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

SEC FILE NUMBER
8-67941

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 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER - DEALER: Automated Equity Finance Markets, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

225 Liberty Street, 10<sup>th</sup> Floor Suite 1020

(No. and Street)

New York

(City)

NY

(State)

10281

(Zip Code)

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

Mr. Paul Nigrelli

(212) 901-2228

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Grant Thornton LLP

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

757 Third Avenue

(Address)

New York

(City)

New York

(State)

10017

(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).

RMS

## OATH OR AFFIRMATION

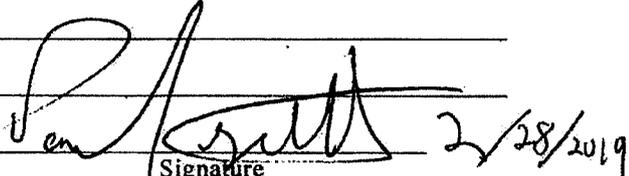
I, Paul Nigrelli, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Automated Equity Finance Markets, Inc., as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the 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:

\_\_\_\_\_

\_\_\_\_\_

**JAMES FOLEY**  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 02FO6380483  
Qualified in New York County  
My Commission Expires 09-17-2022

James Foley 2/28/2019  
Notary Public

  
Signature

Chief Financial Officer  
Title

This report \*\* contains (check 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).

Report Pursuant to Rule 17a-5(d) and  
Report of Independent Registered Public Accounting Firm

**AUTOMATED EQUITY FINANCE MARKETS, INC.**

December 31, 2018

# AUTOMATED EQUITY FINANCE MARKETS, INC.

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**GRANT THORNTON LLP**  
757 Third Ave., 9th Floor  
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[twitter.com/granthorntonus](https://twitter.com/granthorntonus)

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### Board of Directors and Stockholder Automated Equity Finance Markets, Inc.

#### Opinion on the financial statements

We have audited the accompanying statement of financial condition of Automated Equity Finance Markets, Inc. (the “Company”) as of December 31, 2018, and the related statements of operations, changes in stockholder’s equity, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”) that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company 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 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 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. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Supplemental information**

The information contained in Schedules I, II, and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Such supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in Schedules I, II, and III. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplemental information referred to above is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Grant Thornton LLP*

We have served as the Company's auditor since 2009.

New York, New York  
February 28, 2019

**Automated Equity Finance Markets, Inc.**  
**Statement of Financial Condition**  
**As of December 31, 2018**

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**ASSETS**

Cash	\$ 528,439
Accounts receivable	151,780
Due from affiliates	<u>66,240</u>
Total assets	<u>\$ 746,459</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Other liabilities	<u>4,154</u>
Total liabilities	<u>4,154</u>

**STOCKHOLDER'S EQUITY**

Common stock, \$0.0001 par value; 1,000 shares authorized; 100 shares issued and outstanding	
Additional paid-in capital	73,511,573
Accumulated deficit	<u>(72,769,268)</u>

Total stockholder's equity 742,305

Total liabilities and stockholder's equity \$ 746,459

*The accompanying notes are an integral part of this statement.*

**Automated Equity Finance Markets, Inc.**  
**Statement of Operations**  
**Year ended December 31, 2018**

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REVENUES

Participation Fees	\$ 1,526,166
Interest income	<u>262</u>

Total revenues	<u>1,526,428</u>
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OPERATING EXPENSES

Employee compensation and benefits	748,055
Technology and communications	465,565
Professional services	90,568
Occupancy	42,000
Office general & administrative	<u>31,770</u>

Total expenses	<u>1,377,958</u>
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Net income	<u>\$ 148,470</u>
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**Automated Equity Finance Markets, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**Year ended December 31, 2018**

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	<b>\$0.0001 Par Value Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Stockholder's Equity</b>
	<b>Number of Shares</b>	<b>Par Value</b>			
<b>Balance, December 31, 2017</b>	100	\$ -	\$ 73,511,573	\$ (72,917,738)	\$ 593,835
Net income	-	-	-	148,470	148,470
<b>Balance, December 31, 2018</b>	<b>100</b>	<b>\$ -</b>	<b>\$ 73,511,573</b>	<b>\$ (72,769,268)</b>	<b>\$ 742,305</b>

