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

|                 |
|-----------------|
| SEC FILE NUMBER |
| <b>e- 50696</b> |

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 01/01/20 AND ENDING 12/31/20  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **First Citizens Investor Services, Inc.**

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

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

**4300 Six Forks Road**

(No. and Street)

**Raleigh**

**NC**

**27609**

(City)

(State)

(Zip Code)

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

Steve Bogaczyk

(919) 716-7391

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Dixon Hughes Goodman, LLP**

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

**2501 Blue Ridge Road, Ste 500 Raleigh**

(Address)

(City)

**NC**  
**SEC Mail Process 27607**  
 (State) (Zip Code)

MAR 01 2021

Washington, DC

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)

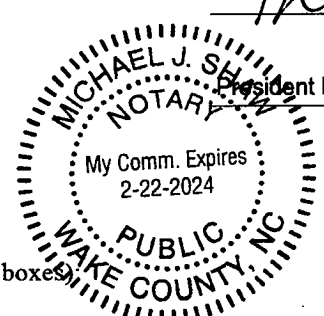
OATH OR AFFIRMATION

I, David Biliter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Citizens Investor Services, Inc. as of December 31, 2020, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*David Biliter*  
Signature

*Michael J. Shaw*  
Notary Public



President FCIS  
Title  
SEC Mail Processing

MAR 01 2021

Washington, DC

- 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).



## **Report of Independent Registered Public Accounting Firm**

**Board of Directors & Stockholders  
First Citizens Investor Services, Inc.**

### ***Opinion on the Financial Statements***

We have audited the accompanying balance sheets of First Citizens Investor Services, Inc. (a wholly-owned subsidiary of First-Citizens Bank & Trust Company) (the "Company") as of December 31, 2020 the related statements of income, changes in stockholders' equity, and cash flows, for the year then ended and 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, 2020 and the results of its operations and its cash flows for each of the year then ended in conformity with U.S. generally accepted accounting principles.

### ***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 audits. 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 audits 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. 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 audits 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 audits provide a reasonable basis for our opinion.



***Supplemental Information***

Schedule 1, Computation of Aggregate Indebtedness and Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission, and Schedule 2, Statement Regarding SEC Rule 15c3-3 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 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 the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Dixon Hughes Goodman LLP*

**DIXON HUGHES GOODMAN LLP**

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

**Raleigh, North Carolina  
February 25, 2021**

**FIRST CITIZENS INVESTOR SERVICES, INC.**  
*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*  
**Balance Sheet**  
**December 31, 2020**

**Assets**

|                                      |                          |
|--------------------------------------|--------------------------|
| Cash, noninterest-bearing (note 3)   | \$ 7,067,652             |
| Cash, interest-bearing               | 7,000,000                |
| Commissions receivable               | 401,473                  |
| Prepaid expenses                     | 203,016                  |
| Deposit with clearing organization   | 100,000                  |
| Premises and equipment, net (note 2) | 91,703                   |
| Pension asset (note 5)               | 2,599,216                |
| Deferred tax asset (note 4)          | 179,178                  |
| <b>Total assets</b>                  | <b><u>17,642,238</u></b> |

**Liabilities:**

|                                 |                         |
|---------------------------------|-------------------------|
| Accrued salary expense          | 1,813,448               |
| Reserve for incentive plans     | 552,000                 |
| Due to related parties (note 3) | 1,792,306               |
| Taxes payable                   | 191,548                 |
| Other liabilities               | 422,219                 |
| <b>Total liabilities</b>        | <b><u>4,771,521</u></b> |

**Stockholder's equity (note 6):**

|  |                             |
|--|-----------------------------|
| Common stock, \$1 par value, authorized 50,000 shares;<br>issued and outstanding 50,000 shares | 50,000                      |
| Additional paid-in capital   | 1,197,292                   |
| Retained earnings  | 11,623,425                  |
| <b>Total stockholder's equity</b>  | <b><u>12,870,717</u></b>    |
| <b>Total liabilities and stockholder's equity</b>  | <b><u>\$ 17,642,238</u></b> |

See accompanying notes to the financial statements.

