

**FIS Brokerage & Securities Services LLC
Financial Statements and Supplementary
Schedules Pursuant to Rule 17a-5 Under the
Securities Exchange Act of 1934
June 30, 2019
Unaudited**

These financial statements and schedules are deemed confidential pursuant to subparagraph (e)(3) of Rule 17a-5 of the Securities Exchange Commission.

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June 30, 2019

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FIS Brokerage & Securities Services LLC
Statement of Financial Condition
June 30, 2019

Assets

Cash and cash equivalents	\$ 27,738,278
Receivable from brokers and dealers	28,088,755
Furniture, equipment, software and leasehold improvements, at cost less accumulated depreciation and amortization of \$38,361,402	12,942,566
Receivable from affiliates	36,561
Accounts receivable, net of allowance of \$36,057	18,889,620
Deferred tax asset, net	2,917,219
Prepaid expenses and other assets	852,285
Total assets	<u>\$ 91,465,284</u>

Liabilities and Member's Equity

Payable to brokers and dealers	\$ 507,563
Payable to Parent and affiliates	3,180,362
Accrued compensation and benefits	2,041,053
Accounts payable, accrued expenses and other liabilities	8,655,073
Total liabilities	<u>\$ 14,384,051</u>
Member's equity	<u>77,081,233</u>
Total liabilities and member's equity	<u>\$ 91,465,284</u>

The accompanying notes are an integral part of these financial statements.

FIS Brokerage & Securities Services LLC
Statement of Income
For the Year-ended June 30, 2019

Revenues

Fee income	\$ 40,663,049
Commissions	21,598,730
Transaction fees	5,592,655
Other revenues	4,617,156
Total revenues	<u>\$ 72,471,590</u>

Expenses

Trade execution and clearance fees	\$ 28,689,868
Employee compensation and benefits	7,068,267
Communication and data processing	2,481,733
Occupancy and equipment costs	1,223,471
Depreciation and amortization	1,989,801
Professional and consulting fees	2,802,154
Other expense	(206,571)
Total expenses	<u>\$ 44,048,723</u>
Income before provision for income taxes	28,422,867
Provision for income taxes	
Current	5,806,703
Deferred	787,994
Total provision for income taxes	<u>\$ 6,594,697</u>
Net income	<u>\$ 21,828,170</u>

The accompanying notes are an integral part of these financial statements.

FIS Brokerage & Security Services LLC
Statement of Changes in Member's Equity
For the Year-ended June 30, 2019

Balance at December 31, 2018	\$ 70,253,063
ASC 606 Implementation Adjustment	
Net Income	21,828,170
Distributions to Member	<u>(15,000,000)</u>
Balance at June 30, 2019	<u>\$ 77,081,233</u>

The accompanying notes are an integral part of these financial statements.

FIS Brokerage & Securities Services LLC
Statement of Cash Flows
For the Year-ended June 30, 2019

Cash flows from operating activities	
Net income	\$ 21,828,170
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	1,989,801
Deferred income taxes	-
Current year provision for doubtful accounts	23,578
(Increase) decrease in operating assets	
Receivables from brokers and dealers	229,104
Receivable from affiliates	333,058
Accounts receivable	1,481,931
Prepaid expenses and other assets	286,772
Increase (decrease) in operating liabilities	
Payable to brokers and dealers	(865,342)
Payable to Parent and affiliates	(308,845)
Accrued compensation and benefits	(769,495)
Accounts payable, accrued expenses and other liabilities	465,977
Net cash provided by operating activities	<u>24,694,709</u>
Cash flows from investing activities	
Purchases of furniture, equipment, and software	<u>(4,184,253)</u>
Net cash used in investing activities	(4,184,253)
Cash flows from financing activities	
Distributions to Member	<u>(15,000,000)</u>
Net cash used in financing activities	(15,000,000)
Net increase (decrease) in cash	<u>5,510,456</u>
Cash	
Beginning of year	22,227,822
End of year	<u>\$ 27,738,278</u>
Supplemental disclosures of cash flow information	
Cash paid during the year for taxes to Parent and state authorities	4,916,400

The accompanying notes are an integral part of these financial statements.

FIS Brokerage & Securities Services LLC

Notes to Financial Statements

June 30, 2019

1. Organization and Nature of Business

FIS Brokerage & Securities Services LLC (the "Company") is a registered broker-dealer in securities under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company engages in the business of providing execution services for other broker-dealers and institutional customers using a proprietary algorithmic execution system. The Company also provides technology solutions to institutional entities seeking electronic means to communicate trade information messaging. The Company has entered into clearing agreements with multiple broker-dealers to process and clear all of the Company's securities transactions on a fully disclosed basis. The Company's sole member, FIS Investment Ventures LLC, is an indirect, wholly owned subsidiary of Fidelity National Information Services, Inc. ("FIS") ("Parent"). FIS Investment Ventures LLC receives the full allocation of net profits and losses of the Company.

