2/15

Industrial and Commercial Bank of China Financial Services LLC
(Wholly Owned Subsidiary of Industrial and Commercial Bank of China Limited)
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December 31, 2014

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

Report of Independent Registered Public Accounting Firm

The Board of Managers and Members of
Industrial and Commercial Bank of China Financial Services LLC:

We have audited the accompanying statement of financial condition of Industrial and Commercial Bank of China Financial Services LLC as of December 31, 2014. The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Financial Services LLC as of December 31, 2014, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 27, 2015

Industrial and Commercial Bank of China Financial Services LLC
(Wholly Owned Subsidiary of Industrial and Commercial Bank of China Limited)
Statement of Financial Condition
December 31, 2014

| Assets | | | |
|--|--|----|-----------------------|
| Cash and cash equivalents | | \$ | 115,048,537 |
| Securities purchased under agreements to resell | | | 20,413,443,021 |
| Securities borrowed | | | 12,886,919,310 |
| Deposits with clearing organizations | | | 199,912,750 |
| Receivables: | | | |
| Customers | | | 148,152,034 |
| Broker-dealers and clearing organizations | | | 662,117,841 |
| Secured demand note receivable | | | 100,000,000 |
| Interest and dividends receivable | | | 5,804,900 |
| Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$5,203,897 | | | 5,428,711 |
| Other assets | | | 12,862,534 |
| | | | <hr/> |
| Total assets | | \$ | <u>34,549,689,638</u> |
| Liabilities and Member's Capital | | | |
| Liabilities: | | | |
| Short term borrowings | | \$ | 500,000,000 |
| Securities sold under agreements to repurchase | | | 27,153,379,320 |
| Securities loaned | | | 5,895,804,608 |
| Payables: | | | |
| Customers | | | 74,402,897 |
| Broker-dealers and clearing organizations | | | 697,060,609 |
| Deferred tax liability | | | 5,200,449 |
| Interest and dividends payable | | | 10,369,889 |
| Other liabilities | | | 15,563,829 |
| | | | <hr/> |
| | | | 34,351,781,601 |
| | | | <hr/> |
| Subordinated borrowings | | | 100,000,000 |
| Member's capital | | | 97,908,037 |
| | | | <hr/> |
| Total liabilities and member's capital | | \$ | <u>34,549,689,638</u> |

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

(1) Organization and Nature of Business

Industrial and Commercial Bank of China Financial Services LLC (the “Company”) is a wholly owned subsidiary of Industrial and Commercial Bank of China Limited (the “Parent”). The Company is a registered broker-dealer with the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority (“FINRA”). The Company’s business is to offer securities clearing, processing and financing services to clients.

(2) Significant Accounting Policies

(a) *Basis of Presentation*

The Company’s statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 statement. Actual results could differ from those estimates.

(b) *Cash and Cash Equivalents*

The Company defines cash equivalents to be highly liquid investments with original maturities of ninety days or less, which may include federal funds sold on an overnight basis. The Company maintains amounts due from banks which, at times, exceeds federally insured limits.

(c) *Receivables from customers/Payables to customers*

Receivables from customers and Payables to customers include amounts due on regular way securities transactions and margin transactions. Securities owned by customers, including those that collateralize margin or similar transactions are not reflected in the statement of financial condition. Customer transactions that are failed to be received or delivered are recorded in receivables from and payables to broker-dealers and clearing organizations on the Statement of Financial Condition.

(d) *Income Taxes*

The Company accounts for income taxes in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Accounting for Income Taxes*. FASB ASC 740 requires that deferred taxes be established based upon the temporary differences between financial statement and income tax bases of assets and liabilities using the enacted statutory rates.

The Company files tax returns on a stand-alone basis. Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

(e) Collateralized Transactions

(i) Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell (“reverse repurchase agreements”) and securities sold under agreements to repurchase (“repurchase agreements”) are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts. Due to the highly liquid nature of the underlying collateral (primarily U.S. government and agency securities) and the short-term maturity of these agreements, contractual amounts approximate fair value. It is the policy of the Company to take possession of securities in order to collateralize reverse repurchase agreements. The collateral value, including accrued interest, is monitored daily and additional collateral is obtained when appropriate to protect the Company in the event of default by the counterparty. Substantially all repurchase and reverse repurchase activities are transacted under master netting agreements that give the Company the right, in the event of default, to liquidate collateral held and offset receivables and payables with the same counterparty. Accrued interest income and interest expense are reported as part of securities purchased under agreements to resell and securities sold under agreements to repurchase, respectively, on the Statement of Financial Condition.

