



AFFIRMATION

I, Michael Levy, affirm that, to the best of my knowledge and belief, the accompanying financial statements and unconsolidated supplemental schedules pertaining to Sberbank CIB USA, Inc. (the "Company"), for the year ended December 31, 2019, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

WILLIAM P. HODGE  
Notary Public, State of New York  
No. 01HO6180918  
Qualified in Queens County  
Commission Expires 1/22/2027

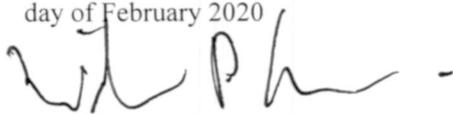


February 10th, 2020

Michael Levy  
Chief Financial Officer

Date

Subscribed and sworn  
to before me this 10th  
day of February 2020



Notary Public

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholder's Equity.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors.
- (g) Notes to Financial Statements.
- (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- (h) Computation for Determination of the Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Pursuant to Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Rule 15c3-3.
- (k) A Reconciliation between the Audited and Unaudited Statement of Financial Condition with Respect to Methods of Consolidation.
- (l) An Affirmation.
- (m) A Copy of the SIPC Supplemental Report (filed separately).
- (n) An Exemption Report
- (o) Report of Independent Registered Public Accounting Firm on Internal Accounting Control

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



**Sberbank CIB USA, Inc.**  
**Statement of Financial Condition**  
**December 31, 2019**

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**Assets**

Cash and cash equivalents	\$	2,615,086
Receivables from broker-dealer and clearing organization		10,075,988
Property and equipment - net		407,178
Operating right of use asset		3,373,437
Due from affiliate		1,522,718
Prepaid and refundable income taxes		6,000
Prepaid expenses		146,986
Receivable for research revenue		21,792
Other assets		372,218
<b>Total assets</b>	<b>\$</b>	<b>18,541,403</b>

**Liabilities and Stockholder's Equity**

**Liabilities**

Accrued expenses and other liabilities	\$	1,841,676
Operating lease liability		3,375,370
Due to affiliates		64,250
Corporate taxes payable		1,000
<b>Total liabilities</b>		<b>5,282,296</b>

Commitments and contingencies (Note 10)

**Stockholder's equity**

Common stock, \$1 par value; 3,000 share authorized, 1 share issued and outstanding		1
Additional paid-in capital		19,353,862
Accumulated deficit		(6,094,756)
<b>Total Stockholder's equity</b>		<b>13,259,107</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$</b>	<b>18,541,403</b>

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

## 1. Organization

Sberbank CIB USA, Inc. (the “Company”) was organized on January 17, 1997, under the laws of the State of Delaware, and is based in New York City. The Company is a registered broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company is also registered as an Introducing Broker with the Commodity Futures Trading Commission (“CFTC”) and is a member of the National Futures Association (“NFA”).

The Company is a wholly-owned subsidiary of SB Finance Holding LLC, which is an indirect subsidiary of OJSC “Sberbank”, a foreign corporation domiciled in the Russian Federation.

The Company is primarily engaged in the Russian and Central Independent States financial markets and provides financial services to U.S. and foreign broker-dealers and customers, including affiliated foreign broker-dealers.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

The Company’s financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”).

### Revenue Recognition

*Commissions* - The Company buys and sells securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the Company fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer.

*Riskless principal trading* – Riskless principal trading includes trading gains from the Company’s trading activities in the over-the-counter common equity and fixed income securities markets, whereby the Company earns a mark-up for such activity. Realized gains are included in riskless principal trading and are recorded on a trade date basis. The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer.

*Research* – The Company provides research services to customers. Revenue for research arrangements is generally recognized at the point in time that the performance under the arrangement is completed (the delivery of the research or the time in which the customer has the intent to award the Company based on their internal methodologies.)

*Support services* – The Company provides support services to its affiliates consisting of providing value-added analysis in relation to US regulatory, market, and client trends, and other services such as arranging discussion with regards to distressed/special situation trades, providing news on

**Sberbank CIB USA, Inc.**  
**Notes to Financial Statement**  
**December 31, 2019**

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monetary flows and global asset strategies, and engaging in regular dialogue with portfolio managers and execution desks. Revenue for support services is generally recognized at the point in time that the performance is completed, which is generally when all eligible costs are incurred. The agreement provides for the Company to be reimbursed for it agreed-upon costs plus a mark-up based on the total of such costs, as defined.

The Company's significant contractual assets consists of the following:

<b>Year Ended</b>	<b>2019</b>	<b>2018</b>
Due from affiliate	\$ 1,522,718	\$ 1,223,308
Receivable for research revenue	<u>21,792</u>	<u>187,215</u>
Total contract assets	<u>\$ 1,544,510</u>	<u>\$ 1,410,523</u>

The decrease in contractual assets related to the receivable for research revenue were primarily due to normal timing differences between our performance and the customers' payments, as well as an overall decline in customers' payments for such services in 2019. The increase in contractual assets related to the due from affiliate was related to the recognition of service rendered and payments made, under a service level agreement with an affiliate.