2. Summary of Significant Accounting Policies

a) *Basis of Presentation*

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

b) *Use of estimates in the preparation of financial statements*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

c) *Cash and Cash Equivalents*

The Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months.

d) *Accounts Receivable & Reserve*

Accounts receivable are recorded at the invoiced amount. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the Company's customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company reviews its allowance for doubtful accounts monthly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

e) *Translation of Foreign Currencies*

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange determined by the year-end spot rate. Gains or losses resulting from foreign currency transactions are included in the other expense on the statement of income.

FIS Brokerage & Securities Services LLC

Notes to Financial Statements

June 30, 2019

f) Revenue from Contracts with Customers

The Company's revenue consists of Fee Income, Commissions, Transaction Fees and Other Revenues.

i. Fee Income

The Company earns fee income by providing technology solutions to institutional entities seeking electronic means to communicate trade messaging ("The Network"). The Network communicates trade messaging for mutual fund trade activity between third-party administrators and fund companies either directly or by leveraging large partnerships and transmits money market fund trade information between corporate treasuries and governmental entities and money market fund companies. The Network also communicates equities and fixed income trade information between investment banks and brokers and provides post trade messaging that helps automate the post trade process. The Company provides this service through brokers and other strategic alliances with major financial institutions that provide custodial services and straight-thru processing. The Company records fee income from the Network on a gross basis and the corresponding expenses are reflected in trade execution and clearing fees on the statement of income. The Company's performance obligation for the Network is providing customer access which is satisfied over time. The Company receives fees based on an active connection each month or based on average monthly assets under management. As a practical expedient, the Company recognizes revenue in the amount to which the Company has the contractual right to invoice.

The Company also earns fee income by way of exchange rebates as a result of the Company's trading technology that helps improve execution quality, minimizes information leakage and helps decrease overall execution costs. The performance obligation is satisfied on trade date which is when the rebates are earned by the Company and reported gross in fee income in the statement of income.

ii. Commissions

The Company earns commissions by providing trading technology that helps improve execution quality, minimizes information leakage and decreases overall execution costs. The performance obligation is satisfied at a point in time on the trade date. In addition, the Company provides soft dollar research services and reports the commissions net of the corresponding cost related to the services provided. Net soft dollar commissions are reflected in commissions on the statement of income. Costs related to services which have been provided to customers but not yet paid for through earned commissions are recorded as a receivable from brokers and dealers on the statement of financial condition to the extent that the Company ultimately deems them to be collectible.

The Company also earns commissions via the Network by communicating equities and fixed income information between investment banks and brokers. The performance obligation is satisfied at a point in time on the trade date for any fixed amounts, however there are contractual constraints for some amounts due to monthly minimums and maximums. The Company does not believe that it can overcome this constraint until all the activity is accounted for each month.

iii. Transaction Fees

The Company earns transaction fees whereby it charges its customers for its net exchange costs incurred based on the use of the trading technology. The transaction fees consist of Electronic

FIS Brokerage & Securities Services LLC

Notes to Financial Statements

June 30, 2019

Communication Network (“ECN”) fees and SEC 31 fees. In addition, the Company also charges its customers for telecommunication costs from a 3rd party vendor used to connect into the network to communicate equities and fixed income trades. The performance obligation is satisfied on the trade date which is when the costs are incurred by the Company.

iv. Other Revenues

Other revenues primarily consist of software licenses for electronic order routing, maintenance and hosting. The Company recognizes license orders at a point in time when the customer has legal title to the license and ability to use the functionality. The Company recognizes maintenance and hosting over the life of the contract. The Company has a receivable balance of \$5,110,946 and deferred revenue balance of \$366,560 associated with software licenses included in accounts receivable and accounts payable, accrued expenses and other liabilities in the statement of financial condition. Other revenues also consist of consulting fees and other miscellaneous fees which are recognized at a point time or over time depending on the stated performance obligation in the contract.

g) *Furniture, equipment, software and leasehold improvements*

Furniture and equipment are depreciated using the straight-line method over their estimated useful lives.

Purchased software assets are amortized using the straight-line method over the lesser of their estimated useful lives or the remaining license term.

Leasehold improvements are amortized using the straight-line method over the lesser of the economic life of the improvement or the term of the lease.

