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ANNUAL AUDITED REPORT
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MAR 01 2018

**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 01/01/17 AND ENDING 12/31/17
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: JPMorgan Distribution Services, Inc

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1111 Polaris Parkway

(No. and Street)

Columbus

OH

43035

(City)

(State)

(Zip Code)

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

Michael R. Machulski

614-2484815

(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.

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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Michael R Machulski, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JPMorgan Distribution Services, Inc, as of December 31, 2017, 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:

[Handwritten Signature]

Signature

Managing Director

Title

[Handwritten Signature]

Notary Public



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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (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).

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(An indirect wholly-owned subsidiary of JPMorgan Chase & Co.)
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December 31, 2017

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of JPMorgan Distribution Services, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of JPMorgan Distribution Services, Inc. (the "Company") as of December 31, 2017, 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, 2017, 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 auditing 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.

PricewaterhouseCoopers LLP

February 28, 2018

We have served as the Company's auditor since 2004.

JPMorgan Distribution Services, Inc.
 (An indirect wholly owned subsidiary of JPMorgan Chase & Co.)
Statement of Financial Condition
December 31, 2017

Assets	
Cash and cash equivalents	\$ 203,072,336
Receivable from funds and affiliates	71,200,753
Deferred commissions (net of accumulated amortization of \$12,526,353)	10,056,099
Intangible assets (net of accumulated amortization of \$4,935,938)	33,576,562
Goodwill	194,033,830
Current income taxes, net	5,926,027
Other assets	316,725
Total assets	<u>\$ 518,182,332</u>
Liabilities and Stockholder's Equity	
Payable to affiliates	\$ 28,812,021
Accrued employee compensation and benefits	1,942,961
Accounts payable, accrued expenses and other liabilities	58,695,102
Deferred tax liabilities	209,240
Total liabilities	<u>\$ 89,659,324</u>
Stockholder's equity	
Common stock (\$10 par value, 100 shares authorized, issued and outstanding)	\$ 1,000
Additional paid in capital	385,082,522
Retained earnings	43,439,486
Total stockholder's equity	<u>428,523,008</u>
Total liabilities and stockholder's equity	<u>\$ 518,182,332</u>

The accompanying notes are an integral part of this consolidated statement of financial condition.

JPMorgan Distribution Services, Inc.
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Notes to Statement of Financial Condition
December 31, 2017

1. Organization

JPMorgan Distribution Services, Inc. ("the Company") was incorporated on October 25, 1999 under the laws of Delaware as an indirect, wholly-owned subsidiary of JPMorgan Chase & Co ("JPMorgan Chase" or the "Parent"). The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC"), a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), the Municipal Securities Rulemaking Board ("MSRB"), and the Securities Investor Protection Corporation ("SIPC").

The Company serves as distributor and shareholder servicing agent for the JPMorgan Mutual Fund complexes in JPMorgan Trust I, JPMorgan Trust II, JPMorgan Trust III, JPMorgan Trust IV, J.P. Morgan Fleming Mutual Fund Group, Inc., J.P. Morgan Mutual Fund Investment Trust, Undiscovered Managers Funds, and JPMorgan Insurance Trust (collectively, the "Funds"). The Company also serves as the distributor of New York's 529 advisor-Guided College Savings Program and J.P.Morgan Exchange-Traded Fund Trust.

The Company promptly transmits all funds received in connection with the distribution of investment company shares to the investment companies offering the mutual fund and does not otherwise carry customer accounts or hold customer funds or securities.

Business Changes and Developments

On May 30, 2017, JPMorgan Chase Holdings LLC contributed its investment in the Company to JPMorgan Asset Management Holdings Inc. As a result, JPMorgan Asset Management Holdings Inc. became the parent and 100% owner of the Company.

2. Summary of Significant Accounting Policies

Use of Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the US, 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Commitments and Contingencies

In the ordinary course of its business, the Company is named as a defendant in various legal actions and administrative proceedings arising in connection with its respective businesses. The Company does not believe there are any pending legal proceedings that will have a material impact on the Company's financial position or results of operations.

Cash Equivalents

Highly liquid investments with original maturities at the time of purchase of three months or less are considered cash equivalents.

The Company's cash equivalents of \$151,427,480 at December 31, 2017 are invested in securities for which quoted prices for identical securities are available in an active market. As such, they are classified in Level 1 of the three-level valuation hierarchy established under U.S. GAAP for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. Level 1 involves inputs publicly available for assets identical to those being valued. Level 2 involves inputs of quoted or

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observable prices or inputs for similar assets. Level 3 involves one or more inputs to the valuation methodology which are unobservable and significant to the fair value measurement.