*The accompanying notes are an integral part of this statement.*

**Automated Equity Finance Markets, Inc.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2018**

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CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$	148,470
Adjustments to reconcile net income to net cash provided by operating activities		
Changes in operating assets		
(Increase)/decrease		
Accounts receivable		(4,091)
Amounts due from affiliates		(38,289)
Changes in operating liabilities		
Increase/(decrease)		
Other liabilities		(43,781)
Unearned revenue		(15,000)
		<hr/>
Net cash provided by operating activities		47,309
		<hr/>
Net increase in cash		47,309
Cash at beginning of year		<hr/> 481,130
Cash at end of year	\$	<hr/> <hr/> 528,439

*The accompanying notes are an integral part of this statement.*

**Automated Equity Finance Markets, Inc.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**1. ORGANIZATION AND BUSINESS ACTIVITY**

Automated Equity Finance Markets, Inc. (the “Company”) is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). The Company is a registered Alternative Trading System and operates an automated marketplace for securities lending and borrowing (“ECS”), which centrally clears transactions through the Options Clearing Corporation (“OCC”). Members utilizing the marketplace include broker/dealers and prime brokers. The Company does not carry accounts on behalf of securities customers.

EquiLend Holdings LLC, the ultimate parent of the Company, has developed a global platform for the automation and negotiation of securities financing transactions. Wholly owned subsidiaries of EquiLend Holdings LLC include EquiLend LLC, EquiLend Europe Limited, EquiLend Canada Corp., EquiLend Limited, DataLend LLC and EquiLend Clearing LLC.

The Company maintains an office in New York.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New Accounting Pronouncement**

In May 2014, the FASB issued Accounting Standard Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The ASU was effective for the Company in January 2018 under a modified retrospective approach or retrospectively to all periods presented. The Company’s implementation efforts included identifying revenues and costs within the scope of the ASU, reviewing contracts, and analyzing any changes to its existing revenue recognition policies. The Company has concluded that the adoption of the ASU in the current year did not have a material impact on its financial condition, results of operations or cash flows on the date of adoption.

**Cash**

All highly liquid investments with original maturities of three months or less when acquired are considered to be cash equivalents. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed applicable FDIC limitations.

**Revenue Recognition**

ECS members pay an annual subscription fee to be able to transact on the system, which is recognized on a straight-line basis over a 12-month period. Transaction and user access fees are invoiced and recognized based on members’ monthly activity on ECS as this is when the performance obligation is satisfied and the risks and rewards transfer to the customer.

**Automated Equity Finance Markets, Inc.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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**Accounts Receivable**

Accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The Company's accounts receivable arise from subscriptions, transactions and user access fees. The Company has not placed a reserve on its accounts receivable balance as it believes that all of its accounts receivable will be collected.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. DUE FROM OCC**

The Company's receivable from OCC amounted to \$130,825 at December 31, 2018 and was included in accounts receivable on the Statement of Financial Condition. The Company collected the full amount in January 2019.

**4. NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Rule 15c3-1, which requires the maintenance of minimum net capital. The Company utilizes the basic method, permitted by Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined. At December 31, 2018, the Company's net capital was \$524,285 which was \$519,285 in excess of its required level and the Company was in compliance with all other capital ratio requirements.

The Company is exempt from SEC Rule 15c3-3 under paragraph (k)(2)(i) and (k)(2)(ii) of the Rule as it does not hold customer funds or safekeep customer securities.

**5. EXPENSE SHARING AGREEMENT WITH PARENT**

The Company's expense sharing agreement requires that the Parent make available certain properties and provide for the performance of certain services for the Company in exchange for consideration as described in the agreement. During the year ended December 31, 2018, the Parent allocated expenses of \$1,377,958, consisting primarily of cash compensation and benefits, communication, data and technology costs, professional and employee fees.

