NATIONAL FINANCIAL SERVICES LLC
STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2018
(Unaudited)
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The most recent Statement of Financial Condition, filed pursuant to Rule 17a-5(e)(3) under the Securities Exchange Act of 1934, is available for inspection at the principal office of the Company and at the Boston Regional Office of the Commission.

NATIONAL FINANCIAL SERVICES LLC
STATEMENT OF FINANCIAL CONDITION (Unaudited)
AS OF JUNE 30, 2018
(Dollars in millions)

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and segregated cash | $ | 350 |
| Securities segregated under federal regulations | | |
| (includes securities owned with a fair value of $5,469) | | 35,580 |
| Securities borrowed | | 10,804 |
| Resale agreements | | 535 |
| Receivables: | | |
| Brokers, dealers and other organizations | | 2,187 |
| Customers, net of allowance for doubtful accounts | | 22,431 |
| Total receivables | | 24,618 |
| Securities owned - at fair value ($427 pledged as collateral) | | 733 |
| Other assets | | 380 |
| Total Assets | $ | 73,000 |
| **LIABILITIES** | | |
| Bank loans | $ | 34 |
| Securities loaned | | 3,430 |
| Repurchase agreements | | 661 |
| Payables: | | |
| Brokers, dealers and other organizations | | 1,581 |
| Customers | | 61,997 |
| Drafts | | 360 |
| Affiliates | | 167 |
| Total payables | | 64,105 |
| Securities sold, but not yet purchased - at fair value | | 34 |
| Accrued expenses and other liabilities | | 287 |
| Total Liabilities | | 68,551 |
| **COMMITMENTS AND CONTINGENCIES** | | |
| **MEMBER'S EQUITY** | | |
| Member's equity | | 4,449 |
| Total Liabilities and Member's Equity | $ | 73,000 |

The accompanying notes are an integral part of the statement of financial condition.

## 1. Organization:

National Financial Services LLC (the "Company"), a single member limited liability company, is wholly-owned by Fidelity Global Brokerage Group, Inc. (the "Parent"), a wholly-owned subsidiary of FMR LLC ("FMR" or "Ultimate Parent").

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is licensed to transact on the NYSE Euronext and various national and regional stock and option exchanges. The Company provides a wide range of securities related services to a diverse customer base primarily in the United States. The Company's client base includes institutional and individual investors, introducing broker-dealers, investment advisors and corporations. The Company engages in brokerage, clearance, custody and financing activities for which it receives fees from customers. The Company also engages in securities transactions either on a principal or agent basis and facilitates securities transactions for its clients. The Company also provides clearing and other services for an affiliated broker-dealer, Fidelity Brokerage Services LLC ("FBS"). FBS provides securities brokerage services to a retail customer base that affect transactions across a wide array of financial instruments.

## 2. Summary of Significant Accounting Policies:

Basis of Presentation and Use of Estimates

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including fair value measurements, and the disclosure of contingent assets and liabilities. Actual results could differ from the estimates included in the statement of financial condition.

Cash and Segregated Cash

For the purpose of reporting amounts in the statement of financial condition, the Company defines cash as cash on hand, demand deposits, and time deposits with original maturities less than 60 days. The Company generally invests excess cash into money market funds, which are classified as securities owned in the statement of financial condition. Included in cash and segregated cash is $12 in interest bearing cash deposits segregated to satisfy SEC rules regarding the protection of customer assets.

Securities Segregated Under Federal Regulations

The Company is required by SEC regulations to segregate cash and securities to satisfy rules regarding the protection of customer assets. As of June 30, 2018, the Company had $35,580 of securities segregated to be in compliance with regulations. This balance includes resale agreements, which are collateralized by U.S. Government and agency securities. Resale agreements are accounted for as collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. Securities segregated under federal regulations also include U.S. Government and agency securities, which are recorded at fair value.

(Dollars in millions)

## 2. Summary of Significant Accounting Policies, continued:

Receivables from and Payables to Brokers, Dealers and Other Organizations and Customers

Receivables from brokers, dealers and other organizations include amounts receivable for securities failed to deliver, clearing deposits, commissions receivable and margin loans made to the customers of the Company's introducing broker-dealers. The Company also has receivables from mutual fund companies related to its customers' sales of mutual funds, of which $629 is from mutual funds managed by an affiliate.

