

# **CLEARPOOL EXECUTION SERVICES, LLC**

(An Indirect Wholly Owned Subsidiary of  
Bank of Montreal)

Statement of Financial Condition  
Pursuant to Rule 17a-5 under the Securities Exchange Act of 1934  
DECEMBER 31, 2021

(With Report of Independent Registered Public Accounting Firm Thereon)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM X-17A-5  
PART III

FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2021 AND ENDING 12/31/2021  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: CLEARPOOL EXECUTION SERVICES, LLC

TYPE OF REGISTRANT (check all applicable boxes):

- Broker-dealer     Security-based swap dealer     Major security-based swap participant  
 Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

17 State Street, 38th Floor

(No. and Street)

New York

(City)

NY

(State)

10004

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Michael Coppins

(Name)

212-605-1602

(Area Code – Telephone Number)

Michael.Coppins@BMO.com

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

KPMG LLP

(Name – if individual, state last, first, and middle name)

345 Park Ave

(Address)

New York

(City)

NY

(State)

10154

(Zip Code)

10/20/2003

(Date of Registration with PCAOB)(if applicable)

185

(PCAOB Registration Number, if applicable)

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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.


Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Brad Rothbaum, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of CLEARPOOL EXECUTION SERVICES, LLC, as of December 31, 2021, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Based upon statement from the SEC regarding Requirements for Certain Paper Submission in Light of COVID-19 Concerns issued on June 18, 2020 and difficulties arising from COVID-19, the Firm is making this filing without notarization

Notary Public

Signature:   
Title: President, Clearpool Execution Services, LLC

### This filing\*\* contains (check all applicable boxes):

- (a) Statement of financial condition.
- (b) Notes to consolidated 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 cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: \_\_\_\_\_

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

To the Member and the Board of Directors  
Clearpool Execution Services, LLC:

### *Opinion on the Financial Statement*

We have audited the accompanying statement of financial condition of Clearpool Execution Services, LLC (the Company) as of December 31, 2021, and the related notes (collectively, the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2021, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this 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 the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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.

**KPMG LLP**

We have served as the Company's auditor since 2020.

New York, New York  
February 25, 2022

**CLEARPOOL EXECUTION SERVICES, LLC**  
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL)  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2021**

**Assets**

Cash	\$	30,100,581
Accounts receivable from clearing broker-dealers		20,374,582
Accounts receivable, net of allowance for doubtful accounts		6,464,252
Receivable from affiliate		149,147
Other assets		69,291
<b>Total Assets</b>	<b>\$</b>	<b>57,157,853</b>

**Liabilities**

Payable to affiliate	\$	4,697,710
Accounts payable and accrued expenses		4,607,453
Other liabilities		720,000
<b>Total Liabilities</b>	<b>\$</b>	<b>10,025,163</b>

**Member's Equity**

<b>Total Liabilities and Member's Equity</b>	<b>\$</b>	<b>57,157,853</b>
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**CLEARPOOL EXECUTION SERVICES, LLC**  
**(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL)**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2021**

**1. ORGANIZATION AND NATURE OF BUSINESS**

Clearpool Execution Services, LLC, (the "Company"), operates as a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"). The Company is a limited liability company under the laws of the State of New York. On April 6, 2020, BMO Financial Corp. ("BFC"), completed the acquisition of the business of Clearpool Group, Inc. which was the former parent of the Company. BFC is organized under the laws of Delaware and is a wholly owned subsidiary of Bank of Montreal ("BMO"), a Canadian company.

The Company engages in securities commission business on behalf of its clients, including execution, order routing and riskless principal transactions. The Company has entered into clearing agreements with broker/dealers (the "Clearing Brokers") that provide for the securities transactions to be cleared and carried through the Clearing Brokers on a fully-disclosed basis.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. While COVID-19 has not materially impacted the Company's financial results, it continues to impact the markets in which the Company operates. Governments around the world imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, quarantines and cancellations of gatherings and events. Although the U.S. Federal Reserve has taken a number of actions to mitigate the impact of COVID-19 on U.S. markets and institutions, including decreasing interest rates and implementing a variety of emergency stimulus measures, these actions may not succeed or have the intended effect. This crisis or other public health crises may also exacerbate other pre-existing political, social, economic, market and financial risks. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty. The foregoing could result in significant market volatility, exchange trading suspensions and closures, declines in global financial markets, higher default rates and a substantial economic downturn or recession. While the economic impacts related to COVID-19 have not negatively affected the Company, given the uncertainty that remains, it could impact the Company's future performance and operations.

**2. SIGNIFICANT ACCOUNTING POLICIES**

*(a) Basis of Presentation*

The Statement of Financial Condition and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

*(b) Use of Estimates*

The preparation of the Statement of Financial Condition in conformity with 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 Statement of Financial Condition. Actual results may differ from those estimates.

*(c) Cash and Cash Equivalents*

Cash and cash equivalents include funds held in the Company's bank accounts for firm operating activities and overnight cash deposits. Restricted cash is cash that is considered legally restricted as to withdrawal or usage. The Company has not identified any restricted cash at December 31, 2021.

