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

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**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 01/01/2019 AND ENDING 12/31/2019  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **FEARNLEY SECURITIES, INC.**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

**880 THIRD AVE, 16TH FLOOR**

(No. and Street)

**NEW YORK**

**NY**

**10022**

(City)

(State)

(Zip Code)

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

JAMES B AHLFELD

212-739-0622

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**RBSM, LLP**

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

**805 THIRD AVE**

**New York**

**NY**

**10022**

(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)

OATH OR AFFIRMATION

I, JAN ANDREAS NAESS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FEARNLEY SECURITIES, INC. of December 31, 2019, 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:

DONNA FIORINI
NOTARY PUBLIC-STATE OF NEW YORK
No. 01F16285480
Qualified in Suffolk County
My Commission Expires July 08, 2021

Notary Public

Signature
Chief Executive Officer
Title

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
(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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U.S. Securities and Exchange Commission  
Registrations Branch  
Mail Stop-7010  
100 F Street, NE  
Washington DC 20549  
Phone-(202) 551-6551

Washington, DC

Date: March 2, 2020

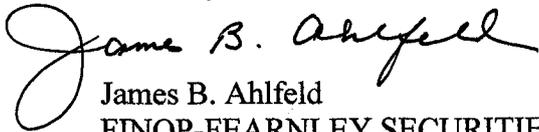
FEARNLEY SECURITIES, INC  
SEC File Number 8-69566

VIA FEDEX

To Whom It May Concern:

Please find enclosed one notarized copies of FORM X-17A-5 PART III and FEARNLEY SECURITIES, INC. Financial Statements and Schedules as of December 31<sup>st</sup>, 2019 with Report of Independent Registered Public Accounting Firm thereon and Supplemental Reports on Exemption.

Sincerely,



James B. Ahlfeld  
FINOP-FEARNLEY SECURITIES, INC  
Email:jahlfeld@bigapplegrp.com  
Phone: 212-739-0622

REPORT PURSUANT TO RULE 17a-5 AND  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**Fearnley Securities, Inc.**

Financial Statements and Schedules

December 31, 2019

(With Report of Independent Registered Public  
Accounting Firm Thereon  
and Supplemental Reports on Exemption)

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Accountants & Advisors

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholder's and Board of Directors of  
Fearnley Securities, Inc.  
New York, NY

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Fearnley Securities, Inc. (the "Company"), as of December 31, 2019, and the related statements of operations and changes in stockholder's equity and cash flows for the year then ended and the related notes to the financial statements (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, 2019 and the results of its operations and its cash flows for the year 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 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. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**Auditor's Report on Supplemental Information**

The supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934 ("SEA") have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the information in 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 supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including their form and content, are presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**RBSM LLP**

We have served as the Company's auditor since 2015.

New York, NY  
March 2, 2020

**Fearnley Securities Inc.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2019**

**ASSETS**

<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,718,377
Restricted Cash, Clearing Account	262,696
Accounts Receivable-customer	105,000
Accounts Receivable-related party	28,380
Due from Clearing Broker	39,309
Prepaid Expenses	102,363
Operating Lease Right-of-Use Assets (net)	130,305
Office Equipment and Leasehold (net)	50,170
<b>TOTAL ASSETS</b>	<b>\$ <u>2,436,600</u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>LIABILITIES:</b>	
Accounts Payable and Accrued Expenses	\$ 69,747
Accrued Compensation	55,000
Operating Lease Liabilities	134,324
<b>TOTAL LIABILITIES</b>	<b>\$ <u>259,071</u></b>

**STOCKHOLDERS' EQUITY**

Common Stock - no par value	
200 authorized, 100 shares issued and outstanding	8,448,795
Accumulated Deficit	(6,271,266)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>2,177,529</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ <u>2,436,600</u></b>

See accompanying notes to financial statements.

**Fearnley Securities Inc.**  
**STATEMENT OF OPERATIONS**  
**Year Ended December 31, 2019**

<b>REVENUES:</b>	
Investment Banking Fees	\$ 1,248,884
Commissions	631,216
Interest Earned	5,581
<b>TOTAL REVENUES</b>	<u>1,885,681</u>
<b>EXPENSES:</b>	
Revenue Share-Parent Entity	765,398
Compensation and Benefits	1,877,850
Clearing Charges and Execution Expenses	424,514
Occupancy	120,000
Professional Fees	460,814
Communication	19,172
Other General and Administrative	610,920
<b>TOTAL EXPENSES</b>	<u>4,278,668</u>
<b>NET LOSS FROM OPERATIONS BEFORE INCOME TAXES</b>	<u>(2,392,987)</u>
Income Tax Expense	<u>-</u>
<b>NET LOSS</b>	<u>\$ (2,392,987)</u>

See accompanying notes to financial statements.