Receivables from brokers, dealers and other organizations consist of the following at June 30, 2018:

| | | |
|---|---|---|
| Mutual fund companies and other | $ | 1,170 |
| Clearing organizations | | 676 |
| Broker dealers | | 341 |
| Total | $ | 2,187 |

Payables to brokers, dealers and other organizations includes amounts payable for securities failed to receive and amounts payable to clearing organizations and broker-dealers arising from unsettled trades. The Company also has payables to mutual fund companies related to its customers' purchases of mutual funds, of which $214 is to mutual funds managed by an affiliate.

Payables to brokers, dealers and other organizations consist of the following at June 30, 2018:

| | | |
|---|---|---|
| Broker dealers | $ | 935 |
| Mutual fund companies | | 420 |
| Clearing organizations | | 226 |
| Total | $ | 1,581 |

Receivables from and payables to customers include amounts related to both cash and margin transactions. Receivables also include non-purpose loans, which are collateralized. The Company records customer transactions on a settlement date basis, which is generally two business days after trade date, with the related commission and clearing fees revenue and related expenses recorded on a trade date basis. The Company's customer balances are monitored through a review of account balance aging, collateral value in the account and an assessment of the customer's financial condition. An allowance against doubtful receivables is established through a combination of specific identification of doubtful accounts and an aging review of all unsecured accounts. At June 30, 2018, unsecured receivables from customers were $39, for which the Company recorded an allowance for doubtful accounts of $6. Securities owned by customers, including those that collateralize margin transactions, are not reflected on the accompanying statement of financial condition.

Other Assets and Accrued Expenses and Other Liabilities

Other assets primarily consists of furniture, office equipment, leasehold improvements and software, net of accumulated depreciation and amortization, interest and dividends receivable, deferred implementation costs and concession payments. Accrued expenses and other liabilities primarily consist of accrued compensation and interest payable.

**2. Summary of Significant Accounting Policies, continued:**

Other Assets and Accrued Expenses and Other Liabilities, continued

Furniture, office equipment, leasehold improvements and software are stated at cost less accumulated depreciation and amortization. Software includes certain costs incurred for purchasing or developing software for internal use. Depreciation is computed using the straight-line method based on estimated useful lives as follows: furniture and office equipment, three to five years; leasehold improvements, the shorter of their useful lives or the remainder of the lease term; and software, generally three years.

Included in other assets are furniture, office equipment, leasehold improvements and software of $94 with a cost of $329 and accumulated depreciation and amortization of $235.

Deferred implementation costs are capitalized internal costs incurred associated with client implementation. These costs are amortized using the straight-line method over the expected service periods.

Concession payments are the costs of acquiring or retaining customers. These concessions are amortized using the straight-line method over the contractual period.

These long-lived assets in the statement of financial condition are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying value exceeds the sum of the expected future undiscounted cash flows. When the carrying amount of a long-lived asset is not recoverable, the asset is reduced to its fair value.

Income Taxes

The Company, as a single-member limited liability company, is disregarded as an entity separate from its owner and its operations are included in the federal and state income tax returns of FMR. The Company is allocated its share of the consolidated income tax expense or benefit based upon statutory rates applied to the Company’s earnings. The Company settles any current taxes periodically with FMR.

The Company uses the asset and liability method to provide for income taxes on all transactions recorded in the statement of financial condition. Under this method, deferred tax assets and liabilities are determined based on differences arising in the timing of recognition of revenue and expense for tax and financial reporting purposes.

At June 30, 2018, the Company’s net deferred tax asset was $8, which is included in other assets in the statement of financial condition. The primary sources of the temporary differences which comprise the net deferred tax asset are deferred compensation and concession payments.

The Company applies a more-likely-than-not recognition threshold for all tax uncertainties as the Company is permitted to recognize only those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the relevant taxing authorities.