#### **Income Taxes**

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB Accounting Standard Codification ("ASC") 740, *Income Taxes* ("ASC 740"). Under that guidance, the Company assesses the likelihood, based on their technical merits, 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. This standard prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken by the Company. As of December 31, 2019, the Company determined that it had no uncertain tax positions which affected its financial position and its results of operations or its cash flows, and will continue to evaluate for uncertain tax positions in the future. The Company is no longer subject to examination by federal, state, and local taxing authorities for years prior to December 31, 2016.

The Company uses the asset and liability method of accounting for income taxes pursuant to ASC 740, to calculate deferred tax assets and liabilities. Deferred taxes are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled. The Company records a valuation allowance against a deferred tax asset when it is more-likely-than-not that the deferred tax asset will not be realized.

#### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which are primarily five years. Amortization of leasehold improvements is computed over the shorter of the lease terms or the estimated useful lives of the improvements.

### Use of Estimates

The preparation of financial statements in conformity with GAAP 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Foreign Currency

The Company's functional currency is the U.S. dollar and its reporting currency is the U.S. dollar. However, the Company maintains several accounts in foreign currencies. Transaction gains and losses, resulting from executing certain transactions in foreign currencies, are included in the statement of operations for the year ended December 31, 2019.

### 3. Receivables from Broker-Dealer and Clearing Organization

Receivables from broker-dealer and clearing organization results from the Company's securities transactions. Receivables from broker-dealers and clearing organization are short-term in nature, and accordingly, their carrying amount approximates fair value.

### 4. Property and Equipment

Property and equipment - net consists of the following:

Furniture	\$	145,366
Equipment		304,632
Software		11,588
Leasehold improvements		370,887
Total		832,473
Less - Accumulated depreciation and amortization		425,295
Property and equipment	\$	<u>407,178</u>

### 5. Due from Affiliates/to Affiliates

The Company has entered into brokerage service agreements with its affiliates, whereby the Company will introduce to those affiliates potential counterparties as well as negotiate, if appropriate, potential trades for the purchase or sale of securities between the affiliates and such counterparties. The Company receives a mark-up for providing this service.

In addition, the Company has agreed to share operational expenses of certain affiliates' incidental to, or arising out of, the execution of the trades. At December 31, 2019, amounts payable under these agreements are recorded as due to affiliates in the statement of financial condition.

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**Notes to Financial Statement**  
**December 31, 2019**

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Furthermore, the Company has entered into a service level agreement with an affiliate, whereby the Company provides value-added analysis in relation to US regulatory, market, and client trends, and other services such as arranging discussion with regards to distressed/special situation trades, providing news on monetary flows and global asset strategies, and engaging in regular dialogue with portfolio managers and execution desks. These services are more specifically set forth within the agreement and generally provide that the Company will be reimbursed for its agreed-upon costs plus a mark-up based on the total of such costs, as defined. At December 31, 2019, amounts receivable under this agreement are recorded as due from affiliate in the statement of financial condition.

**6. Employee Benefit Plans**

The Company sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code ("IRC"). The plan covers substantially all employees and provides for participants to defer salary amounts up to statutory limitations. The Company is not required to make matching or employer profit sharing contributions. At December 31, 2019, amounts payable under the plan are recorded as accrued expenses and other liabilities.

**7. Income Taxes**

For income tax reporting purposes, the Company recognizes rent expense in different periods than it does for financial statement reporting purposes and utilizes different depreciation methods for income tax reporting purposes than it does for financial statement reporting purposes. Additionally, for income tax reporting purposes, accrued compensation not paid within the prescribed statutory time frame will be deducted in a subsequent period. Furthermore, for income tax reporting, the Company has tax loss carryforwards available to offset future taxable income. A net deferred tax asset has been established to account for these temporary differences.

At December 31, 2019, the Company has recorded a 100% valuation allowance against the deferred tax asset as it is more likely than not that it will not be realized. The deferred tax asset is summarized as follows at December 31, 2019:

<b>Deferred Tax Asset</b>	<b>Valuation Allowance</b>	<b>Deferred Tax Asset - net</b>
\$ 475,000	\$ 475,000	\$ -

During the year ended December 31, 2019, the valuation allowance decreased by \$614,000.

At December 31, 2019, the Company has net operating loss carryforwards for federal, state, and local income tax purposes of \$1,434,000, \$1,553,000, and \$1,522,000 respectively, available to offset future taxable income expiring at various dates through 2039, except for \$314,000 of federal net operating losses which may be carried forward indefinitely. During the year ended December 31, 2019, the Company has utilized its net operating loss carryforwards in the amount of \$408,000 due to recognition of an IRC Section 482 conforming adjustment.