**FIRST CITIZENS INVESTOR SERVICES, INC.**  
*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*  
**Statement of Income**  
*Year Ended December 31, 2020*

|   |                     |
|---|---------------------|
| <b>Revenues:</b>                            |                     |
| Commissions                                 | \$ 45,574,127       |
| Investment advisory fees                    | 12,892,279          |
| Other income                                | 662,982             |
| Total revenues                              | <u>59,129,388</u>   |
| <b>Expenses:</b>                            |                     |
| Employee compensation and benefits (note 5) | 34,259,350          |
| Fees paid to related parties (note 3)       | 6,923,377           |
| Fees to clearing broker                     | 4,082,702           |
| Occupancy expense (note 3)                  | 1,927,800           |
| Third party processing                      | 1,197,057           |
| Travel expense                              | 358,340             |
| Equipment expense                           | 132,840             |
| Printing and office supplies                | 32,985              |
| Interest expense to parent (note 3)         | 29,363              |
| Telecommunications                          | 39,258              |
| Other expenses                              | 1,433,396           |
| Total expenses                              | <u>50,416,468</u>   |
| Income before income taxes                  | 8,712,920           |
| Income taxes                                | 2,172,271           |
| Net income                                  | <u>\$ 6,540,649</u> |

See accompanying notes to the financial statements.

**FIRST CITIZENS INVESTOR SERVICES, INC.**  
*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*  
**Statement of Changes in Stockholder's Equity**  
*Year Ended December 31, 2020*

|                                 | Common Stock  |                  | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Total<br>Stockholder's<br>Equity |
|---------------------------------|---------------|------------------|----------------------------------|----------------------|----------------------------------|
|                                 | Shares        | Amount           |                                  |                      |                                  |
| Balance at December 31, 2019    | 50,000        | \$ 50,000        | \$ 1,197,292                     | \$ 7,082,776         | \$ 8,330,068                     |
| Net income                      | —             | —                | —                                | 6,540,649            | 6,540,649                        |
| Cash dividends (\$40 per share) | —             | —                | —                                | (2,000,000)          | (2,000,000)                      |
| Balance at December 31, 2020    | <u>50,000</u> | <u>\$ 50,000</u> | <u>\$ 1,197,292</u>              | <u>\$ 11,623,425</u> | <u>\$ 12,870,717</u>             |

See accompanying notes to the financial statements.

**FIRST CITIZENS INVESTOR SERVICES, INC.**  
*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*  
**Statement of Cash Flows**  
*Year Ended December 31, 2020*

|   |                      |
|---|----------------------|
| <b>Operating Activities</b>   |                      |
| Net income  | \$ 6,540,649         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |
| Depreciation  | 21,980               |
| Decrease in net commissions receivable  | 72,757               |
| Decrease in other prepaid expenses  | 57,480               |
| Decrease in deferred tax asset  | 251,393              |
| Contributions to the pension plan   | (1,960,785)          |
| Net pension expense   | 159,059              |
| Increase in accrued salary expense  | 340,596              |
| Increase in reserve for incentive plans   | 179,580              |
| Increase in due to related parties  | 404,923              |
| Increase in taxes payable   | 15,682               |
| Increase in other liabilities   | <u>162,704</u>       |
| Net cash provided by operating activities   | 6,246,018            |
| <b>Investing Activities</b>   |                      |
| Purchase of premises and equipment  | <u>(27,252)</u>      |
| Net cash used in investing activities   | (27,252)             |
| <b>Financing Activities</b>   |                      |
| Cash dividends paid   | <u>(2,000,000)</u>   |
| Net cash used in financing activities   | (2,000,000)          |
| Increase in cash  | 4,218,766            |
| Cash at beginning of year   | 9,848,886            |
| Cash at end of year   | <u>\$ 14,067,652</u> |
| <b>Supplemental cash flow information:</b>  |                      |
| Income taxes paid to Parent   | \$ 1,861,349         |
| Interest paid to Parent   | 29,363               |

See accompanying notes to the financial statements.

**FIRST CITIZENS INVESTOR SERVICES, INC.**  
*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*  
*Notes to Financial Statements*  
*Year Ended December 31, 2020*

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**(1) Organization**

First Citizens Investor Services, Inc. (Investor Services or the Company) was organized as a North Carolina corporation, and on January 26, 1994, it became a wholly owned subsidiary of First-Citizens Bank & Trust Company (the Parent) through the issuance of 50,000 shares of \$1 par value common stock. The Parent is a wholly owned subsidiary of First Citizens BancShares, Inc. (BancShares), a financial holding company located in Raleigh, North Carolina. The Parent and other subsidiaries of BancShares are collectively referred to as "Related Parties". On January 1, 2016, the Company merged with First Citizens Securities Corporation (FCSC), with the Company being the surviving entity.

