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

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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/15 AND ENDING 12/31/15
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1633 BROADWAY
(No. and Street)

New York NY 10019
(City) (State) (Zip Code)

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

Mr. Frederick Ferraro (212) 993-7350
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

345 Park Avenue New York NY 10154
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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*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)

SEC 1410 (06-02)

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AUB

JG

AFFIRMATION

I, Frederick Ferraro, affirm that, to the best of my knowledge and belief the accompanying financial statements and supplemental schedules pertaining to the firm of Industrial and Commercial Bank of China Financial Services LLC (wholly owned subsidiary of Industrial and Commercial Bank of China Limited) as of December 31, 2015, are true and correct. I further affirm that neither Industrial and Commercial Bank of China Financial Services LLC nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Frederick Ferraro

Signature

CFO

Title

Subscribed and sworn to me on this 26th day
of February, 2016

Casey L Candalaria

Notary Public



**These financial statements and schedules should be deemed confidential pursuant to
subparagraph (e)(3) Rule 17a-5.**

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INDUSTRIAL AND COMMERCIAL BANK OF CHINA
FINANCIAL SERVICES LLC
(A WHOLLY OWNED SUBSIDIARY OF INDUSTRIAL AND
COMMERCIAL BANK OF CHINA LIMITED)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2015

(WITH REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM)

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Filed as PUBLIC information pursuant to
subparagraph (e)(3) Rule 17a-5.

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of China Limited)
Index
December 31, 2015

	Page
Financial Statements:	
Report of Independent Registered Public Accounting Firm.....	2
Statement of Financial Condition as of December 31, 2015.....	3
Notes to Statement of Financial Condition.....	4



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

Report of Independent Registered Public Accounting Firm

The Board of Directors
Industrial and Commercial Bank of China Financial Services LLC:

We have audited the accompanying statement of financial condition of Industrial and Commercial Bank of China Financial Services LLC ("the Company") as of December 31, 2015 ("the financial statement"). The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Financial Services LLC as of December 31, 2015, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 26, 2016

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of China Limited)
Statement of Financial Condition
December 31, 2015

Assets	
Cash and cash equivalents	\$ 46,997,026
Securities purchased under agreements to resell, net	21,117,227,694
Securities borrowed	8,159,022,257
Deposits with clearing organizations	109,616,221
Receivables:	
Customers	357,430,902
Broker-dealers and clearing organizations	1,908,078,522
Secured demand note receivable	100,000,000
Interest and dividends receivable	2,793,998
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$7,236,765	9,154,991
Other assets	<u>16,274,264</u>
Total assets	\$ <u><u>31,826,595,875</u></u>

Liabilities and Member's Capital

Liabilities:	
Short term borrowings	\$ 500,000,000
Securities sold under agreements to repurchase, net	24,915,824,632
Securities loaned	3,678,169,783
Payables:	
Customers	172,250,068
Broker-dealers and clearing organizations	2,318,751,316
Deferred tax liability	5,522,129
Interest and dividends payable	3,263,555
Other liabilities	<u>18,355,073</u>
	<u>31,612,136,556</u>
Subordinated borrowings	100,000,000
Member's capital	<u>114,459,319</u>
Total liabilities and member's capital	\$ <u><u>31,826,595,875</u></u>

The accompanying notes are an integral part of the Statement of Financial Condition.

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

(1) Organization and Nature of Business

Industrial and Commercial Bank of China Financial Services LLC (the "Company") is a wholly owned subsidiary of Industrial and Commercial Bank of China Limited (the "Parent"). The Company is a registered broker-dealer with the U.S. Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's business is to offer securities clearing, processing and financing services to clients.

(2) Significant Accounting Policies

(a) Basis of Presentation

The Company's statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 statement. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

The Company defines cash equivalents to be highly liquid investments with original maturities of ninety days or less, which may include federal funds sold on an overnight basis. The Company maintains amounts due from banks which, at times, exceeds federally insured limits.

(c) Receivables from customers/Payables to customers

Receivables from customers and Payables to customers include amounts due on regular way securities transactions and margin transactions. Securities owned by customers, including those that collateralize margin or similar transactions are not reflected in the statement of financial condition. Customer transactions that are failed to be received or delivered are recorded in receivables from and payables to broker-dealers and clearing organizations on the Statement of Financial Condition.

(d) Income Taxes

The Company accounts for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Accounting for Income Taxes*. FASB ASC 740 requires that deferred taxes be established based upon the temporary differences between financial statement and income tax bases of assets and liabilities using the enacted statutory rates.