(Dollars in millions)

## 2. Summary of Significant Accounting Policies, continued:

Income Taxes, continued:

The Company is included in FMR's consolidated U.S. federal and state income tax return filings. With limited exceptions, the returns that include the Company's activity are no longer subject to federal tax examinations for years before 2010 or state and local examinations for years before 2004.

Recent Accounting Pronouncements

*Leases*
In February 2016, the Financial Accounting Standards Board ("FASB") issued new guidance on accounting for leases. This guidance primarily impacts lessees and requires them to account for leases as finance or operating leases. Both leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet. The new guidance will be effective for the Company beginning January 1, 2019. The Company is currently evaluating the impact this guidance will have on the statement of financial condition.

## 3. Securities Segregated Under Federal Regulations:

Securities segregated under federal regulations consist of the following at June 30, 2018:

| | |
|---|---|
| U.S. Government and agency securities obtained as collateral under resale agreements | $ 30,111 |
| U.S. Government and agency securities - at fair value | 5,469 |
| Total | $ 35,580 |

As of June 30, 2018, interest bearing cash deposits segregated under federal regulations of $12 are included in cash and segregated cash on the statement of financial condition.

## 4. Credit Facilities:

The Company has entered into committed and uncommitted overnight credit facilities which are borrowed against periodically to satisfy daily operating needs. The committed credit facility permits the Company to borrow at any time up to $500 and requires the payment of a commitment fee. At June 30, 2018, the Company had uncommitted credit facilities with fourteen financial institutions. There was $34 of outstanding borrowings against these uncommitted facilities at June 30, 2018 which are included in bank loans on the statement of financial condition. The Company also has a liquidity facility with FMR, which was increased to $2,500 from $2,000 as of March 23, 2018. There are no borrowings under this line as of June 30, 2018.

Amounts available under these facilities at June 30, 2018 are as follows:

| | |
|---|---|
| Committed, unsecured credit facilities | $ 500 |
| Uncommitted facilities: | |
| Secured | 500 |
| Unsecured | 3,150 |
| Liquidity facility with FMR | 2,500 |
| | $ 6,650 |

(Dollars in millions)

**5. Securities Owned and Securities Sold, but Not Yet Purchased:**

Securities owned and securities sold, but not yet purchased consist of the following at June 30, 2018:

| | |
|---|---|
| Securities owned - at fair value: | |
| U.S. Government and agency | $ 533 |
| Equities | 103 |
| Municipals | 72 |
| Corporates | 4 |
| Other | 21 |
| Total | $ 733 |

| | |
|---|---|
| Securities sold, but not yet purchased - at fair value: | |
| U.S. Government and agency | $ 20 |
| Equities | 10 |
| Other | 4 |
| Total | $ 34 |

**6. Derivative Financial Instruments:**

The Company enters into foreign exchange contracts to facilitate certain customer transactions. These contracts are subject to volatility in the currency markets. At June 30, 2018, the Company included $3 related to these contracts in securities owned at fair value in the statement of financial condition. The contracts are recorded at fair value and included in Level 2 assets in the valuation hierarchy (See Note 10). The Company's determination of fair value includes an assessment of non-performance risk. The notional value of the outstanding contracts purchased as of June 30, 2018 totaled $494.

**7. Commitments and Contingencies:**

Leases

The Company leases certain office space and equipment under non-cancelable operating leases that expire over various terms. Many lease agreements contain renewal options and operating expense escalation clauses.

Future minimum commitments under these leases are as follows:

| | |
|---|---|
| 2018 | $ 4 |
| 2019 | 7 |
| 2020 | 7 |
| 2021 | 7 |
| 2022 | 7 |
| Thereafter | 25 |

## 7. Commitments and Contingencies, continued:

Litigation

The Company has been named as a defendant in several legal proceedings and is subject to regulatory inquiries incidental to the nature of its business. The Company reviews such matters on a case by case basis and records reserves if a loss is probable and the amount of the loss can be reasonably estimated. The resolution of such actions is not expected to materially impact the Company's statement of financial condition.