*(d) Income Taxes*

The Company is subject to a tax sharing agreement with its Parent. As such, the Company recorded provision for income taxes as if it were a separate company.

FASB ASC Topic 740, "Income Taxes", establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of income taxes payable or refundable for the current year and deferred income tax assets and liabilities for future

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income tax consequences of events that have been recognized in an entity's financial statements or income tax returns. Judgment is required in assessing the future income tax consequences of events that have been recognized in the Company's financial statements or tax returns.

Fluctuations in the actual outcome of these future income tax consequences could impact the Company's financial position.

Deferred income tax assets and liabilities, as determined by the temporary differences between financial reporting and income tax bases of assets and liabilities, are computed using currently enacted income tax rates and laws.

The Company's Federal taxable income will be included in a consolidated Federal income tax return with the Parent and its eligible subsidiaries (the "consolidated group"). The Company will be included with other affiliates in combined state income tax returns in certain states (the "combined group"). The Company is party to an income tax sharing agreement with its Parent, under which the Company records its provision for income taxes as if it were a separate company and shall receive payment from or make payment to members of the consolidated and combined groups based upon its current tax benefit or liability.

Under ASC 740, the Company evaluates tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by applicable tax authority based upon technical merits of the position. Tax benefits from tax positions no longer deemed to meet the "more-likely-than-not" threshold are derecognized in the year of determination.

*(e) Concentration of Credit Risk*

The Company maintains cash balances in excess of insured limits and with clearing brokers that are not federally insured. Collateral is not required on accounts receivable and management believes its credit policies are prudent and reflect normal industry terms and business risk. Accounts receivable from clearing broker-dealers are subject to strict capital requirements. It is anticipated that in the event of a default on accounts receivable, normal collection procedures would be followed.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable are related commission and connectivity fees, which are billed monthly and are stated net of an allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts based upon management's periodic evaluation of the collectability of outstanding accounts on an account-by-account basis. The Company had an unaffiliated client with 10.9% of outstanding accounts receivable as of December 31, 2021.

**4. ACCOUNTS RECEIVABLE FROM CLEARING BROKER-DEALERS**

Accounts receivable from clearing broker-dealers on December 31, 2021 was \$20,374,582. The Company clears its client transactions through third-party clearing broker-dealers on a fully disclosed basis.

<b>Receivable from clearing broker-dealers:</b>	<b>Amount</b>
Clearing deposits	\$ 765,000
Operating accounts	17,297,791
Trading accounts (average price,error account, etc.)	2,311,791
Total receivable from clearing broker-dealers	<u>\$ 20,374,582</u>

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**5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As of December 31, 2021, there is an accounts payable balance of \$317,434 and an accrued expense balance of \$4,290,020.

**6. RELATED PARTY TRANSACTIONS**

The Company has entered into technical service agreements with BMO and its affiliates providing for the sharing of certain services such as electronic trading, operations, and other support functions. At December 31, 2021, the Company had intercompany payables and receivables with BFC and its affiliates. As of December 31, 2021, the Company had a payable to BFC and its affiliates for \$4,697,710, comprised of a payable to BFC for \$2,312,081, and a payable to BMO Capital Markets Corp. "BMO CMC" for \$2,385,628. The Company had a receivable from BMO Nesbitt Burns, Inc. "BMO NBI" for \$149,147.

**7. INCOME TAXES**

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets included in other assets at December 31, 2021 are presented below:

**Deferred tax assets:**

Bad debts	\$ 7,137
Total deferred tax assets	<u>\$ 7,137</u>

**Deferred tax liabilities:**

Total deferred tax liabilities	<u>\$ —</u>
Net deferred tax assets	<u><u>\$ 7,137</u></u>

No valuation allowance exists at December 31, 2021 to offset any portion of the Company's deferred tax assets. Based upon available tax planning strategies and expectations as to future taxable income, Management believes that the realization of the deferred tax assets is more likely than not at December 31, 2021.

The Company joins in filing a consolidated Federal income tax return as well as combined state tax returns in certain states with its parent, BFC. At December 31, 2021, the Company has an outstanding payable to BFC of \$2,312,081 related to income taxes recorded in the Statement of Financial Condition.

As of December 31, 2021, no audits are currently in process that would have a material impact on the Company's effective tax rate.

The Company is no longer subject to federal, state or local tax audits for the years prior to 2018.

The Company had no amounts accrued for the payment of interest and penalties on December 31, 2021.

**8. CONTINGENCIES**

In the ordinary course of business, the Company may be subject to regulatory inquiries or proceedings primarily in connection with its activities as a securities broker-dealer. As of December 31, 2021, there were no contingent liabilities recorded on the Statement of Financial Condition.

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**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 of \$250,000 pursuant to the alternative method of calculating net capital. On December 31, 2021, the Company had net capital of \$40,414,214 which was \$40,164,214 in excess of its required net capital of \$250,000.

**10. SUBSEQUENT EVENTS**

Management has evaluated all subsequent events for the Company after the balance sheet date through February 25, 2022, and has concluded there are no events identified that require financial statement recognition or disclosure.