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**ANNUAL REPORTS
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 10/01/22 AND ENDING 09/30/23
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Franklin Distributors, 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.)

One Franklin Parkway

(No. and Street)

San Mateo

CA

94403-1906

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

David Paterson

(801)952-3309

david.paterson@franklintempleton.co.uk

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

PricewaterhouseCoopers LLP

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

405 Howard Street, Suite 600 San Francisco

CA

94105

(Address)

(City)

(State)

(Zip Code)

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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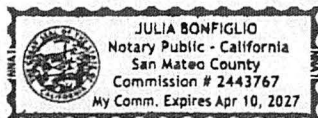
* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

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.

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OATH OR AFFIRMATION

I, David Paterson, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Franklin Distributors, LLC, as of 9/30, 2023, 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.



Julia Bonfiglio
Notary Public

Signature: David Pat
Title: Chief Financial Officer & Designated Financial Principal

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.

Franklin Distributors, LLC

Statement of Financial Condition

September 30, 2023



Report of Independent Registered Public Accounting Firm

To the Director and Member of Franklin Distributors, LLC

Opinion on the Financial Statement – Statement of Financial Condition

We have audited the accompanying statement of financial condition of Franklin Distributors, LLC (the “Company”) as of September 30, 2023, including the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of September 30, 2023 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with 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 of this financial statement 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.

PricewaterhouseCoopers LLP

November 21, 2023

We have served as the Company’s auditor since 2006.

Franklin Distributors, LLC
Statement of Financial Condition
September 30, 2023

(in thousands)

Assets

Cash and cash equivalents	\$	284,883
Receivables		56,379
Deferred sales commissions, net		7,479
Deferred taxes, net		4,670
Other		3,817

Total Assets **\$ 357,228**

Liabilities

Accrued sales and distribution expenses	\$	112,212
Accounts payable and accrued expenses		50,981
Due to affiliated entities, net		85,994
Income taxes		6,138

Total liabilities **255,325**

Commitments and Contingencies (Note 6)

Member's Capital **101,903**

Total Liabilities and Member's Capital **\$ 357,228**

See Notes to Statement of Financial Condition.

Franklin Distributors, LLC

Notes to Statement of Financial Condition

September 30, 2023

1. Business

Nature of Operations

Franklin Distributors, LLC ("FD" or the "Company") is a wholly owned subsidiary of Templeton Worldwide, Inc. ("TWI" or the "parent"), and an indirect wholly owned subsidiary of Franklin Resources, Inc. ("Franklin").

FD is registered with the Securities and Exchange Commission (the "SEC") as a broker-dealer and with the Commodities Futures Trading Commission (the "CFTC") as an introducing broker. The Company serves as the principal underwriter and distributor for various funds sponsored by Franklin ("affiliated funds"). The Company also acts as direct marketing broker-dealer for institutional investors in mutual funds sponsored by Franklin and private investment vehicles to corporations, pension plans, trusts, and high-net-worth clients on behalf of Franklin subsidiaries; and as marketing broker-dealer for Franklin's Luxembourg and Ireland-domiciled mutual funds to U.S. broker-dealers with offshore clients. FD is a member of the Financial Industry Regulatory Authority ("FINRA"), which is the designated examining authority of U.S. broker-dealers, and the Securities Investor Protection Corporation ("SIPC").

2. Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period presented. Management believes that the accounting estimates are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates. The Company has evaluated subsequent events through November 21, 2023, which is the date the financial statements were available to be issued.

Related Parties

Related parties are Franklin and other Franklin subsidiaries ("affiliated entities") and affiliated funds. Amounts due to and from affiliated entities, and substantially all of the Company's revenues and receivables are from related parties.

The Company has a master netting agreement with Franklin and affiliated entities. As amounts due to and from Franklin and affiliated entities are a determinable amount and the right of offset is enforceable by law, receivables from and payables to affiliated entities are offset and the net amount is presented as due to affiliates, net.

Cash and Cash Equivalents

Cash and cash equivalents consist of one money market fund sponsored by Franklin and deposits with financial institutions, and are carried at cost. Due to the short-term nature and liquidity of these financial instruments, the carrying values of these assets approximate fair value.

The Company limits the amount of credit exposure with any given financial institution and conducts ongoing evaluations of the creditworthiness of the financial institutions with which it does business. Deposits with one financial institution exceeded local regulatory insured limits by a total of \$3.0 million at September 30, 2023, representing a concentration of credit risk.

Franklin Distributors, LLC
Notes to Statement of Financial Condition
September 30, 2023

Receivables

Receivables primarily consist of fees receivable from affiliated funds and are carried at invoiced amounts. Due to the short-term nature and liquidity of the receivables, their carrying values approximate fair value.

Deferred Sales Commissions

Deferred sales commissions consist of upfront commissions paid to financial advisers and broker-dealers on shares of affiliated funds without a front-end sales charge to investors, and are amortized over eighteen months, the period in which they are generally recovered from related revenues. Deferred sales commissions are tested for impairment when there is an indication that the carrying value may not be recoverable.