The Company files federal tax returns on a stand-alone basis and is included in the combined New York State and City Article 9A return with the parent and its affiliates. Pursuant to a tax sharing arrangement with the parent and certain affiliates, the Company establishes an intercompany payable/receivable for any current state and local tax expenses. Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

(e) Collateralized Transactions

(i) Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell (“reverse repurchase agreements”) and securities sold under agreements to repurchase (“repurchase agreements”) are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amounts. Due to the highly liquid nature of the underlying collateral (primarily U.S. government and agency securities) and the short-term maturity of these agreements, contractual amounts approximate fair value. It is the policy of the Company to take possession of securities in order to collateralize reverse repurchase agreements. The collateral value, including accrued interest, is monitored daily and additional collateral is obtained when appropriate to protect the Company in the event of default by the counterparty. All repurchase and reverse repurchase activities are transacted under master netting agreements that give the Company the right, in the event of default, to liquidate collateral held and offset receivables and payables with the same counterparty. Accrued interest income and interest expense are reported as part of securities purchased under agreements to resell and securities sold under agreements to repurchase, respectively, on the Statement of Financial Condition. The Company manages certain of its reverse repurchase agreements positions interest rate risk by employing futures hedging.

(ii) Securities Borrowed and Loaned Transactions

Securities borrowed and loaned transactions are accounted for as collateralized financing transactions. These transactions are recorded at their contracted amount (the amount of cash collateral advanced or received). Securities borrowed transactions require the Company to deposit cash with the lender in excess of the market value of the securities borrowed. The fair value of securities borrowed and loaned is monitored daily and additional collateral is obtained or refunded when appropriate to protect the Company in the event of default by the counterparty. Rebates earned or paid on securities borrowing or lending transactions are shown in the category interest and dividends receivable or interest and dividends payable, respectively, on the Statement of Financial Condition.

All securities borrowed and loaned transactions are subject to an enforceable master netting agreement that give the Company the right, in the event of default, to liquidate collateral held and offset receivables and payables with the same counterparty.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

(iii) Offsetting Arrangements

The table below presents the gross and net resale and repurchase agreements and stock borrow and stock loan transactions, and the related amount of netting with the same counterparty under enforceable netting agreements (“counterparty netting”) included in the statement of financial condition.

All of the gross carrying values of these arrangements are subject to enforceable netting agreements. The following table also presents the amounts not offset in the statement of financial condition including counterparty netting that does not meet the criteria for netting under U.S. GAAP.

	As of December 31, 2015	
	Assets	Liabilities
	Securities purchased under agreements to resell	Securities sold under agreements to repurchase
(in millions)		
Amounts included in the statement of financial condition		
Gross carrying value	\$ 88,183	\$ 91,982
Counterparty netting	<u>(67,066)</u>	<u>(67,066)</u>
Net	<u>\$ 21,117</u>	<u>\$ 24,916</u>
(in millions)		
Amounts included in the statement of financial condition		
Gross carrying value	\$ 8,159	\$ 3,678
Counterparty netting	<u>-</u>	<u>-</u>
Net	<u>\$ 8,159</u>	<u>\$ 3,678</u>

The following table presents the net amount of financial assets and liabilities subject to enforceable master netting agreements and the gross amount of the financial instruments not offset in the statement of financial condition.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

December 31, 2015 (in millions)	Net amount included on the Statement of Financial Condition	Financial Instruments (1)	Net Amount
Financial assets subject to enforceable MNA			
Securities borrowed	\$ 8,159	\$ 8,159	-
Securities purchased under agreements to resell	21,117	21,117	-
Total	<u>\$ 29,276</u>	<u>\$ 29,276</u>	<u>\$ -</u>
Financial liabilities subject to enforceable MNA			
Securities loaned	\$ 3,678	\$ 3,578	\$ -
Securities sold under agreements to repurchase	24,916	24,692	-
Total	<u>\$ 28,594</u>	<u>\$ 28,270</u>	<u>\$ -</u>

(1) The total amount reported in financial instruments is limited to the amount of the related instruments presented in the statement of financial condition and therefore any over-collateralization of these positions is not included.

(iv) Secured Financing Transactions – Maturities and Collateral Pledged

The following tables present gross obligations for repurchase agreements and securities loaned transactions received as collateral by remaining contractual maturity and class of collateral pledged.