**Fearnley Securities, Inc.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Year Ended December 31, 2019**

	<u>Common Stock</u>		<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>		
Balance at December 31, 2018	100	\$ 5,448,795	\$ (3,878,279)	\$ 1,570,516
Capital Contributions	-	3,000,000	-	3,000,000
Net Loss	-	-	(2,392,987)	(2,392,987)
Balance at December 31, 2019	<u>100</u>	<u>\$ 8,448,795</u>	<u>\$ (6,271,266)</u>	<u>\$ 2,177,529</u>

See accompanying notes to financial statements.

**Fearnley Securities, Inc.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$	(2,392,987)
Adjustment to reconcile net loss to net cash used in changes in assets and liabilities:		
Depreciation		56,298
Non-Cash Lease Expense		122,138
Changes in Operating Assets and Liabilities:		
Accounts Receivable-Customer		(24,242)
Accounts Receivable-Related Party		(28,380)
Due from Clearing Broker		53,954
Prepaid Expenses		(12,733)
Accounts Payable and Accrued Liabilities		(490,427)
Operating Lease Liabilities		(118,119)
		<u>(2,834,498)</u>
Net Cash Used in Operating Activities		<u>(2,834,498)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Office Equipment and Leasehold		<u>(1,572)</u>
Net Cash Used in Investing Activities		<u>(1,572)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital Contributions		<u>3,000,000</u>
Net Cash Provided by Financing Activities		<u>3,000,000</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH-CLEARING ACCOUNT</b>		163,930
<b>CASH, cash equivalents and restricted cash-clearing account at beginning of year</b>		<u>1,817,143</u>
<b>CASH, cash equivalents and restricted cash-clearing account at end of year</b>		\$ <u><u>1,981,073</u></u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash Paid During the Year:		
Interest	\$	-
Taxes	\$	-

See accompanying notes to financial statements.

**Fearnley Securities, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**(1) Organization**

Fearnley Securities, Inc. (“the Company”) is a wholly owned subsidiary of Fearnley Securities AS (the Parent Company). The Parent Company was established in 1987 and is an independent full-service investment bank, a member of the Oslo Stock Exchange, and part of the Astrup Fearnley Group. The idea behind the formation of an investment bank within the Astrup Fearnley umbrella was, and remains, to capitalize on the Group’s global resources within maritime industries. The Company and the Parent Company remain close to the Group’s heritage and core businesses, hence focusing exclusively on shipping, offshore and energy. From its office in New York, the Company provides a full range of brokerage and investment banking services for domestic and global clients.

The Company is a member of FINRA and SIPC.

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

**(a) Cash and Cash Equivalents**

The Company considers highly liquid financial instruments with maturities of three months or less at the time of purchase to be cash and cash equivalents.

The Company maintains its cash in bank accounts at high credit quality financial institutions. The balances at times may exceed federally insured limits of \$ 250,000.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	<u>For the Year Ended December 31, 2019</u>
Cash and cash equivalents at beginning of year	\$ 1,559,750
Restricted cash - clearing account at beginning of year	<u>257,393</u>
Cash, cash equivalents and restricted cash – clearing account at beginning of year	<u>\$ 1,817,143</u>
Cash and cash equivalents at end of year	\$ 1,718,377
Restricted cash - clearing account at end of year	<u>262,696</u>
Cash, cash equivalents and restricted cash – clearing account at end of year	<u>\$ 1,981,073</u>

**Fearnley Securities, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**(b) Fair Value of Financial Instruments**

The carrying value of cash, restricted cash, accounts receivable, due from clearing broker, accounts payable and accrued expenses approximate their fair values based on the short-term maturity of these instruments.

The Company utilizes the methods of fair value measurement as described in ASC 820 to value its financial assets and liabilities. As defined in ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

**(c) Income Taxes**

The Company uses the asset and liability method of accounting for deferred income taxes. The provision for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statements and tax bases of assets and liabilities. The Company records tax liabilities for income tax contingencies based on our best estimates of the underlying exposures. The Company's federal and state income tax returns for the years 2017 through 2019 remain open for audit by the applicable regulatory authorities.