Receivable from Funds

The receivable from funds is recorded at net realizable value which approximates fair value at December 31, 2017.

Deferred Commissions

The Company pays commissions to broker dealers who sell certain fund classes for which the shareholders themselves do not pay a commission at the time of purchase. The Company has deferred the expense associated with these commissions and the expense is amortized over the life of the related fee income. Specifically, the amortization period of these deferred commissions is based on the number of years for which CDSC fees are payable to the Company; six years for B shares and one year for C shares. In November 2009, the Funds discontinued the sale of new Class B Share mutual funds. The deferred commissions for B shares have been fully amortized in 2015. Impairment of deferred commissions is reviewed annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable. No impairment was recognized during 2017 or existed at December 31, 2017.

Intangible Assets and Goodwill

Goodwill and intangible assets recorded on the consolidated statement of financial condition include goodwill of \$194,033,830, an indefinite-lived intangible associated with mutual fund contracts of \$31,200,000 and a finite-lived intangible related to the value of customer relationships of \$2,376,562. The customer relationship intangible is amortized on a straight-line basis over its estimated life of 20 years. Impairment of goodwill and intangible assets is reviewed annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable. No impairment was recognized during 2017 or existed at December 31, 2017.

Other Assets

Other assets include primarily prepaid items, as well as furniture and equipment, which are depreciated over the estimated useful lives of the assets.

Income Taxes

The results of operations of the Company are included in the consolidated federal and certain combined or unitary state income tax returns of JPMorgan Chase. In addition, the Company files income tax returns in various states on a separate return basis. Pursuant to a tax sharing agreement, JPMorgan Chase allocates to the Company its share of the consolidated income tax expense or benefit based upon statutory rates applied to the Company's earnings as if it were filing separate tax returns. The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the consolidated statement of financial condition. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that in the opinion of management, is more likely than not to be realized. State and local income taxes are provided on the Company's taxable income at the effective income tax rate applicable to JPMorgan Chase.

The guidance on accounting for uncertainty in income taxes describes how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's consolidated financial statements to determine whether the tax positions are more likely than not to be realized as a tax benefit or expense in the current year. See Note 5 for a further discussion of income taxes.

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3. Related Party Transactions

At December 31, 2017, all cash was held at one financial institution, which is a related party of the Company. Cash on deposit of \$51,644,856 was held at JPMorgan Chase Bank, N.A and cash equivalents of \$151,427,480 are invested in JPMorgan money market funds.

Receivable from Funds relates to the contractual obligation of the Funds with respect to administrative, distributor and shareholder servicing provided by the Company.

Total payable to affiliates mainly represents 12b-1 and shareholder servicing fees received from the Funds which are payable to affiliated shareholder servicing agents who sell the Funds' shares.

4. Employee Compensation and Benefits

The Company's employees participate, to the extent they meet minimum eligibility requirements, in various benefit plans sponsored by JPMorgan Chase. The following is a discussion of JPMorgan Chase's significant benefit plans.

Employee Stock-Based Awards

Certain employees of the Company participate in JPMorgan Chase's long-term stock-based incentive plans, which provide for grants of common stock-based awards in the form of restricted stock units ("RSUs"). Employees receive annual incentive compensation based on their performance, the performance of their business and JPMorgan Chase's consolidated operating results.

Employee Stock-Based Awards

Certain employees of the Company participate in JPMorgan Chase's long-term stock-based incentive plans, which provide for grants of common stock-based awards in the form of restricted stock units ("RSUs"). Employees receive annual incentive compensation based on their performance, the performance of their business and JPMorgan Chase's consolidated operating results.

U.S. GAAP requires all share-based payments to employees that qualify as equity awards be measured at their grant-date fair values. JPMorgan Chase separately recognizes compensation expense for each tranche of each award, net of estimated forfeitures, as if it were a separate award with its own vesting date. Generally, for each tranche granted, compensation expense is recognized on a straight-line basis from the grant date until the vesting date of the respective tranche, provided that the employees will not become full-career eligible during the vesting period. For awards with full-career eligibility provisions and awards granted with no future substantive service requirement, JPMorgan Chase accrues the estimated value of awards expected to be awarded to employees as of the grant date, without giving consideration to the impact of post-employment restrictions. For each tranche granted to employees who will become full-career eligible during the vesting period, compensation expense is recognized on a straight-line basis from the grant date until the earlier of the employee's full-career eligibility date or the vesting date of the respective tranche.