As of June 30, 2019, remaining unamortized fixed assets consist primarily of computer equipment with original estimated useful lives of three to five years (see note 12).

h) *Income taxes*

Income taxes are accounted for under the asset and liability method as required in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, Income Taxes (ASC 740). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing deferred tax assets or liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company is included in the consolidated federal return and certain unitary state tax returns of the Parent. The Company computes its federal tax provision on a separate-company basis together with a portion of its state tax provision for certain states in which it files separately. In addition, the Company records expense allocations from the Parent for its share of state income tax expense attributable to its inclusion in the Parent’s unitary state tax returns and the tax benefit on the difference between book compensation computed under ASC 718 and compensation deductible in accordance with the tax law. These amounts and the separately computed federal tax provision described above are settled periodically with the Parent.

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Notes to Financial Statements

June 30, 2019

The Company elected to be classified as a corporation for federal income tax purposes pursuant to Treasury Regulation §301.7701-3. As such, the Company is included in the consolidated federal and certain unitary state income tax returns of the Parent as a corporation, even though its legal form is a limited liability company.

ASC 740 requires management to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement, which could result in the Company recording a tax liability. As of June 30, 2019, the Company had unrecognized tax benefits, net of federal benefits of approximately \$790,000, which if recognized, would favorably affect the effective tax rate. In addition, the Company has recorded accrued interest, net of federal benefits of \$514,193. The Company recognizes interest and penalties in the provision for income taxes in the statement of income.

Under the tax sharing agreement, liabilities for unrecognized tax benefits in jurisdictions where consolidated federal income tax or unitary state income tax returns are filed by FIS are retained at the Parent company level.

Tax years after 2016 remain open for examination by the Internal Revenue Service. Tax years after 2007 remain open by various state and local jurisdictions. The Company anticipates that it is reasonably possible that between \$0 and \$790,000 of unrecognized tax benefits may be resolved within the next 12 months.

i) Fair value measurements

Money market mutual funds are carried at market value based on the reported net asset value per share of the respective fund, which are Level 1 inputs pursuant to ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). At June 30, 2019, the Company had an investment in a money market fund of \$1,132,720 included in cash and cash equivalents on the statement of financial condition.

The Company had no Level 2 or Level 3 financial instruments at June 30, 2019. There were no transfers between Level 2 and 3 during the year ended June 30, 2019.

3. New Accounting Pronouncements

a) Financial Instruments-Credit Losses

In September 2016, the FASB issued ASU No. 2016-13 Accounting for Financials Instruments-Credit Losses Measurement on Financial Instruments updated the accounting standards related to recognizing credit losses. The amendments in this update require a financial asset measured at amortized cost basis to be presented at the net carrying amount to be collected. The standard is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of the standard on its results of operations and financial condition.

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b) Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02 Accounting for Leases (Topic 842) updated the accounting standards related to lease accounting. The amendments in this update were issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2018. The Company has evaluated the impact of the standard on its results of operations and financial condition and management has determined that this standard does not have material impact on the results of operations, financial condition and the firm's net capital.

4. Revenue from Contracts with Customers

The following table presents the Company's total revenues from contracts with customers for the period ended June 30, 2019.

Revenue from contracts with customers

Fee Income		
Mutual Funds		\$13,913,038
Money Market Mutual Funds		8,359,217
Electronic Order Routing		9,377,453
Exchange Rebates		9,013,341
	Total Fee Income	<u>40,663,049</u>
Commissions		
Equity Brokerage Trading		\$18,403,721
Electronic Order Routing		3,176,019
	Total Commissions	<u>21,579,740</u>
Transaction Fees		
Equity Brokerage Trading		\$5,315,413
Electronic Order Routing		277,242
	Total Transaction Fees	<u>5,592,655</u>
Other		
Electronic Order Routing Licenses		\$3,273,951
Equity Brokerage Trading		19,197
Mutual Funds Messaging		1,342,998
Money Market Mutual Funds		0
	Total Other	<u>4,636,146</u>
Total Revenue from contracts with customers		<u>72,471,590</u>

FIS Brokerage & Securities Services LLC

Notes to Financial Statements

June 30, 2019

5. Cash and Cash Equivalents

At June 30, 2019, cash and cash equivalents consists of cash in bank accounts of \$26,605,558 and \$1,132,720 in a money market fund, which is at fair value and is considered a level 1 measurement.

6. Employee Compensation and Benefits

Equity Incentive Plans

Under the Parent's time-based and performance-based equity incentive plans, awards or options to purchase shares of stock may be granted to key employees. Time-based options are subject to a three-year to five-year vesting schedule depending upon the terms of the individual award. Performance-based options vest upon attainment of certain annual and cumulative earnings goals. Both time-based and performance-based options are granted for a ten-year term.