(ii) Securities Borrowed and Loaned Transactions

Securities borrowed and loaned transactions are accounted for as collateralized financing transactions. These transactions are recorded at their contracted amount (the amount of cash collateral advanced or received). Securities borrowed transactions require the Company to deposit cash with the lender in excess of the market value of the securities borrowed. The fair value of securities borrowed and loaned is monitored daily and additional collateral is obtained or refunded when appropriate to protect the Company in the event of default by the counterparty. Rebates earned or paid on securities borrowing or lending transactions are shown in the category interest and dividends receivable or interest and dividends payable, respectively, on the Statement of Financial Condition.

Securities borrowed and loaned transactions are subject to an enforceable master netting agreement and are presented gross in the Statement of Financial Condition, with no offsetting.

(iii) Offsetting Arrangements

The following table presents the gross and net resale and repurchase agreements transactions, and the related amount of netting with the same counterparty under enforceable netting agreements (“counterparty netting”) included in the statement of financial condition. Substantially all of the gross carrying values of these arrangements are subject to enforceable netting agreements. The following table also presents the

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

amounts not offset in the statement of financial condition including counterparty netting that does not meet the criteria for netting under U.S. GAAP.

| (in millions) | As of December 31, 2014 | |
|---|---|--|
| | Assets | Liabilities |
| | Securities purchased under agreements to resell | Securities sold under agreements to repurchase |
| Amounts included in the statement of financial condition | | |
| Gross carrying value | \$64,627 | \$71,367 |
| Counterparty netting | (44,214) | (44,214) |
| Net | <u>\$20,413</u> | <u>\$27,153</u> |

The following table presents the net amount of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of the financial instruments and cash collateral not offset in the statement of financial condition.

| December 31, 2014 (in millions) | Net amount included on the | | |
|---|--|---------------------------------|---------------|
| Financial assets subject to enforceable MNA | Statement of Financial Condition | Financial Instruments (1) | Net Amount |
| Securities borrowed | \$12,887 | \$12,625 | \$262 |
| Securities purchased under agreements to resell | 20,413 | 20,557 | - |
| Total | <u>\$33,300</u> | <u>\$33,182</u> | <u>\$262</u> |
| Financial liabilities subject to enforceable MNA | | | |
| Securities loaned | \$5,896 | \$5,732 | - |
| Securities sold under agreements to repurchase | 27,153 | 26,927 | - |
| Total | <u>\$33,049</u> | <u>\$32,659</u> | <u>=</u> |

(1) The total amount reported in financial instruments and cash collateral is limited to the amount of the related instruments presented in the statement of financial condition and therefore any over-collateralization of these positions is not included.

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

(f) *Fair Value of Financial Instruments*

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts which approximate fair value. Assets, which are recorded at contracted amounts approximating fair value, consist largely of short-term secured receivables, including securities borrowed, securities purchased under agreements to resell, receivables from customers and receivables from broker-dealers and clearing organizations. Similarly, the Company's short-term liabilities, such as securities loaned, securities sold under agreements to repurchase, short-term borrowings, payables to customers and payables to broker-dealers and clearing organizations, are recorded at contracted amounts approximating fair value. These instruments generally have variable interest rates and/or short-term maturities, in many cases overnight and, accordingly, their fair values are not materially affected by changes in interest rates or market movements. Subordinated borrowings are recorded at contracted amounts, approximating fair value. With the exception of cash, which would be considered a level 1 instrument in the fair value hierarchy, all other financial instruments noted above are considered level 2.