	At December 31, 2015				
	Remaining Contractual Maturity (In Millions)				
	Overnight or Continuous	Less than 30 days	30-90 days	Over 90 days	Total
Repurchase Agreements	(1) \$ 938	\$ 89,540	\$ 1,002	\$ 502	\$ 91,982
Securities Loaned	3,287	391	-	-	3,678
Gross amount of secured financing included in the above offsetting disclosure	<u>\$ 4,225</u>	<u>\$ 89,931</u>	<u>\$ 1,002</u>	<u>\$ 502</u>	<u>\$ 95,660</u>

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

<u>Secured Financing by the Class of Collateral Pledged</u>	<u>At December 31, 2015</u>
Securities sold under agreement to repurchase (1)	
U.S. government and agency securities	\$ 84,467
State and municipal securities	350
Asset - backed securities	6,835
Corporate and other debt	330
Corporate equities	-
Other	-
Total Securities sold under agreement to repurchase	<u>\$ 91,982</u>
Securities loaned	
U.S. government and agency securities	\$ -
State and municipal securities	391
Asset - backed securities	-
Corporate and other debt	-
Corporate equities	3,287
Other	-
Total Securities loaned	<u>\$ 3,678</u>

(1) Amounts presented on a gross basis, prior to netting as shown on the Company's Statement of Financial Condition.

(f) Fair Value of Financial Instruments

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts which approximate fair value. Assets, which are recorded at contracted amounts approximating fair value, consist largely of short-term secured receivables, including securities borrowed, securities purchased under agreements to resell, receivables from customers and receivables from broker-dealers and clearing organizations. Similarly, the Company's short-term liabilities, such as securities loaned, securities sold under agreements to repurchase, short-term borrowings, payables to customers and payables to broker-dealers and clearing organizations, are recorded at contracted amounts approximating fair value. These instruments generally have variable interest rates and/or short-term maturities, in many cases overnight and, accordingly, their fair values are not materially affected by changes in interest rates or market movements. Subordinated borrowings are recorded at contracted amounts, approximating fair value. With the exception of cash, which would be considered a level 1 instrument in the fair value hierarchy, all other financial instruments noted above are considered level 2.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

(g) Fair Value of Collateral

In the normal course of business, the Company obtains securities under agreements to resell and securities borrowed on terms which permit it to resell or lend the securities to others. At December 31, 2015, the Company obtained via either secured borrowings or reverse repurchase agreements with a fair value of \$30,493,623,315, of which approximately \$29,585,250,016 have been either resold or lent to others in connection with the Company's activities.

(h) Foreign Currencies

The Company has certain cash on deposit with banks denominated in foreign currencies and has payables to customers and counterparties also in foreign currencies. These assets and liabilities are translated at closing exchange rates at December 31, 2015.

(i) Other

The Company also engages in margin lending to clients that allows the client to borrow against the value of qualifying securities and is included within customer and broker-dealer receivables in the Company's Statement of Financial Condition. Client receivables generated from margin lending activities are collateralized by client-owned securities held by the Company.

The Company monitors required margin levels and established credit limits daily and, pursuant to such guidelines, requires clients to deposit additional collateral, or reduce positions, when necessary. Margin loans are extended on a demand basis and are not committed facilities. Factors considered in the review of margin loans are the amount of the loan, the intended purpose, the degree of leverage being employed in the account, and overall evaluation of the portfolio to ensure proper diversification or, in the case of concentrated positions, appropriate liquidity of the underlying collateral or potential hedging strategies to reduce risk. Additionally, positions related to concentrated or restricted positions require a review of any legal impediments to liquidation of the underlying collateral. Underlying collateral for margin loans is reviewed with respect to the liquidity of the proposed collateral positions, valuation of securities, historic trading range, volatility analysis and an evaluation of industry concentrations. For these transactions, adherence to the Company's collateral policies significantly limits the Company's credit exposure in the event of a client default. The Company may request additional margin collateral from clients, if appropriate, and, if necessary, may sell securities that have not been paid for or purchase securities sold but not delivered from customers. At December 31, 2015, there was approximately \$254,722,255 of customer margin loans outstanding.

At December 31, 2015, cash and securities of \$109,616,221 and \$143,125,254, respectively, were deposited with clearing organizations. Additionally, securities of \$132,527,783 were segregated under federal and other regulations. Securities deposited with clearing organizations or segregated under federal and other regulations or requirements are primarily sourced from reverse repurchase agreements in the Company's Statement of Financial Condition.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

(k) Accounting Developments

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. In June 2014, the Financial Accounting Standards Board (the "FASB") issued an accounting update requiring repurchase-to-maturity transactions to be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. The accounting update also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty (a repurchase financing), which will result in secured borrowing accounting for the repurchase agreement. This guidance became effective for the Company beginning January 1, 2015. In addition, new disclosures are required for sales of financial assets where the Company retains substantially all the exposure throughout the term and for the collateral pledged and remaining maturity of repurchase and securities lending agreements. The adoption of this guidance did not have a material impact on the Company's Statement of Financial Condition.