Investor Services is a registered broker/dealer in securities with the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission, a registered investment adviser, and a licensed insurance agency. The Company is an introducing broker-dealer that introduces brokerage accounts to a clearing agent that handles all the clearing activities. Revenue is earned through commissions and fees earned on transactions with its customers. The majority of Investor Services' customers are located in the southeastern United States.

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

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (US GAAP). Significant policies used in preparing the Company's financial statements are described in this summary.

**(a) Premises and Equipment**

Premises and equipment, which consists primarily of software, hardware, furniture and fixtures, is stated at cost less accumulated depreciation of \$1,185,938 at December 31, 2020. For financial reporting purposes, depreciation is computed by the straight-line method over the estimated useful lives of the assets, which is generally from three to ten years.

**(b) Income Taxes**

The Company is included in the consolidated federal income tax return of BancShares, and computes its tax expense for federal income taxes using BancShares' federal income tax rate. A tax allocation arrangement exists between the Company and BancShares. Deferred income taxes are recorded for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted rates expected to be in effect when such amounts are realized or settled.

**(c) Commission and Investment Advisory Fee Revenue**

Revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues are analyzed to determine whether the Company is the principal (i.e. reports revenues on a gross basis) or agent (i.e. reports revenues on a net basis) in the contract. Principal or agent designations depend primarily on the control an entity has over the product or services before control is transferred to a customer. The indicators of which party exercises control include primary responsibility over

**FIRST CITIZENS INVESTOR SERVICES, INC.**  
*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*  
*Notes to Financial Statements*  
*Year Ended December 31, 2020*

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performance obligations, inventory risk before the good or service is transferred and discretion in establishing the price.

The Company generates two types of commission revenue: sales-based commission revenue that is recognized at the point of sale and trailing commission revenue that is recognized over time as earned. Sales-based commission revenue varies by investment product and is based on a percentage of the current market value at the time of sale or purchase. Trailing commission revenue is generally based on a percentage of the current market value of clients' investment holdings in trail-eligible assets and is recognized over the period during which services are provided.

Commissions earned on sales and purchases of securities for customers are recognized when the performance obligation is met which the Company deems to be the settlement date which does not differ materially from the trade date. These commissions were \$30,621,895 as of December 31, 2020, and are included in total Commissions in the income statement. The Company also enters into arrangements with Insurance Companies as an agent and recognizes commissions on premiums received. These commissions were \$1,967,605 as of December 31, 2020, and are included in total Commissions in the income statement. Total insurance commissions include both sales-based revenue that is recognized at the point of sale and trailing insurance revenue that is recognized over time as the performance obligation is met.

The Company also enters into arrangements with pooled investment vehicles (funds) to distribute shares to investors and receives distribution fees over time. These fees were \$12,984,627 as of December 31, 2020, and are included in total Commissions in the income statement. The Company believes that its performance obligation is the sale of securities to investors and as such is fulfilled on the settlement date which does not differ materially from the trade date.

The Company provides investment advisory services to customers. Investment advisory fees are calculated as a percentage of assets under management. Investment advisory fees are received quarterly and are recognized as revenue at that time as they relate specifically to the services provided in that period. The performance obligation related to investment advisory fees is met over time as customers are receiving the benefit of the Company's advisory services. Investment advisory fees were \$12,892,279 as of December 31, 2020.

**(d) *Use of Estimates in Preparation of Financial Statements***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (US 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 reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**(3) Transactions with Related Parties**

Expenses discussed in this note are allocated under various methods determined by the Company and Related Parties.

Under an agreement with the Parent, Investor Services is charged interest at the prime rate for any outstanding balances Due to Parent. Such interest expense totaled \$29,363 for the year ended December 31, 2020.

The Company pays management fees to the Parent and an agreed-upon percentage of certain revenues generated by dual employees. Fees paid to Related Parties under these arrangements totaled \$6,923,377 for the year ended December 31, 2020.

The Company receives fees for administrative services provided to First Citizens Asset Management (FCAM), an entity also wholly-owned by the Parent, according to an agreed-upon contract ("the Agreement"). Fees received according to the Agreement were \$97,705 for the year ended December 31, 2020. The Company provides payroll processing and other support services to FCAM as part of this agreement, which totaled \$552,834 and \$449,506, respectively, for the year ended December 31, 2020. The Company pays FCAM for certain revenues generated by dual employees as part of the agreement, which were \$1,181,270 for the year ended December 31, 2020.