**(d) Management Estimates**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(e) Allowance for Doubtful Accounts**

The Company records an allowance for doubtful accounts based on management's estimate of collectability of such receivables outstanding. As of December 31, 2019, management believes such receivables are fully collectible; hence no allowance has been recorded nor was any bad debt expense recorded during the year.

**Fearnley Securities, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**(f) Office Equipment, Furniture and Leasehold Improvements**

Office equipment, furniture and leasehold improvements are stated at historical cost less accumulated depreciation. Amounts incurred for repairs and maintenance are charged to operations in the period incurred. Depreciation on these assets is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of these assets range from three to five years.

**(g) Operating leases – right of use**

The Company adopted ASU 2016-02, effective January 1, 2019. The new FASB standard “ASC 842” related to leases in increase transparency and comparability among organizations by requiring the recognition of right of use (ROU) assets and liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by the Company for those leases classified as operating leases under current U.S. GAAP. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The standard became effective for the Company on January 1, 2019. The standard has a material impact on our balance sheet, but did not have a material impact on our income statement of cash flows. The company adopted ASC 842 on a modified retrospective approach at the effective date. In addition, the Company elected the package of practical expedients permitted under ASC 842, which allowed the Company to (i) not reassess whether any expired or existing contracts contain leases, (ii) not reassess the lease classification for any expired or existing leases and (iii) not reassess the initial direct costs for existing leases.

**(h) Concentration, Risk and Credit Risk**

In the normal course of business, the Company’s securities activities will involve the execution and settlement of various securities transactions for customers. These activities may expose the Company to risk in the event customers are unable to fulfill their contractual obligations. The Company continuously monitors the credit-worthiness of customers.

If the agency transactions do not settle because of failure to perform by either the customer or the counter parties, the Company may be obligated to discharge the obligation of the non-performing party and, as a result, may incur a loss if the market value of the security is different from the contract amount of the transaction.

The investment banking revenues of \$1.2 million were with five different entities.

**(i) Revenue Recognition**

The Company recognizes revenue from placement fees and advisory fees pursuant to FASB ASC 606. The revenue recognition guidance requires that an entity recognize revenue resulting from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with the customer, (b) identify the performance

**Fearnley Securities, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

obligations in the contract, (c) determine the transaction prices, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is possible that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

Investment banking revenues consist of underwriting revenues, corporate finance advisory revenues and private placement fees. Underwriting revenues arise from securities offerings in which the Company acts as an underwriter, or as another category of participants in an underwritten distribution and may include management fees, selling concessions and underwriting fees. Underwriting revenues are recorded at the time the underwriting is completed and income is reasonably determined and assured of collection. Typically, collection of the related underwriting fees and or management fees occur within 60 days of the transaction date.

Commission revenues are front-end sales commissions for brokerage transactions introduced to the clearing broker, which are recognized on a trade date basis.

Net dealer inventory gains and losses are recorded on a trade date basis, include realized and unrealized net gains and losses, resulting from the Company's principal trading activities.

**(j) Recently Adopted Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) "ASU 2016 – 02 Leases" intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, office equipment and manufacturing equipment.

The ASU requires organizations that lease assets – referred to as "lessees" – to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases.

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP – which requires only capital leases to be recognized on the balance sheet – the new ASU will require both types of leases to be recognized on the balance sheet.

This ASU on leases was effective for the Company as of January 1, 2019. This ASU was adopted by the Company during 2019.

**(k) Recently Issued Accounting Pronouncements**

All recently issued accounting standards and pronouncements by the Financial Accounting Standards Board, Public Company Accounting Oversight Board, Securities and Exchange Commission and the American Institute of Public Accountants, but not yet effective did not or are not believed by management, to have a material impact on the Company's present or future financial statements.

**Fearnley Securities, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**(3) Office Equipment, Furniture and Leasehold Improvements**

As of December 31, 2019, Office Equipment, Furniture and Leasehold Improvements consist of the following:

Office Equipment	\$ 54,302
Furniture	28,582
Leasehold Improvements	<u>111,681</u>
Total	194,565
Less Accumulated Depreciation	<u>(144,395)</u>
Net	<u>\$ 50,170</u>

The Company incurred \$56,298 of depreciation expense for the year ended December 31, 2019.