(3) Intangible Assets

Under the provisions of ASC 350, *Intangibles – Goodwill and Other*, the Company has reviewed appropriate events and circumstances and concluded that it is more likely than not that the fair value is greater than the carrying amounts of such assets. Intangible assets are amortized on the straight-line method over the estimated useful life of the asset. Intangible assets consisting of customer relationships amounted to \$8,480,450 at December 31, 2015, and are included in other assets in the Statement of Financial Condition.

(4) Receivable From and Payable to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2015 consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Securities failed-to-deliver/receive	\$ 1,767,660,395	\$ 2,222,947,900
Receivable from and payable to clearing organizations	101,187,202	22,720,193
Receivable from and payable to broker-dealers	<u>39,230,925</u>	<u>73,083,223</u>
	<u>\$ 1,908,078,522</u>	<u>\$ 2,318,751,316</u>

(5) Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist of leasehold improvements, furniture, fixtures, computer and communication equipment, and software. Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

Depreciation and amortization of premises and equipment are provided by the straight-line method over the estimated useful life of the asset.

Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or, where applicable, the remaining term of the lease, but generally not exceeding five years.

Furniture, equipment and leasehold improvements costs are tested for impairment whenever events or changes in circumstances suggest that an asset's carrying value may not be fully recoverable in accordance with current accounting guidance.

Furniture, equipment and leaseholds consisted of the following at December 31, 2015:

Furniture, equipment, and software	\$	9,655,784
Leasehold improvement		<u>6,735,972</u>
		16,391,756
Less: Accumulated depreciation and amortization		<u>(7,236,765)</u>
	\$	<u>9,154,991</u>

(6) Related Party Transactions

The Company has service agreements with the Parent and certain affiliates. The Company shares some of the same resources to benefit from the infrastructural cost savings in the conduct of its business. The Company has several transactions with its Parent and affiliates. Likewise, an affiliate subleases space from the Company.

Pursuant to a tax sharing arrangement with the Parent and certain affiliates, the Company establishes an intercompany payable/receivable for any current state and local tax expenses. At December 31, 2015, this payable amounted to \$1,066,583.

The Parent and affiliates provide various administrative and clearing services, as defined in the respective service level agreements, such as human resources among others, to the Company, for which the Company is charged in accordance with the service level agreements.

At December 31, 2015, included in other liabilities, are payables to Parent and affiliates of \$1,729,983 related to these services.

The Company also has a committed line of credit arrangement with the Parent's New York branch in the amount of \$250,000,000. Draw-downs pursuant to the credit line are unsecured, and the agreement expires February 28, 2017. As of December 31, 2015, there were no borrowings outstanding under this agreement.

The Company also has an uncommitted short term money market lending facility with the Parent's New York branch, providing overnight funds at market rates. The interest rate on this borrowing was 0.60% at December 31, 2015 and the facility was due January 4, 2016. Amounts borrowed under the facility are unsecured. The average balance outstanding was \$500,000,000. As of December 31, 2015, there was \$500,000,000 outstanding.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

The Company also has an uncommitted intra-day money market loan facility with the Parent's New York branch, providing for intraday loans up to \$1 billion at an interest rate of 0.05%.

(7) Employee Benefit Plans

The Company maintains a Traditional and Roth 401(k) Plan (the "Plan"). Each year, participants may contribute up to 20% of pretax annual compensation, as defined in the Plan, subject to certain Internal Revenue Code limitations. Participants may also contribute amounts representing rollover distributions from other qualified plans. The Company will make a matching contribution up to 100% of the first 4% of base compensation that a participant contributes as pretax and after-tax contributions to the Plan. In addition, the Company will make a non-elective contribution up to the first 5% of a participant's base compensation.

(8) Subordinated Borrowings

The Company has a \$100,000,000 secured demand note and collateral agreement with its Parent. The note payable bears interest of 0.07% per annum and matures on October 15, 2016.

The secured demand note has been approved as by FINRA and is available in computing net capital under SEC Rule 15c3-1. This secured demand note is subordinated to the claims of general creditors and, to the extent it is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

The secured demand note receivable is noninterest-bearing and is collateralized by marketable U.S. Treasury securities with an estimated fair value of \$110,100,777 as of December 31, 2015.

(9) Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Net deferred tax liability at December 31, 2015, is \$3,312,303, comprised of \$5,522,129 of gross deferred tax liability and \$2,209,826 of gross deferred asset, included in deferred tax liability and other assets on the Statement of Financial Condition, respectively. Deferred tax liabilities relate principally to the excess of book over tax basis of the intangible assets and fixed assets. Federal taxes payable of \$799,739 and intercompany state taxes payable of \$1,066,583 are included in other liabilities on the Statement of Financial Condition.