JPMorgan Chase RSUs

RSUs are awarded at no cost to the recipient upon their grant. Generally, RSUs are granted annually and vest at a rate of 50% after two years and 50% after three years and are converted into shares of JPMorgan Chase common stock as of the vesting date. In addition, RSUs typically include full-career eligibility provisions, which allow employees to continue to vest upon voluntary termination based on age or service-related requirements, subject to post-employment and other restrictions. All

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RSUs awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation under certain specified circumstances. Generally, RSUs entitle the recipient to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSUs are outstanding.

The following table presents grant and forfeiture activity of JPMorgan Chase share-based awards to the Company's employees for the year ended December 31, 2017.

(Actuals)

RSUs	
Granted	2,745
Forfeited	468

At December 31, 2017, the Company's employees held 8,456 unvested RSUs. In the normal course of business, the employment relationship of certain employees may transfer between the Company and JPMorgan Chase or its subsidiaries which may impact the Company's outstanding awards.

Pension and Other Postretirement Benefits

JPMorgan Chase has various defined benefit pension plans and other postretirement employee benefit ("OPEB") plans that provide benefits to its employees. The Company's employees are eligible to participate in JPMorgan Chase's qualified, noncontributory U.S. defined benefit pension plan and they may also participate in JPMorgan Chase's defined contribution plan. In addition, postretirement medical and life insurance benefits are offered to certain retirees, and postretirement medical benefits are offered to qualifying U.S. employees, through JPMorgan Chase's U.S. OPEB plans. There are no separate plans solely for employees of the Company and, therefore, pension expense, defined contribution and OPEB expense for the Company is determined based upon employee participation in the JPMorgan Chase plans and are recorded through an intercompany charge from JPMorgan Chase, which is cash settled monthly.

Consolidated disclosures about the defined benefit pension, defined contribution and OPEB plans of JPMorgan Chase, including their funded status, plan assumptions, investment strategy and asset allocation, fair value measurement of plan assets and liabilities, and other disclosures about the plans are included in Note 9 of JPMorgan Chase's 2017 Annual Report.

5. Income Taxes

Deferred income tax expense results from differences between assets and liabilities as measured for financial reporting and income tax return purposes. The significant components of the net deferred tax liability of \$209,240, as of the balance sheet date, relate primarily to intangible assets. The Company has no uncertain tax positions.

At December 31, 2017, the Company had a net current income tax receivable from JPMorgan Chase of \$5,926,027 included in the consolidated statement of financial condition.

Impact of the Tax Cut and Jobs Act ("TCJA")

The TCJA enacted in December of 2017 decreased the effective tax rate. The additional tax expense is the result of the remeasurement of the Company's DTA/DTL.

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The remeasurement of deferred taxes was calculated based on all available information and published legislative guidance. These amounts are considered to be estimates under SEC Staff Accounting Bulletin No. 118 as the Company anticipates refinements of the calculation. Anticipated refinements will result from the issuance of future legislative and accounting guidance as well as those in the normal course of business, including true-ups to the tax liability on the return as filed and the resolution of tax audits.

The Company is a member of the JPMorgan Chase consolidated group which is continually under examination by the Internal Revenue Service, by taxing authorities throughout the world, and by many state and local jurisdictions throughout the U.S. The following table summarizes the status of significant income tax examinations of JPMorgan Chase and its consolidated subsidiaries as of December 31, 2017.

	Periods under examination	Status at December 31, 2017
JPMorgan Chase - U.S.	2003 - 2005	At Appellate level
JPMorgan Chase - U.S.	2006 - 2010	Field examination of amended returns; certain matters at Appellate level
JPMorgan Chase - U.S.	2011 - 2013	Field examination
JPMorgan Chase - California	2011 - 2012	Field examination

6. Net Capital Requirements and Exemptive Provision under Rule 15c3-3

The Company is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1. The Company is required to maintain minimum net capital equal to the greater of \$25,000 or 6-2/3% of aggregate indebtedness. At December 31, 2017, the Company had net capital of \$110,593,702 which was \$104,630,360 in excess of its required net capital of \$5,963,342.

The Company claims exemption from the provisions of Rule 15c3-3 of the SEC as provided by paragraph k(2)(i) because it is a limited business established for the exclusive purpose of sale and redemption of the Funds' shares and neither holds customer funds nor performs custodial functions relating to customer securities.

7. Subsequent Events

Management of the Company has evaluated the impact of subsequent events through February 26, 2018, which is the date the financial statements were issued, and has determined that no additional items require disclosure.

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Statement of Financial Condition

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Available for Public Inspection