(g) *Fair Value of Collateral*

In the normal course of business, the Company obtains securities under agreements to resell and securities borrowed on terms which permit it to resell or lend the securities to others. At December 31, 2014, the Company obtained and had available securities to resell and lend with a fair value of \$33,182,247,947 on such terms, of which approximately \$32,658,321,011 have been either resold or lent to others in connection with the Company's activities.

(h) *Foreign Currencies*

The Company has certain cash on deposit with banks denominated in foreign currencies and has payables to customers and counterparties also in foreign currencies. These assets and liabilities are translated at closing exchange rates at December 31, 2014.

(3) **Intangible Assets**

Under the provisions of ASC 350, *Intangibles – Goodwill and Other*, the Company has reviewed appropriate events and circumstances and concluded that it is more likely than not that the fair value is greater than the carrying amounts of such assets. Software intangible assets are amortized on the straight-line method over the estimated useful life of the asset. Intangible assets consisted of the following at December 31, 2014, which are included in other assets in the Statement of Financial Condition:

| | | |
|-------------------------------|--------------------|---------------------|
| Customer relationships | | \$ 8,480,450 |
| Software | \$ 1,668,000 | |
| Less accumulated amortization | <u>(1,390,000)</u> | <u>278,000</u> |
| | | \$ <u>8,758,450</u> |

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

(4) Receivable From and Payable to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2014 consist of the following:

| | <u>Receivable</u> | <u>Payable</u> |
|---|-----------------------|-----------------------|
| Securities failed-to-deliver/receive | \$ 628,109,820 | \$ 629,963,501 |
| Receivable from and payable to clearing organizations | 32,806,074 | 7,665,598 |
| Receivable from and payable to broker-dealers | <u>1,201,947</u> | <u>59,431,510</u> |
| | <u>\$ 662,117,841</u> | <u>\$ 697,060,609</u> |

(5) Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of leasehold improvements, furniture, fixtures, computer and communication equipment, and software. Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of premises and equipment are provided by the straight-line method over the estimated useful life of the asset.

Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or, where applicable, the remaining term of the lease, but generally not exceeding five years.

Furniture, equipment and leasehold improvements costs are tested for impairment whenever events or changes in circumstances suggest that an asset's carrying value may not be fully recoverable in accordance with current accounting guidance.

Furniture, equipment and leaseholds consisted of the following at December 31, 2014:

| | |
|---|---------------------|
| Furniture, equipment, and software | \$ 9,000,060 |
| Leasehold improvement | <u>1,632,548</u> |
| | 10,632,608 |
| Less: Accumulated depreciation and amortization | <u>(5,203,897)</u> |
| | <u>\$ 5,428,711</u> |

(6) Related Party Transactions

The Company has service agreements with the Parent and certain affiliates. The Company shares some of the same resources to benefit from the infrastructural cost savings in the conduct of its business. The Company has several transactions with its Parent and affiliates.

The Parent and affiliates provide various administrative and clearing services, as defined in the respective service level agreements, such as human resources among others, to the Company, for which the Company is charged in accordance with the service level agreements.

At December 31, 2014, included in other liabilities, are payables to Parent and affiliates of \$1,117,709 related to these services.

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

The Company also has a committed line of credit arrangement with the Parent's New York branch in the amount of \$250,000,000. Draw-downs pursuant to the credit line are unsecured, and the agreement expires February 28, 2017. As of December 31, 2014, there were no borrowings outstanding under this agreement.

The Company also has an uncommitted short term money market lending facility with the Parent's New York branch, providing overnight funds at market rates. The interest rate on this borrowing was 0.35% at December 31, 2014 and the facility was due January 2, 2015. Amounts borrowed under the facility are unsecured. The average balance outstanding is \$500,000,000 at an average rate of 0.35%. As of December 31, 2014, there was \$500,000,000 outstanding.

(7) Employee Benefit Plans

The Company maintains a Traditional and Roth 401(k) Plan (the "Plan"). Each year, participants may contribute up to 20% of pretax annual compensation, as defined in the Plan, subject to certain Internal Revenue Code limitations. Participants may also contribute amounts representing rollover distributions from other qualified plans. The Company will make a matching contribution up to 100% of the first 4% of base compensation that a participant contributes as pretax and after-tax contributions to the Plan. In addition, the Company will make a non-elective contribution up to the first 5% of a participant's base compensation.