The Company has a net deferred tax liability as of December 31, 2015. Management believes it is more-likely-than-not that the Company will realize the benefits of the gross deferred tax assets taken into account the scheduled reversal of deferred tax liabilities and projected future taxable income over the period on which the deferred tax assets become deductible.

As of December 31, 2015, the Company had no unrecognized tax benefits or related accrued interest and penalties.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

The earliest taxable year that the Company is subject to Federal, New York State and City tax examination is 2012.

(10) Regulatory Requirements

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, as permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$1,500,000 or 2% of aggregate debit balances arising from customer transactions, as defined. At December 31, 2015, the Company had net capital of \$159,646,723 which was \$150,621,507 in excess of required net capital of \$9,025,215.

The Company is also subject to the SEC's Customer Protection Rule ("SEC Rule 15c3-3"), which requires, under certain circumstances, that cash or securities be deposited into a special reserve bank account for the exclusive benefit of customers and for the proprietary accounts of introducing brokers. At December 31, 2015, the Company's SEC Rule 15c3-3 reserve computation indicated no reserve requirement. At December 31, 2015, the Company had qualified securities in the amount of \$50,730,867 segregated in its account reserved for the exclusive benefit of customers, which are included in securities purchased under agreements to resell on the Statement of Financial Condition.

The Company is also required to perform a computation of reserve requirements for Proprietary Accounts of Brokers ("PAB"). At December 31, 2015, the Company's PAB reserve computation indicated a reserve requirement of \$44,645,391. At December 31, 2015, the Company had qualified securities in the amount of \$81,796,916 segregated in its PAB reserve account, which are included in securities purchased under agreements to resell on the Statement of Financial Condition.

(11) Commitments, Contingencies and Guarantees

The Company enters into forward starting reverse repurchase agreements (agreements that have a trade date as of or prior to December 31, 2015 and settle subsequent to year end) that are primarily secured by collateral from U.S. government securities. At December 31, 2015, the Company had commitments to enter into reverse repurchase and repurchase agreements of \$2,024,543,915 and \$2,024,543,915 respectively.

The Company is a member of various exchanges that trade and clear securities or futures contracts or both. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. Although the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the consolidated financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

The Company leases office space under an operating lease which expires in January 2021. The Company has sub-leases related to the foregoing operating lease. Future minimum lease payments during the next five years and thereafter at December 31, 2015 are as follows:

Year	Gross Amount	Sublease Income	Net Amount
2016	\$ 3,567,437	\$ 2,039,054	\$ 1,528,383
2017	3,891,750	1,888,835	2,002,915
2018	3,891,750	1,280,186	2,611,564
2019	3,891,750	915,368	2,976,382
2020	3,891,750	610,245	3,281,505
Thereafter	324,313	-	324,313
	\$ 19,458,750	\$ 6,733,688	\$ 12,725,062

Occupancy lease agreements, in addition to base rentals, generally provide for operating expense escalations resulting from increased assessments for real estate taxes and other charges. Also, in accordance with the lease agreement, the Company has deposited a letter of credit with the landlord in the amount of \$1,945,875 as security.

In accordance with FASB ASC 450, *Accounting for Contingencies*, the Company's policy regarding legal and other contingencies is to accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. At December 31, 2015, the Company is not aware of any outstanding contingencies.

(Continued)

Industrial and Commercial Bank of China Financial Services LLC
(A Wholly Owned Subsidiary of Industrial and Commercial Bank of
China Limited)
Notes to Statement of Financial Condition

(12) Credit Risk

The Company enters into short-term collateralized financing transactions and, consequently, has credit risk for the timely repayment of principal and interest. Credit risk is measured by the loss the Company would record if its counterparties failed to perform pursuant to the terms of their contractual obligations and the value of collateral held, if any, was not adequate to cover such losses. Specifically, the Company's potential credit loss exposure for contractual commitments is equal to the market or fair value of contractual commitments that are in a net asset position less the effect of master netting agreement. The Company has established controls to monitor the creditworthiness of counterparties, as well as the quality of pledged collateral, and uses master netting agreements whenever possible to mitigate the Company's exposure to counterparty credit risk. The Company may require counterparties to submit additional collateral when deemed necessary. The Company controls the collateral pledged by the counterparties, which consists largely of securities issued by the U.S. government or its agencies and the fair value of which approximates the carrying amount of the financing transactions

(13) Subsequent Events

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date of issuance of the Statement of Financial Condition on February 26, 2016, noting none.

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