Stock-Based Compensation

The fair value of Franklin's share-based payment awards is estimated on the date of grant based on the market price of the underlying shares of Franklin's common stock. Forfeitures are accounted for as they occur.

Income Taxes

The Company is included in the consolidated U.S. federal and several combined state income tax returns for Franklin. The Company also files separate state income tax returns.

Under an intercompany tax sharing agreement (the "Agreement"), Franklin allocates these income taxes to the Company using the separate return method except for tax benefits arising from its federal and combined state net operating losses, which are utilized by Franklin under the Agreement. As a result of this exception to the separate return method, the Company does not record deferred tax assets related to federal or combined state income tax losses in its statement of financial condition. Instead, these deferred tax assets are treated as transferred to Franklin. The Company tracks these net operating loss deferred tax assets in a separate memorandum account.

Consistent with the separate return method, deferred tax assets and liabilities, other than those related to federal or combined state net operating losses, are recorded for temporary differences between the tax basis of the Company's assets and liabilities and the reported amounts in the financial statements using the statutory tax rates in effect for the year when the reported amount of the asset or liability is expected to be recovered or settled.

3. Deferred Sales Commissions

Deferred sales commissions at September 30, 2023 were as follows:

<i>(in thousands)</i>	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Deferred sales commissions	<u>\$ 50,607</u>	<u>\$ (43,128)</u>	<u>\$ 7,479</u>

Franklin Distributors, LLC
Notes to Statement of Financial Condition
September 30, 2023

4. Taxes on Income

The significant components of deferred tax assets and deferred tax liabilities at September 30, 2023 were as follows:

(in thousands)

Deferred Tax Assets

Deferred compensation and benefits	\$	6,040
Net operating loss and tax credit carry-forwards		223
Other, net		181
Total deferred tax assets		<u>6,444</u>

Deferred Tax Liabilities

Amortization of purchased intangibles		299
Deferred commissions		1,475
Total deferred tax liabilities		<u>1,774</u>

Net Deferred Tax Asset	\$	<u>4,670</u>
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At September 30, 2023, there were \$0.2 million in state tax credits expiring in 2026.

The Company is subject to examination by the taxing authorities in multiple jurisdictions. The Company's major tax jurisdictions and the tax years for which the statutes of limitations have not expired are as follows; 2019 onwards for U.S. Federal, and 2018 onwards for States of California, Florida, New Jersey, New York, New York City, and Pennsylvania.

5. Commitments and Contingencies

The Company is from time to time involved in litigation relating to claims arising in the normal course of business. Management is of the opinion that the ultimate resolution of any such claims will not materially affect the Company's business and financial position.

6. Stock-Based Compensation

The Company participates in Franklin's Amended and Restated Annual Incentive Compensation Plan (the "AIP"), the 2002 Universal Stock Incentive Plan, as amended and restated (the "USIP"), the amended and restated Franklin Resources, Inc. 1998 Employee Stock Investment Plan (the "ESIP") and the Amended and Restated Franklin Resources, Inc. 2017 Equity Incentive Plan (the "EIP", and collectively the "Plans"). The Compensation Committee of Franklin's Board of Directors determines the terms and conditions of awards under the Plans.

Stock and Stock Unit Awards

Under the terms of the AIP, eligible employees may receive cash, equity awards, and/or mutual fund unit awards generally based on the performance of Franklin and/or its funds, and the individual employee. The USIP provides for the issuance of shares of Franklin's common stock for various stock-related awards to officers, directors, and employees. There are 140 million shares and 23.0 million shares authorized under the USIP and the EIP. At September 30, 2023 12.2 million shares and 14.7 million shares were available for grant under the USIP and the EIP. Stock awards entitle holders to the right to sell the underlying shares of Franklin's common stock once the awards vest.

Franklin Distributors, LLC
Notes to Statement of Financial Condition
September 30, 2023

Stock unit awards entitle holders to receive the underlying shares of common stock once the awards vest. Awards vest based on the passage of time or the achievement of predetermined Franklin financial performance goals.

Stock and stock unit award activity was as follows:

	<u>Time-Based Shares</u>	<u>Performance- Based Shares</u>	<u>Total Shares</u>		<u>Weighted- Average Grant-Date Per Share</u>
Nonvested balance at October 1, 2022	743,073	79,884	822,957	\$	28.11
Granted	790,112	26,762	816,874		23.96
Vested	(621,010)	(70,558)	(691,568)		26.11
Forfeited/canceled	(33,170)	—	(33,170)		27.66
Transferred in (out), net	729	—	729		26.61
Nonvested Balance at September 30, 2023	<u>879,734</u>	<u>36,088</u>	<u>915,822</u>	\$	25.89

The total fair value of stock and stock unit awards vested during the fiscal year was \$18.8 million.