**8. Clearance Agreement**

The Company has entered into an agreement with another broker (clearing broker) to execute and clear, on a fully disclosed basis, customer and proprietary accounts of the Company. As part of the agreement, the clearing broker executes orders, settles contracts and transactions in securities, and engages in all cashiering functions, including the receipt, delivery, and transfer of securities purchased, sold, borrowed, or loaned and the receipt and distribution of interest and principal

**Sberbank CIB USA, Inc.**  
**Notes to Financial Statement**  
**December 31, 2019**

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payments. The Company maintains a clearing deposit of \$5,000,000 with the clearing broker. The deposit is recorded under receivables from broker-dealer and clearing organization.

**9. Net Capital Requirements**

The Company, a registered broker dealer, is subject to Rule 15c3-1, the Uniform Net Capital Rule (the "Rule") of the Securities and Exchange Commission ("SEC") and the CFTC's Regulation 1.17, which specify, among other things, minimum net capital requirements. The Company calculates net capital under the alternative method, which requires the Company to maintain \$250,000 in minimum net capital. In addition, as an introducing broker regulated by the NFA, the Company is required to maintain adjusted net capital (as defined by the CFTC) equivalent to or in excess of \$45,000 or the minimum net amount required by the Rule, whichever is greater. At December 31, 2019, the Company had net capital of \$10,730,879 which was \$10,480,879 in excess of the required minimum net capital.

Advances, dividends, and capital withdrawals may be limited by various regulations in order to maintain required minimum net capital.

**10. Commitments and Contingencies, Off-Balance-Sheet/Credit Risk, and Concentration of Credit Risk**

**Operating lease**

In August 2017, the Company executed an amendment to its existing non-cancelable operating lease for its office premises, extending its lease expiration date through June 30, 2028. The Company has recognized an operating right of use asset and corresponding operating lease liability. The lease commitment is collateralized by a \$369,384 security deposit which is recorded within other assets on the statement of financial condition. Supplemental balance sheet information related to the operating lease is as follows:

<b>December 31,</b>	<b>2019</b>
Operating right of use asset	<u>\$ 3,373,437</u>
Operating lease liability	<u>\$ 3,375,370</u>
<b>Weighted Average Remaining Lease Term</b>	
Operating leases	9 years
<b>Weighted Average Discount Rate</b>	
Operating leases	5.50%

Maturities of lease liabilities are as follows:

**Sberbank CIB USA, Inc.**  
**Notes to Financial Statement**  
**December 31, 2019**

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<b>Year Ended</b>	
<b>December 31,</b>	
2020	\$ 492,513
2021	492,513
2022	492,513
2023	492,513
2024	516,538
Thereafter	1,721,792
<b>Total</b>	<u>4,208,382</u>
Less: Imputed Interest	833,012
	<u>\$ 3,375,370</u>

**Off-balance-sheet and concentration risk**

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various securities transactions. These activities may expose the Company to off-balance-sheet credit risk in the event the customer or other party is unable to fulfill its contractual obligations.

The Company seeks to control off-balance-sheet credit risk by monitoring the market value of securities held or given as collateral in compliance with regulatory and internal guidelines. Pursuant to such guidelines, the Company requires additional collateral or reduction of positions, when necessary. The Company also completes credit evaluations of customers, particularly institutions, where there is thought to be credit risk.

The Company, as a part of its normal trading activities, may assume short positions in its inventories. The establishment of short positions exposes the Company to off-balance-sheet risk in the event prices increase, as the Company may be obligated to acquire the securities at prevailing market prices. At December 31, 2019, the Company had no open short positions.

The Company does not maintain margin accounts for its customers and, therefore, there were no excess margin securities. However, the Company may be liable for chargebacks on introduced customer accounts carried by the clearing broker. In addition, the Company may be exposed to off-balance-sheet credit risk in the event the clearing broker is unable to fulfill its contractual obligations.

The Company maintains cash at a bank in excess of FDIC insured limits and is exposed to the credit risk resulting from this concentration. At December 31, 2019, \$2,243,624 was in excess of FDIC insured limits.

Approximately 44% of the Company's revenue is derived from activity with foreign affiliated entities for which trades are concentrated in the Russian capital markets.

### **Legal**

In the normal course of business, the Company, from time to time, is named as a party or nonparty in legal and regulatory proceedings. The Company is also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding its businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions. The Company recognizes a liability for a contingency in other liabilities when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If a reasonable estimate of the probable loss is a range, the Company accrues the most likely amount of such loss, and if such an amount is not determinable, then the Company accrues the minimum in the range as the loss accrual.



## *Report of Independent Registered Public Accounting Firm*

To the Shareholders and Board of Directors  
*Sberbank CIB USA, Inc.*

### **Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of Sberbank CIB USA, Inc., (the "Company"), as of December 31, 2019, and the related notes (collectively referred to as the "financial statement"). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of the Company, as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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.

*Mazars* USA LLP

We have served as the Company's auditor since 2000.

Woodbury, New York  
February 10, 2020

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**Sberbank CIB USA, Inc.  
Statement of Financial Condition  
December 31, 2019**