**(4) Operating Leases, Right-of-Use Assets and Liabilities**

The Company leases office space and equipment used in connection with its operations under various operating leases.

ROU assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the net present value of the Company's lease obligation to make payment arising from the leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the implicit lease interest rate or, when unknown, the Company's incremental borrowing rate on the lease commence date or January 1, 2019 for leases that commenced prior to that date. Operating lease expense is recognized on a straight line basis over the term of the lease.

The operating lease expense including non-lease components for the year ended December 31, 2019 was \$129,600.

The rate implicit in each lease is not readily determinable and we therefore used our incremental borrowing rate to determine the present value of the lease payments. The weighted average incremental borrowing rate used to determine the initial value of the right of use assets and lease liabilities was 5%.

As of December 31, 2019, we had operating lease right of use assets of \$252,443 less accumulated depreciation of \$122,138 and operating lease liabilities of \$134,324.

Future minimum lease payments under these leases are as follows:

Years ended December 31,		
	2020	\$ 129,600
	2021	<u>8,800</u>
Total undiscounted future non-cancellable minimum lease payments		138,400
Less – imputed interest		<u>4,076</u>
Present value of lease liabilities		<u>\$ 134,324</u>
Weighted average lease term in years		1.1

**Fearnley Securities, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**(5) Related Party Transactions**

During the year 2019, the Parent Company contributed \$3,000,000 to capital.

The Company and the Parent Company have a Profit Sharing Agreement, whereby the Company may share a portion of its profits with the Parent Company in recognition of the Parent Company's *contributions* to profitability of the Company vis a vis the Parent Company's efforts in collaboration with the Company pursuant to *Rule 15a-6 under the Securities Exchange Act of 1934 as amended*. Such profit sharing is based upon certain agreed upon methods driven largely by the involvement of the Company and the Parent Company. The Profit Sharing Agreement may be terminated by either party under certain conditions. Such monies are not due and payable until all fees receivable and relating to such profit share have been fully collected. During 2019, the Company shared \$765,398 in profits with the Parent Company.

The Company is due \$28,380 from the Parent Company for reimbursement of various expenses for the year ended December 31, 2019.

Revenues as a result of commission based transactions with the Parent Company are \$62,691 for the year ended December 31, 2019.

**(6) Income Taxes**

Under the accounting guidance, income taxes are recognized for the amount of taxes payable for the current year and for the impact of deferred tax liabilities and assets, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes.

Management's judgement is required in evaluating items that factor into determining tax provisions. Management believes its tax provisions reflected in the financial statement are fully supportable.

The income tax provision consists of the following components as of December 31, 2019:

		<u>Rate</u>
Current Tax Benefit:		
Federal	\$ 502,527	21.0%
State and Local	120,611	5.0
Permanent Differences	(26,601)	(1.1%)
Net operating loss carryforward reserves	<u>(596,537)</u>	<u>(24.9%)</u>
Net Income tax	<u>\$ 0.00</u>	0.0%

The Company has net operating losses of \$6,000,000 which expire by 2039. The related deferred tax assets on these net operating loss carryforwards of \$1,600,000 have been fully reserved, due to unstable earnings history.

**Fearnley Securities, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**(7) Defined Contribution 401k Plan**

The Company formed a 401k plan whereby a voluntary and discretionary contribution by both the Company and its employees can be made. The Company contributed \$43,067 during 2019.

**(8) Commitments and Contingencies**

a) The Company has a 3 year lease at the premises located at 880 Third Ave, which expires December 31, 2020 and an equipment lease which expires in November 2021. Monthly lease payments are \$10,000 and \$800, respectively.

b) In November 2015, the Company entered into a fully disclosed clearing agreement with an unrelated entity and a clearing broker. The Company intends to conduct its clearing and depository transactions for the Company's customer accounts and proprietary transactions securities registered in the United States (domestic transactions) through this clearing agreement, while foreign based securities will be cleared through its Parent Company.

The Company has agreed to indemnify its clearing broker for losses the clearing broker may sustain as a result of failure of the Company's customers to satisfy their obligations in connection with their securities transactions. The Company funded \$250,000 in January 2016, as cash held on deposit for the settlement of any unsettled domestic transactions.