7. Related Party Transactions

The amounts related to transactions with affiliates included in the statement of financial condition were as follows:

<i>(in thousands)</i>	<u>Affiliated Funds</u>	<u>Parent and Affiliated Entities</u>
Receivables	\$ 56,379	\$ —
Income taxes receivable from parent	—	791
Due to affiliated entities, net is comprised of the following:		
Due from affiliated entities	—	23,119
Due to affiliated entities	—	109,113
		<u>\$ 85,994</u>

8. Net Capital Requirement

The Company is subject to the SEC's Uniform Net Capital Rule ("Net Capital Rule" or "Rule 15c3-1") and CFTC Regulation 1.17 (the "CFTC Rule"), each of which requires the maintenance of minimum net capital.

The Company has elected to use the alternative method, permitted by Rule 15c3-1, which requires it to maintain minimum net capital, as defined, no less than the greater of \$250,000 or 2% of aggregate debit items. Since the Company does not carry customer accounts and does not have

Franklin Distributors, LLC
Notes to Statement of Financial Condition
September 30, 2023

customer debits, the minimum net capital required is \$250,000. The CFTC Rule requires the greater of \$45,000 or the amount required under Rule 15c3-1. As of September 30, 2023, the Company had net capital of \$77.8 million, which was \$77.5 million in excess of its minimum requirement under Rule 15c3-1 and the CFTC Rule.

The Company does not claim an exemption under paragraph (k) of 17 C.F.R. § 240.15c3-3 of the SEC's Customer Protection Rule ("Rule 15c3-3"). The Company is relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (2) did not carry accounts of or for customers, and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.

Capital withdrawals are subject to certain limitations, notification requirements and other provisions of the Net Capital Rule.

9. Subsequent Events

On November 20, 2023, the Company declared a dividend of \$40.0 million and filed a notification of withdrawal of equity capital with FINRA and the SEC.



SEC Mail Processing

NOV 22 2023

Washington, DC

Report of Independent Accountants

To the Director and management of Franklin Distributors, LLC

We have performed the procedures included in Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and in the Securities Investor Protection Corporation ("SIPC") Series 600 Rules, which are enumerated below, on the accompanying General Assessment Reconciliation (Form SIPC-7) of Franklin Distributors, LLC (the "Company") for the year ended September 30, 2023. Management of Franklin Distributors, LLC is responsible for its Form SIPC-7 and for its compliance with the applicable instructions on Form SIPC-7.

In an agreed-upon procedures engagement, we perform specific procedures that the Company has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and we report on findings based on the procedures performed. Management of the Company has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting you and SIPC in evaluating the Company's compliance with the applicable instructions on Form SIPC-7 for the year ended September 30, 2023. Additionally, SIPC has agreed to and acknowledged that the procedures performed are appropriate for their intended purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. 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 the associated findings are as follows:

1. Compared the listed assessment payments on page 1, items 2B and 2G of Form SIPC-7 with the respective cash disbursement records entries, as follows:
 - a. Payment dated April 26, 2023, in the amount of \$10,172.84 reported on line 2B was compared to wire transaction reference EFT-0000213920 provided by David Paterson, CFO, noting no differences.
 - b. Payment dated October 26, 2023 in the amount of \$10,103.31 reported on line 2G was compared to wire pay cycle invoice number 32010252023 provided by David Paterson, CFO, noting no differences.
2. Compared the "Total revenues" amount of \$1,480,984,000 reported on page 4 of the Annual Audited Report Form X-17A-5 Part III for the year ended September 30, 2023 to the "Total revenue" amount of \$1,480,991,461 reported on page 2, item 2a of Form SIPC-7 for the year ended September 30, 2023, noting a difference \$7,461.
3. Compared any adjustments reported on page 2, item 2c of Form SIPC-7 with the supporting schedules and working papers, as follows:
 - a. Compared deductions on line 2c(1), "Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from 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," of \$828,438,450 to the "FD SIPC-7 Schedule FY23" provided by David Paterson, CFO, noting no differences.
 - b. Compared deductions on line 2c(8), "Other revenue not related either directly or indirectly to the securities business," of \$639,035,580 to the "FD SIPC-7 Schedule FY23"



provided by David Paterson, CFO, noting no differences.

4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers obtained in procedure 3, as follows:
 - a. Recalculated the mathematical accuracy of the "Total deductions" of \$1,467,474,030 on page 2 of Form SIPC-7, noting no differences.
 - b. Recalculated the mathematical accuracy of the SIPC Net Operating Revenues on page 2, line 2d and the General Assessment @ .0015 on page 2, line 2e of \$13,517,431 and \$20,276, respectively, of Form SIPC-7, noting no differences.
 - c. Recalculated the mathematical accuracy of the supporting schedule provided by David Paterson, CFO, which was agreed to the deductions on page 2, line 2c(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," of \$828,438,450, noting no differences.
 - d. Recalculated the mathematical accuracy of the supporting schedule provided by David Paterson, CFO, which was agreed to the deductions on page 2, line 2c(8), "Other revenue not related either directly or indirectly to the securities business," of \$639,035,580, noting no differences.

We were engaged by the Company to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the standards of the Public Company Accounting Oversight Board (United States). We were not engaged to, and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's Form SIPC-7 and on its compliance with the applicable instructions on Form SIPC-7 for the year ended September 30, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and management of Franklin Distributors, LLC and the Securities Investor Protection Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Accountants House Coopers LLP

November 21, 2023