**6. INCOME TAXES**

The Company files U.S. federal, state and local corporate income tax returns. Deferred taxes are recognized based on the difference between the financial reporting and income tax basis of assets and liabilities using enacted tax rates that will be in effect when such differences reverse. A

**Automated Equity Finance Markets, Inc.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

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valuation allowance is established to reduce the deferred tax assets when, based upon the weight of available evidence, it is more likely than not that such assets will not be realized in future years.

The Company accounts for income taxes in accordance with the provisions of FASB ASC 740, Income Taxes. As of December 31, 2018, the Company had no uncertain tax positions that have a material impact on the financial statements for the year ended December 31, 2018 and any other open years. Generally, the Company is no longer subject to tax examinations by tax authorities for tax years ended prior to 2015.

The Company had net operating loss carryforwards as of December 31, 2018 of approximately \$1,822,000 for federal, state and local income tax purposes which may be available to offset future taxable income, if any. The Company's deferred tax assets at December 31, 2018 is approximately \$1,480,000, primarily related to the net operating loss carryforward, intangibles and goodwill for which the Company recorded a full valuation allowance as it is not more likely than not that the deferred tax asset will be realized. The net operating loss carryforward will begin to expire in 2036.

**7. CONCENTRATION OF CREDIT RISK**

During the year ended December 31, 2018, two customers accounted for approximately 32% of the Company's total revenues. In addition, those two customers represented 34% of the accounts receivable at December 31, 2018.

**8. RELATED PARTIES**

Of the revenue earned, \$454,651 has been earned from members or affiliates of members of the ultimate parent. Accounts receivable included \$33,236 owed to the Company by members or affiliates of members of the ultimate parent.

Cash consists of \$528,439 at one financial institution in multiple bank accounts with an affiliate of a member of the ultimate parent. As of December 31, 2018, the Parent owed the Company \$66,240. These balances are included in the due from affiliates balance on the Statement of Financial Condition.

**9. SUBSEQUENT EVENTS**

The Company has evaluated the possibility of subsequent events existing in the Company's financial statements through the date that the financial statements were issued. The Company has determined that there are no material events that would require disclosure in the Company's financial statements.

**SUPPLEMENTARY INFORMATION**

**Automated Equity Finance Markets, Inc.**  
**Schedule of Computation of Net Capital Under Rule**  
**15c3-1 of the Securities and Exchange Commission**  
**December 31, 2018**

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Computation of net capital	
Total member's equity	<u>\$ 742,305</u>
Deductions and/or charges	
Nonallowable assets	
Accounts receivable	151,780
Due from affiliate	<u>66,240</u>
Total nonallowable assets	<u>218,020</u>
Net capital	<u><u>\$ 524,285</u></u>
Aggregate indebtedness	
Items included in the statement of financial condition	
Other liabilities	<u>4,154</u>
Total aggregate indebtedness	<u><u>\$ 4,154</u></u>
Computation of basic net capital requirement	
Minimum net capital required - the greater of \$5,000 or	
6-2/3% of aggregate indebtedness	<u><u>\$ 5,000</u></u>
Excess net capital	<u><u>\$ 519,285</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>0.01 to 1</u></u>

**Automated Equity Finance Markets, Inc.**  
**Computation for Determination of Reserve Requirements Under Rule**  
**15c3-3 of the Securities and Exchange Commission**  
**December 31, 2018**

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The Company is not required to file the above schedule as it is exempt from Securities and Exchange Commission Rule 15c3-3 under paragraphs k(2)(i) and k(2)(ii) of the rule because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

**Automated Equity Finance Markets, Inc.**  
**Information Relating to Possession or Control Requirements**  
**Under Rule 15c3-3 of the Securities and Exchange Commission**  
**December 31, 2018**

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The Company is not required to file the above schedule as it is exempt from Securities and Exchange Commission Rule 15c3-3 under paragraphs k(2)(i) and k(2)(ii) of the rule because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.