Guarantees

Guarantees are defined as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying input (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) in relation to an asset, liability or equity security of a guaranteed party. Guarantees are also defined as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

The Company is a member of numerous exchanges and clearinghouses. Under the membership agreements, members are generally required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral as well as meet certain minimum financial standards. The Company's maximum potential liability under these arrangements cannot be quantified. However, management believes the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is recorded in the statement of financial condition for these arrangements.

Letters of Credit

At June 30, 2018, the Company had $17 in unsecured letters of credit outstanding.

## 8. Member's Equity:

On March 22, 2018, the Company declared and paid a cash dividend of $500 to the Parent.

## 9. Collateralized Securities and Other Secured Transactions:

Collateralized Securities Transactions

Resale and repurchase agreements are accounted for as collateralized financing transactions and are recorded at their contractual amounts plus accrued interest. These agreements are generally collateralized by U.S. Government and agency securities. It is the Company's policy to take possession of securities purchased under resale agreements with a market value in excess of the principal amount loaned plus accrued interest to collateralize these transactions. Similarly, the Company is generally required to provide securities to counterparties in order to collateralize repurchase agreements. This collateral is valued daily and the Company or the counterparty may be required to deposit additional securities or return securities pledged when appropriate. The majority of securities obtained as collateral under resale agreements are segregated for the exclusive benefit of customers pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934, and are included in securities segregated under federal regulations in the statement of financial condition.

**9. Collateralized Securities and Other Secured Transactions, continued:**

Collateralized Securities Transactions, continued

The Company borrows securities to facilitate the settlement process and lends securities to finance securities transactions. When the Company borrows securities, it usually provides the counterparty with the collateral in the form of cash. In loaning securities, the Company utilizes securities owned by customers and held as collateral on customers' margin debt, as well as securities borrowed. Securities borrowed and securities loaned are recorded based on the amount of cash collateral advanced or received. For securities borrowed transactions, the Company is typically required to deliver collateral with a fair value approximately equal to the carrying value of the securities borrowed transactions. The Company monitors the market value of securities borrowed and loaned, with excess collateral returned, or additional collateral obtained, when deemed appropriate.

In certain cases, the Company borrows and pledges collateral in the form of securities. In non-cash loan versus pledge securities transactions, when the Company initiates such transactions as lender, it records the collateral received as both an asset and as a liability, recognizing the obligation to return the collateral to the borrower. The Company did not have any outstanding non-cash loan verses pledge securities transactions at June 30, 2018. When the Company initiates such transactions as a borrower, they are not recorded in the statement of financial condition. At June 30, 2018, such off-balance sheet transactions with third parties totaled $163.

The table below presents gross amounts of the resale and repurchase agreements and securities borrowed and loaned transactions included in the statement of financial condition. The following table also presents amounts not offset in the statement of financial condition, including the related amount of netting with the same counterparty under enforceable netting arrangements that does not meet the criteria for netting under GAAP and the fair value of cash or securities collateral received or posted subject to collateral arrangements. These arrangements have been determined by the Company to be legally enforceable in the event of default.

(Dollars in millions)

**9. Collateralized Securities and Other Secured Transactions, continued:**

Collateralized Securities Transactions, continued

| | June 30, 2018 | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | Resale Agreements | Securities Borrowed | Repurchase Agreements | Securities Loaned |
| **Amounts included in the statement of financial condition** | | | | |
| Gross carrying value | $ 30,646 | $ 10,804 | $ 661 | $ 3,430 |
| Counterparty netting | - | - | - | - |
| Collateral | - | - | - | - |
| Total | 30,646 | 10,804 | 661 | 3,430 |
| **Amounts that have not been offset in the statement of financial condition** | | | | |
| Counterparty netting | - | (254) | - | (254) |
| Collateral | (30,637) | (10,248) | (661) | (3,060) |
| Total | $ 9 | $ 302 | $ - | $ 116 |

Resale agreements of $30,111 at June 30, 2018 are segregated for the exclusive benefit of customers pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 and are included in securities segregated under federal regulations in the statement of financial condition. Other resale agreements of $535 at June 30, 2018, are reported in resale agreements in the statement of financial condition.