The Company paid occupancy expenses of \$1,927,800 to the Parent for the year ended December 31, 2020.

At December 31, 2020, the Company had \$7,067,652 in a noninterest bearing demand deposit account at the Parent. Due to Related Parties of \$1,792,306 consists of income tax expenses owed to Parent and year-end adjustments to the pension asset.

**FIRST CITIZENS INVESTOR SERVICES, INC.**  
*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*  
*Notes to Financial Statements*  
*Year Ended December 31, 2020*

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**(4) Income Taxes**

At December 31, income tax expense consisted of the following:

|                            | <u>2020</u>         |
|----------------------------|---------------------|
| Current tax expense        |                     |
| Federal                    | \$ 1,515,467        |
| State                      | 361,564             |
| Total current tax expense  | <u>1,877,031</u>    |
| Deferred tax expense       |                     |
| Federal                    | 239,869             |
| State                      | 55,371              |
| Total deferred tax expense | <u>295,240</u>      |
| Total income tax expense   | <u>\$ 2,172,271</u> |

The income tax for the period differed from the amounts computed by applying the Parent's federal income tax rate of 21% to income before income taxes because of the following:

|   | <u>Amount</u>       | <u>Percent</u> |
|---|---------------------|----------------|
| Income tax expense at statutory rate                            | \$ 1,829,713        | 21.00 %        |
| Increase (reduction) in income taxes resulting from:            |                     |                |
| State and local income taxes, net of federal income tax benefit | 329,380             | 3.78 %         |
| Other, net  | 13,178              | 0.15 %         |
| Total income tax expense  | <u>\$ 2,172,271</u> | <u>24.93 %</u> |

Net deferred tax assets of \$179,178 consist primarily of compensation-related temporary differences. No valuation allowance was deemed necessary on any deferred tax assets as management has determined it is more likely than not that future taxable temporary differences and the results of future operations will result in sufficient taxable income to realize the gross deferred tax assets.

Under US GAAP, the benefit of a position taken or expected to be taken in a tax return should be recognized when it is more likely than not that the position will be sustained based on its technical merit. There was no liability recorded for unrecognized tax benefits at December 31, 2020. The Company recognizes interest and penalties, if any, related to income tax matters in income tax expense. There was no amount recognized during 2020. The Company and the Parent are no longer subject to U.S. federal tax examinations by tax authorities for years before 2017.

**(5) Employee Benefit Plans**

The Parent sponsors a noncontributory, qualified defined benefit pension plan (the Pension Plan) covering certain full-time employees, including employees of the Company who were hired before April 1, 2007 and who elected to remain in the defined benefit plan. Under the Pension Plan, benefits are based on years of service and average earnings. The Parent evaluates the need for pension plan contributions on a periodic basis based upon numerous factors including, but not limited to, the pension plan funded status, returns on plan assets, discount rates and the current economic environment. The Pension Plan's assets consist of investments in the Parent's common trust funds, which include listed common stocks and fixed income securities, as well as

**FIRST CITIZENS INVESTOR SERVICES, INC.**

*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*

*Notes to Financial Statements*

*Year Ended December 31, 2020*

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investments in mid-cap and small-cap stocks through unaffiliated money managers. Net periodic pension expense of \$159,059 was allocated to the Company on a pro-rata basis, based on the total pension expense for BancShares which was determined by an independent actuary. The allocation policies are determined by the Parent, and are subject to change. Pension asset of \$2,599,216 represents the fair value of pension plan assets in excess of the projected benefit obligation allocated based on participant count.

Certain employees are also eligible to participate in the Parent-sponsored defined contribution savings plan. At the end of 2007, current employees were given the option to either participate in the defined benefit plan and remain in an existing defined contribution savings plan or to join an enhanced defined contribution savings plan. In addition to the employer match of the employee contributions, the enhanced plan provides a guaranteed, discretionary contribution to plan participants if they remain employed at the end of each calendar year. During the year, the Company contributed a total of \$1,581,407 to the defined contribution savings plans. The enhanced defined contribution savings plan is available for employees after completion of thirty-one days of consecutive service.

**(6) Net Capital Requirements**

Investor Services is a registered broker/dealer in securities with the FINRA. Investor Services is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1) (the Rule), which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital as defined by the Rule, shall not exceed 15 to 1.

At December 31, 2020, the Company had net capital, as defined, of \$6,016,776 which was \$5,698,674 in excess of its required net capital of \$318,102. The Company's aggregate indebtedness to net capital ratio was 0.79 to 1.00.