Subsequent market fluctuations may require the clearing broker to obtain additional collateral from the Company's customers.

c) The Company has several annual employment agreements with its employees, detailing traditional terms of employment such as rate compensation, bonus terms if applicable, employment benefits, resignation terms, non-compete clauses and terms of terminations.

**(9) Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined in the Rule, shall not exceed 15 to 1. At December 31, 2019, the Company had net capital of \$1,852,308 which was \$1,602,308 in excess of its required net capital of \$250,000.

**(10) Subsequent Event**

The Company has evaluated subsequent events for the disclosure purposes through March 2, 2020.

## Supplemental Information

**Fearnley Securities, Inc.**  
**Computation of Net Capital**  
**Under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**December 31, 2019**

Total stockholder's equity qualified for net capital	\$ 2,177,529
Deductions and/or charges	
Non-allowable assets:	
Prepaid expenses, Receivables and Other Assets	325,221
Net capital	<u>\$ 1,852,308</u>
Computation of Alternate Net Capital Requirement:	
2% of combined aggregate debit Item as shown in the formula for reserve	
Requirements pursuant to Rule 15c3-3	<u>\$ -</u>
Minimum dollar net capital requirement – the higher of 6 - 2/3% of aggregate indebtedness of \$128,765 or \$250,000	<u>\$ 250,000</u>
Net capital requirement (greater of above)	<u>\$ 250,000</u>
Excess net capital	<u>\$ 1,602,308</u>
Computation of Ratio of Aggregate Indebtedness to Net Capital:	
Total aggregate indebtedness	<u>\$ 128,765</u>
Ratio of aggregate indebtedness to net capital	<u>.07 to 1</u>

**Statement Pursuant to Paragraph (d)(4) of Rule 17a-5**

No material differences exist between the net capital computation above and the computation included in the FOCUS Form X-17a-5 Part II, as filed, and amended by the Company on February 28, 2020.

**Fearnley Securities, Inc.**

STATEMENT REGARDING SEC RULE 15c3-3

December 31, 2019

**Exemptive Provisions**

The Company claims exemption from the requirements of Rule 15c3-3 under Sections (k)(2)(ii), for A and B. Therefore, the following reports are not presented:

- A) Computation for Determination of Reserve Requirement under Rule 15c3-3.
- B) Information relating to the Possession or Control Requirements under Rule 15c3-3.

# RBSM<sub>LLP</sub>

Accountants & Advisors

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder's and Board of Directors of  
Fearnley Securities, Inc.  
New York, NY

We have reviewed management's statements, included in the accompanying Exemption Report, in (1) which Fearnley Securities, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Fearnley Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3 (k) (2) (ii) Fearnley Securities will not hold customer funds or safekeep customer securities (the "exemption provisions") and (2) Fearnley Securities, Inc. stated that Fearnley Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Fearnley Securities, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Fearnley Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k) (2) (ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

RBSM LLP

New York, NY  
March 2, 2020

FEARNLEY SECURITIES, INC.  
EXEMPTION REPORT  
UNDER RULE 15c3-3 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
AS AT DECEMBER 31, 2019

Fearnley Securities, Inc. (the Company) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the following provisions of 17 C.F.R. §240.15C3-3 (k)(2)(ii).
- (2) The Company met the identified exemption provisions in 17 C.F.R § 240.15c3-3(k) throughout the most recent fiscal year without exception.

Fearnley Securities, Inc.

I, Jan Andreas Naess, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: 

Title: CEO, Fearnley Securities, Inc.

Date: 2-27-2020



Accountants & Advisors

**Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation**

To the Stockholder's and Board of Directors of  
Fearnley Securities, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the SIPC Series 600 Rules, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2019, which were agreed to by Fearnley Securities, Inc ("The Company) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the Form SIPC-7. The Company's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries and corresponding wire transfer banking activity noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2019, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2019 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

**RBSM LLP**

New York, NY  
March 2, 2020



**FEARNFLEY SECURITIES INC**  
**DETERMINATION OF "SIPC NET OPERATING REVENUES"**  
**AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 1/1/2019  
and ending 12/31/2019

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents  
\$ 1,880,101

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

- 0 -

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):

277,272

80,000

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ - 0 -

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ - 0 -

Enter the greater of line (i) or (ii)

Total deductions

- 0 -

357,272

2d. SIPC Net Operating Revenues

\$ 1,522,829

2e. General Assessment @ .0015

\$ 2,284

(to page 1, line 2.A.)