The table below presents repurchase agreements and securities loaned by remaining contractual term to maturity and class of collateral pledged as of June 30, 2018:

| | Overnight and Continuous |
|---|---|
| **Repurchase agreements** | |
| U.S. government and agency securities | $ 661 |
| Total | $ 661 |
| **Securities loaned** | |
| Equity securities | $ 3,425 |
| Other | 5 |
| Total | $ 3,430 |

## 9. Collateralized Securities and Other Secured Transactions, continued:

Assets Pledged and Other Secured Transactions

In the normal course of business, the Company executes, settles and finances customer, correspondent and principal securities transactions. Customer and correspondent transactions include securities sold, but not yet purchased (short sales) and the writing of options. These activities may expose the Company to off-balance sheet credit risk arising from the potential that the customer or counterparty may fail to satisfy its obligations and the collateral will be insufficient. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to customers and counterparties.

The Company seeks to control the risks associated with its customer and correspondent activities by requiring customers and correspondents to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors trade date customer and correspondent exposure and collateral values daily and requires customers and correspondents to deposit additional collateral or reduce positions when necessary.

Securities sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price, and thereby create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in exposure to market risk as the Company’s ultimate obligation to purchase securities sold, but not yet purchased may exceed the amount recognized in the statement of financial condition.

The Company seeks to control the risks associated with these transactions by establishing and monitoring credit limits for significant counterparties for each type of transaction and monitoring collateral and transaction levels daily. The Company may require counterparties to deposit additional collateral or return collateral pledged. In the case of aged securities failed to receive, the Company may, under industry regulations, purchase the underlying securities in the market and seek reimbursement for any losses from the counterparty.

Collateral

At June 30, 2018, the fair value of securities received as collateral by the Company that can be delivered or repledged was $90,852. This collateral was generally obtained under resale agreements, securities borrowed or margin lending agreements. Of these securities received as collateral, $55,668 was delivered or repledged.

## 10. Disclosure About Fair Value of Financial Assets and Liabilities:

Valuation Hierarchy

The Company categorizes the financial assets and liabilities carried at fair value in its statement of financial condition based upon a three-level valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable valuation inputs (Level 3). If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, categorization is based on the lowest level input that is significant to the fair value measurement. Management’s assessment of the significance of a particular input to the overall fair value measurement of a financial asset or liability requires judgment and considers factors specific to the asset or liability. Management seeks to maximize the use of observable inputs. The three levels are described below:

## 10. Disclosure About Fair Value of Financial Assets and Liabilities, continued:

Valuation Hierarchy, continued

*Level 1 Inputs*
Unadjusted quoted prices for identical assets and liabilities in an active market.

- Level 1 assets primarily include securities segregated under federal regulations, government and agency securities (primarily U.S. treasury securities) and equity securities.

- Level 1 liabilities include equity securities and government and agency securities.

*Level 2 Inputs*
Quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 2 assets include corporate bonds, municipal bonds, and other securities.

- Level 2 liabilities include other securities.

*Level 3 Inputs*
Prices or valuation techniques that require inputs that are both unobservable in the market and significant to the overall fair value measurement. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset or liability, and are based on the best available information, some of which is internally developed.

- The Company did not have any Level 3 financial assets or liabilities at June 30, 2018.

Valuation Processes and Techniques

There are three main approaches to measuring fair value of assets and liabilities: the market approach, which uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities; the income approach, which uses valuation techniques to convert future amounts to a single, discounted amount; and the cost approach, which reflects the amount that would be required to replace the service capacity of an asset. The following is a description of the valuations techniques and inputs used in determining the fair values of assets and liabilities categorized as Level 2.

Financial assets and liabilities categorized as Level 2 in the hierarchy are generally valued using techniques consistent with the market approach. All inputs used to value Level 2 financial assets and liabilities are sourced from third-party pricing vendors. Generally, prices obtained from vendors are categorized as Level 2 as the vendor uses observable inputs in determining the price.