Investor Services declares and pays dividends to its sole shareholder each calendar quarter out of net income, rather than retaining capital at Investor Services beyond that required for prudent operations and legal requirements.

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

Investor Services' financial instruments include cash, commissions receivable, and due from/to Related Parties. The carrying values of these on-balance sheet financial instruments approximate their fair values. Investor Services has no off-balance sheet financial instruments. Under US GAAP, fair value estimates are ranked on a three-tier scale based on the inputs used in the valuation. Other than cash, which is considered Level 1, the financial instruments of Investor Services are considered Level 2. The following describes each input level:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices observable for the assets or liabilities and market corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability. These unobservable inputs and assumptions reflect the estimates market participants would use in pricing the asset or liability.

**FIRST CITIZENS INVESTOR SERVICES, INC.**

*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*

*Notes to Financial Statements*

*Year Ended December 31, 2020*

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**(8) Concentrations of Credit Risk**

The Company maintains its cash on deposit at the Parent Company, US Bank NA, and Pershing, Inc. The balances at the Parent and US Bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances at Pershing, Inc. (the Company's third party clearing broker) are insured by the Securities Investor Protection Corporation (SIPC). The Company routinely maintains amounts on deposit in excess of the FDIC and SIPC insured limits. As of December 31, 2020, the Company held \$7,067,652 on deposit with the Parent, of which \$6,817,652 exceeded the FDIC insured limit. As of December 31, 2020, the Company held \$3,000,000 on deposit with US Bank, of which \$2,750,000 exceeded the FDIC insured limit. As of December 31, 2020, the Company held \$4,000,000 on deposit with Pershing, of which the majority exceeded the SIPC insured limit.

**(9) Contingencies**

The Company is involved, at times, in certain litigation arising in the normal course of business. In the opinion of management as of December 31, 2020, there is no pending or threatened litigation that will have a material effect on the Company's financial position or results of operations.

On February 12, 2018, the SEC Division of Enforcement ("Enforcement Division") announced the Share Class Selection Disclosure Initiative ("SCSD Initiative") pursuant to which investment advisers were encouraged to self-report possible securities laws violations relating to the failure to make certain disclosures concerning mutual fund share class selection. On June 11, 2018, FCIS notified the Enforcement Division that it intended to participate in the SCSD Initiative and submitted the information required by the SCSD Initiative on July 20, 2018. FCIS has received and executed an offer of settlement from the Enforcement Division and established an escrow account in the amount of \$423,318 for reimbursement to customers. Reimbursements were processed in 2019. The final accounting was transmitted to the SEC in 2020 and FCIS considers the matter administratively closed.

**(10) Subsequent Events**

The Company evaluated the effect subsequent events would have on the financial statements through February 25, 2021, which is the date the financial statements were issued, noting no material subsequent events to disclose.

**FIRST CITIZENS INVESTOR SERVICES, INC.***(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)**Computation of Aggregate Indebtedness and Net Capital**Pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934**December 31, 2020*

|   |                     |
|---|---------------------|
| Aggregate indebtedness:   |                     |
| Accounts payable, accrued liabilities, and due to related parties | \$ 4,771,521        |
| Net capital:  |                     |
| Total stockholder's equity  | 12,870,717          |
| Less non-allowable assets   |                     |
| Non-allowable cash  | (3,420,907)         |
| Deferred tax asset  | (179,178)           |
| Premises and equipment, net                                       | (91,703)            |
| Annuity receivable  | (186,293)           |
| Pension asset   | (2,599,216)         |
| Cash held at Pershing   | (1,593)             |
| Fee receivable  | (92,035)            |
| Prepaid expenses  | (203,016)           |
| Total non-allowable assets  | <u>(6,773,941)</u>  |
| Tentative net capital   | 6,096,776           |
| Haircut adjustment  | 80,000              |
| Net capital   | 6,016,776           |
| Capital requirement   | 318,102             |
| Excess net capital  | <u>\$ 5,698,674</u> |
| Ratio - aggregate indebtedness to net capital                     | <u>0.79</u>         |

The above computations do not differ materially from the Company's computations, as shown in its FOCUS Report Form X-17A-5, Part II-A, dated December 31, 2020.

See the accompanying Independent Auditors' Report.