(8) Subordinated Borrowings

The Company has a \$100,000,000 secured demand note and collateral agreement with its Parent. The note payable bears interest of 0.07% per annum and matures on October 15, 2016.

The secured demand note has been approved as equity by FINRA and is available in computing net capital under SEC Rule 15c3-1. This secured demand note is subordinated to the claims of general creditors and, to the extent it is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

The secured demand note receivable is noninterest-bearing and is collateralized by marketable U.S. Treasury securities with an estimated fair value of \$110,404,618 as of December 31, 2014.

(9) Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. For financial reporting purposes, net deferred tax liability at December 31, 2014, is \$4,466,101, comprised of \$5,200,449 and \$734,348 included in deferred tax liability and other assets on the Statement of Financial Condition, respectively. Deferred tax liabilities relate principally to the excess of book over tax basis of the intangible assets and fixed assets. Federal taxes receivable of \$434,952 and state taxes receivable of \$182,983 are included in other assets on the Statement of Financial Condition.

The Company has net deferred tax liability as of December 31, 2014. Management believes it is more-likely-than-not that the Company will realize the benefits of the gross deferred tax assets taken into account the scheduled reversal of deferred tax liabilities and projected future taxable income over the period on which the deferred tax assets become deductible.

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

As of December 31, 2014, the Company had no unrecognized tax benefits or related accrued interest and penalties.

The earliest taxable year that the Company is subject to Federal, New York State and City tax examination is 2011.

(10) Regulatory Requirements

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, as permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,500,000 or 2% of aggregate debit balances arising from customer transactions, as defined. At December 31, 2014, the Company had net capital of \$167,187,431, which was \$165,664,449 in excess of required net capital of \$1,522,982.

The Company is also subject to the SEC's Customer Protection Rule ("SEC Rule 15c3-3"), which requires, under certain circumstances, that cash or securities be deposited into a special reserve bank account for the exclusive benefit of customers and for the proprietary accounts of introducing brokers. At December 31, 2014, the Company's SEC Rule 15c3-3 reserve computation indicated a reserve requirement of \$28,965,174. At December 31, 2014, the Company had qualified securities in the amount of \$48,518,868 segregated in its account reserved for the exclusive benefit of customers.

The Company is also required to perform a computation of reserve requirements for Proprietary Accounts of Brokers ("PAB"). At December 31, 2014, the Company's PAB reserve computation indicated a reserve requirement of \$55,252,982. At December 31, 2014, the Company had qualified securities in the amount of \$60,421,002 segregated in its PAB reserve account.

(11) Commitments and Contingencies

The Company leases office space under an operating lease which expires in July 2015. Following is a schedule of the remaining lease payments:

Year Ending December 31:

| | |
|--------------------------|-------------------|
| 2015 | <u>\$ 396,950</u> |
| Total minimum obligation | <u>\$ 396,950</u> |

In accordance with FASB ASC 450, *Accounting for Contingencies*, the Company's policy regarding legal and other contingencies is to accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. At December 31, 2014, the Company is not aware of any outstanding contingencies.

The accompanying notes are an integral part of the Statement of Financial Condition.

Notes to Statement of Financial Condition

(12) Credit Risk

The Company enters into short-term collateralized financing transactions and, consequently, has credit risk for the timely repayment of principal and interest. 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. Specifically, the Company's potential credit loss exposure for contractual commitments is equal to the market or fair value of contractual commitments that are in a net asset position less the effect of master netting agreement. The Company has established controls to monitor the creditworthiness of counterparties, as well as the quality of pledged collateral, and uses master netting agreements whenever possible to mitigate the Company's exposure to counterparty credit risk. The Company may require counterparties to submit additional collateral when deemed necessary. The Company controls the collateral pledged by the counterparties, which consists largely of securities issued by the U.S. government or its agencies and the fair value of which approximates the carrying amount of the financing transactions

(13) Subsequent Events

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date of issuance of the Statement of Financial Condition on February 27, 2015, noting none.

* * * * *

The accompanying notes are an integral part of the Statement of Financial Condition.