This expense amount was \$581,257 for the year ended June 30, 2019 for all costs which relate to equity incentive plans and are included in employee compensation and benefits on the statement of income. These obligations are settled periodically with the Parent.

Retirement Plan

The Company participates in the Parent's 401(k) defined contribution Plan (the "Plan") covering substantially all Company employees. The Plan provides that contributions by Company employees are matched with cash contributions by the Company subject to certain limitations including a limitation on the Company's contribution to 50% of the first 6% of the employee's contribution. The Company made contributions to the plan of \$198,488 for the year ended June 30, 2019 which are included in the employee compensation and benefits on the statement of income.

Employee Stock Purchase Plan

The Company participates in the Parent's Employee Stock Purchase Program ("ESPP") covering substantially all Company employees. The ESPP provides that contributions by Company employees are matched with cash contributions by the Company subject to certain limitations including a one-year vesting and a limitation on the Company's contribution to 25% of the of the employee's contribution. The Company made contributions to the plan of \$35,940 for the year ended June 30, 2019 which are included in the employee compensation and benefits on the statement of income.

7. Income Taxes

The current and deferred components of provision for income taxes included in the statement of income are as follows:

FIS Brokerage & Securities Services LLC
Notes to Financial Statements
June 30, 2019

Current provision for income taxes	
Federal	\$ 5,248,723
State	<u>557,980</u>
	<u>5,806,703</u>
Deferred provisions for income taxes	
Federal	733,731
State	<u>54,263</u>
	<u>787,994</u>
Provision for income taxes	<u>\$ 6,594,697</u>

A reconciliation of income tax expense as computed at the U.S. Federal statutory rate with the Company's recorded income tax expense is shown in the following table:

Federal Statutory Rate	21.0%
State and local taxes	2.9%
Other	-1.3%
	<u>22.6%</u>
Effective tax rate	<u>22.6%</u>

As of June 30, 2019, the Company had a long term Federal and state deferred tax asset of \$2,917,219. The significant component of the net deferred tax asset relates primarily to identifiable intangible assets. The Company has concluded that it is more likely than not that the deferred tax asset will be realized and, therefore, no valuation allowance is required.

As of June 30, 2019, the Company had an income tax payable to the Parent and state and local tax authorities of \$1,355,498 included in Payable to Parent and affiliates on the statement of financial condition.

8. Regulatory Requirements

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1 which requires the maintenance of minimum net capital equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness and requires the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2019, the Company had net capital of \$41,360,322, which exceeded its minimum requirement of \$958,937 by \$40,401,386. The Company's net capital to aggregate indebtedness was 0.35 to 1. The rule of applicable exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.

The Company claims exemption from SEC rule 15c3-3 under provision (k)(2)(ii).

FIS Brokerage & Securities Services LLC

Notes to Financial Statements

June 30, 2019

9. Commitments and Contingencies

The Company leases office space under lease agreements expiring in 2022. Certain leases contain provision for rent escalation. At June 30, 2019, the future minimum lease commitments are \$2,037,633.

2019	\$	281,316
2020		573,885
2021		585,362
2022		<u>597,070</u>
	\$	<u>2,037,633</u>

Rent expense for the year ended June 30, 2019 was \$278,555 and is included in occupancy and equipment costs on the statement of income. In addition, the Company reimburses affiliates for use of rental space as discussed below in note 12.

The accounting guidance for guarantees requires the disclosure of representations and warranties which the Company enters into and which may provide general indemnifications to others. The Company in its normal course of business may enter into contracts that contain such representations and warranties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, the Company believes the risk of loss related to these arrangements is remote.

10. Financial Instruments with Off-Balance Sheet Risk and Market Risk

The Company clears all of its customers' securities transactions through clearing brokers on a fully disclosed basis. Pursuant to the terms of the agreements between the Company and the clearing brokers, the clearing brokers have the right to charge the Company for losses that result from its customers' failure to fulfill their contractual obligations.

The Company has agreed to indemnify its clearing brokers for certain losses that the clearing brokers may sustain from the customer accounts introduced by the Company. Customer transactions generally settle three business days after the trade date. If a customer does not complete the purchase or sale transaction, subsequent market fluctuation may require the Company to sell or purchase securities at prices that may differ from the original trade price. The Company is unable to determine the maximum exposure related to this indemnification.

In addition, the Company has the right to pursue collection or performance from customers and other counterparties who do not perform under their contractual obligations.

The Company maintains deposits at a bank in excess of federally insured limits.