**FIRST CITIZENS INVESTOR SERVICES, INC.**

*(A Wholly Owned Subsidiary of First-Citizens Bank & Trust Company)*

*Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements*

*Under Rule 15c3-3 of the Securities and Exchange Commission*

*December 31, 2020*

The Company is subject to the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934. The Company does not hold customer cash or securities. Checks are received in the name of the clearing agent and are immediately restrictively endorsed and deposited in a bank account of the clearing agent or product underwriter, as applicable. Securities received are forwarded overnight to the clearing agent. The Company fully introduces brokerage accounts to the clearing agent and the Company does not have balances which would be included in a reserve computation. Therefore, the reserve requirement under Rule 15c3-3 was \$0 at December 31, 2020.

The above computation does not materially differ from the Company's computation, as shown in its FOCUS Report Form X-1 7A-5, Part II-A, dated December 31, 2020.

There are no liabilities subordinated to claims of creditors at December 31, 2020.

Information relating to possession or control requirements is not applicable under rule 17 C.F.R. § 240.15c3-3: (k)(2)(ii).

**Supplemental Report**  
**With respect to the**  
**General Assessment Reconciliation (Form SIPC-7)**



## **Report of Independent Registered Public Accounting Firm on Applying Agreed Upon Procedures**

### **Board of Directors**

**First Citizens Investor Services, 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, which were agreed to by First Citizens Investor Services, Inc. and the Securities Investor Protection Corporation ("SIPC") with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of First Citizens Investor Services, Inc. (the "Company") for the year ended December 31, 2020, solely to assist you and SIPC in evaluating First Citizens Investor Services, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Management is responsible for the Company's 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 noting no differences;
2. Compared the Total Revenue amounts reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2020, with the Total Revenue amounts reported in Form SIPC-7 for the year ended December 31, 2020 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Recalculated 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; and
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 with the applicable instructions of the Form SIPC-7. 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.

*Dixon Hughes Goodman LLP*

**Raleigh, North Carolina**

**February 25, 2021**

**SIPC-7**

(36-REV 12/18)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(36-REV 12/18)

For the fiscal year ended **12/31/2020**

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

11\*23\*\*\*\*\*1587\*\*\*\*\*MIXED AADC 220  
50696 FINRA DEC  
FIRST CITIZENS INVESTOR  
PO BOX 27131  
RALEIGH, NC 27611-7131

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Steve Bogaczyk (919) 716.7391

- 2. A. General Assessment (item 2e from page 2) \$ 21,869
- B. Less payment made with SIPC-6 filed (exclude interest) (10,342)  
7/29/2020  
Date Paid
- C. Less prior overpayment applied (          )
- D. Assessment balance due or (overpayment) 11,527
- E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum \_\_\_\_\_
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 11,527
- G. PAYMENT:  the box  
Check mailed to P.O. Box  Funds Wired  ACH   
Total (must be same as F above) \$ 11,527
- H. Overpayment carried forward \$(          )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

First Citizens Investor Services, Inc.  
(Name of Corporation, Partnership or other organization)

Steven F. Bogaczyk  
(Authorized Signature)

SVP  
(Title)

Dated the 26 day of January, 20 21.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates:            Postmarked            Received            Reviewed           

Calculations            Documentation            Forward Copy           

Exceptions:           

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 1/1/2020  
and ending 12/31/2020

Item No.

Eliminate cents

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

\$ 59,129,387

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

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):

41,864,602

50

2,129,034

541,133

(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.

\$ 15,372

(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)

15,372

Total deductions

44,550,191

2d. SIPC Net Operating Revenues

\$ 14,579,196

2e. General Assessment @ .0015

\$ 21,869

(to page 1, line 2.A.)



## **Report of Independent Registered Public Accounting Firm**

**Board of Directors  
First Citizens Investor Services, Inc.  
Raleigh, North Carolina**

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) First Citizens Investor Services, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which First Citizens Investor Services, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3 (k): (2)(ii) (the "exemption provisions") and (2) First Citizens Investor Services, Inc. stated that First Citizens Investor Services, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. First Citizens Investor Services, 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 First Citizens Investor Services, 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.

*Dixon Hughes Goodman LLP*

**Raleigh, North Carolina  
February 25, 2021**



**First Citizens Investor Services, Inc. Exemption Report**

**First Citizens Investor Services, 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) during the period January 1, 2020 to December 31, 2020**
- 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**

**First Citizens Investor Services, Inc.**

**I, David Bitter, swear (or affirm) that, to the best of my knowledge and belief, this Exemption Report is true and correct:**

**By:**

**Title: President**

**December 31, 2020**