11. Related Party Transactions

At June 30, 2019, the amount payable to Parent and affiliates represent such amounts payable by the Company and receivables from affiliates represent amounts due to the Company. The payables represent employee expenses, professional services, transaction processing, data storage and communication costs incurred by the company and the receivables represent an allocation of the Company's management costs and services paid for on behalf of its affiliates.

FIS Brokerage & Securities Services LLC

Notes to Financial Statements

June 30, 2019

The Company also reimburses the Parent and affiliates of the Parent for medical and dental insurance premiums, professional services and other expenses paid on its behalf. The Company's costs for medical insurance premiums and other benefits for the year ended June 30, 2019 were approximately \$520,823 and are included in employee compensation and benefits on the statement of income. Allocated professional service expense was \$1,943,754 for the year ended June 30, 2019 and is included in professional and consulting fees on the statement of income.

The Company reimburses affiliates for rent paid on its behalf for certain of its New York City, Chicago, Jersey City, Lombard, IL, Brown Deer, WI, Collegeville, PA, and Melville, NY offices. Rent related to these offices for the year ended June 30, 2019 was \$175,683 and this is included on the statement of income.

The Company pays various affiliates for services for securities transaction processing, data storage and communications. For the year ended June 30, 2019 the Company recorded \$138,000 which is included in professional and consulting fees on the statement of income.

The Company also provides technology and professional services to an affiliated Broker/Dealer for Network access to communicate money market trade information to money market fund companies. For the year ended June 30, 2019 the Company recorded a contra-expense of \$631,232 which is included in other expense on the statement of income.

Refer to note 2, note 7, & note 8 for further information regarding transactions with related parties.

12. Furniture, equipment, software and leasehold improvements

At June 30, 2019 furniture, equipment, software and leasehold improvements included the following:

Equipment	\$ 21,571,139
Software	22,620,060
Furniture and fixtures	932,362
Leasehold improvements	<u>2,778,790</u>
	47,902,351
Accumulated depreciation and amortization	<u>(34,959,785)</u>
	<u>\$ 12,942,566</u>

Depreciation and amortization expense for the year ended June 30, 2019 was \$1,411,816 and is included in depreciation and amortization on the statement of income.

13. Subsequent Events

Management has evaluated all subsequent transactions and events after the date of the statement of financial condition through July 31, 2019, the date the financial statements were available to be issued and has determined that no additional items require disclosure.

FIS Brokerage & Securities Services LLC
Computation of Net Capital Pursuant to Rule 15c3-1 of the
Securities and Exchange Commission
June 30, 2019

Schedule I

Computation of net capital		
Member's equity		\$ 77,081,233
		<u>77,081,233</u>
Deductions and/or charges		
Nonallowable assets		
Furniture, equipment, software and leasehold improvements, net	12,942,566	
Receivable from affiliates	36,561	
Accounts receivable, net	18,889,620	
Prepaid expenses and other assets	852,545	
Deferred tax asset, net	<u>2,917,219</u>	<u>35,638,511</u>
Net capital before haircuts on security positions		41,442,722
Haircuts on securities		
Money Market Funds		-
F/X Haircut		<u>(82,400)</u>
Net Capital		41,360,322
Computation of alternative net capital requirement		
Net capital requirement (the greater of 6 2/3% of aggregate indebtedness or \$250,000)		
(Requirements pursuant to Rule 15c3-3)		<u>958,937</u>
Excess net capital		<u>40,401,385</u>
Computation of aggregate indebtedness		
Total Aggregate indebtedness		14,384,051
Ratio of aggregate indebtedness to net capital		0.35 to 1

There are no material differences between the above computation and the amounts presented in the Company's unaudited Part II Focus filed by the Company as of June 30, 2019, filed on July 16, 2019.

See accompanying report of independent registered public accounting firm.

FIS Brokerage & Securities Services LLC
Computation for Determination of Customer Reserve Requirements and PAB
Account Reserve Requirements under Rule 15c3-3 of the Securities and
Exchange Commission
June 30, 2019

Schedule II

The Company does not carry any customer accounts and is exempt from Securities and Exchange Rule 15c3-3 under paragraph (k)(2)(ii) because all customer transactions are cleared through other broker-dealers on a fully disclosed basis.

See accompanying report of independent registered public accounting firm.

FIS Brokerage & Securities Services LLC
Information Relating to Possession or Control Requirements under Rule 15c3-3 of
the Securities and Exchange Commission
June 30, 2019 **Schedule III**

The Company does not carry any customer accounts and is exempt from Securities and Exchange Rule 15c3-3 under paragraph (k)(2)(ii) because all customer transactions are cleared through other broker-dealers on a fully disclosed basis.

See accompanying report of independent registered public accounting firm.