(Dollars in millions)

**10. Disclosure About Fair Value of Financial Assets and Liabilities, continued:**

Fair Value Measurements

The following fair value hierarchy table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Securities segregated under federal regulations | $ 5,469 | $ - | $ - | $ 5,469 |
| Securities owned: | | | | |
| U.S. Government and agency | 533 | - | - | 533 |
| Corporates and municipals | - | 76 | - | 76 |
| Equities | 103 | - | - | 103 |
| Other securities | 18 | 3 | - | 21 |
| Total securities owned | 654 | 79 | - | 733 |
| Total Assets | $ 6,123 | $ 79 | $ - | $ 6,202 |
| Liabilities: | | | | |
| Securities sold, but not yet purchased: | | | | |
| U.S. Government and agency | $ 20 | $ - | $ - | $ 20 |
| Equities | 10 | - | - | 10 |
| Other securities | - | 4 | - | 4 |
| Total securities sold, but not yet purchased | 30 | 4 | - | 34 |
| Total Liabilities | $ 30 | $ 4 | $ - | $ 34 |

Securities segregated under federal regulations consist of U.S. Government securities.

As of June 30, 2018, there were no changes to the valuation techniques used by the Company to determine fair value, nor were there transfers between levels.

Financial Assets and Liabilities Not Carried at Fair Value

Certain financial assets and liabilities that are not carried at fair value in the statement of financial condition are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. These financial assets and liabilities include securities borrowed, resale agreements, receivables, securities loaned, repurchase agreements and payables, which are classified as Level 2 within the fair value hierarchy, while cash and segregated cash is classified as Level 1 in the fair value hierarchy.

**11. Regulatory Requirements:**

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Rule") in addition to the rules of FINRA and other principal exchanges on which it is a member or licensed to transact business. The Company has elected the alternative method permitted by the Rule which requires that minimum net capital, as defined, be the greater of $1.5 or 2% of aggregate debit items arising from customer transactions. At June 30, 2018, the Company had net capital of $3,858 which was 11.63% of aggregate debit items and exceeded its minimum requirement by $3,195.

The Company is also subject to Rule 15c3-3 under the Securities Exchange Act of 1934 and/or other applicable regulations, which require the Company to maintain cash or qualified securities in a segregated reserve account for the exclusive benefit of customers. In accordance with Rule 15c3-3, the Company had cash and securities segregated for the exclusive benefit of customers at June 30, 2018. The amount of cash and the market value of securities segregated for the exclusive benefit of customers was $35,440. On July 3, 2018, the Company deposited an additional $227 of cash and qualified securities into its segregated reserve bank accounts.

During 2018, the Company performed the computations for the assets in the proprietary accounts of its introducing brokers ("PAB") in accordance with the customer reserve computation (Rule 15c3-3) set forth under the Securities and Exchange Act of 1934. As of June 30, 2018, the Company performed a PAB reserve computation, which indicated the Company's credits exceeded its debits. The amount held in the segregated reserve bank account at June 30, 2018 was $98. On July 3, 2018, the Company deposited $76 of cash and qualified securities into its PAB reserve bank accounts.

**12. Transactions with Affiliated Companies:**

Clearing services are provided to FBS under an agreement with the Company. Pursuant to the clearing agreement, the Company is entitled to certain fees for the execution, clearance and settlement of introduced customer securities transactions. These fees are based upon a contractual agreed upon amount. The clearing agreement with FBS is reviewed on a periodic basis and is subject to change upon approval from both parties.

The Company enters into both cash and non-cash loan versus pledge securities loan transactions with FBS. At June 30, 2018, the Company had cash securities loaned to FBS of $2,000 which is included in securities loaned in the statement of financial condition. The Company did not have a non-cash loan versus pledge with FBS at June 30, 2018.

Transactions with affiliated companies are settled with FMR, with the exception of certain transactions with FBS (which are settled directly pursuant to the clearing agreement). Payables to affiliates represent the amounts due to FMR and FBS of $49 and $118, respectively, at June 30, 2018.

The Company participates in FMR's defined contribution retirement savings plan, (the "Plan") covering eligible employees. FMR contributes annually to the Plan in amounts that are generally at the discretion of FMR and equal to a percentage of participating employees' eligible compensation. Additionally, FMR makes matching contributions to the Plan based on amounts contributed by employees to the Plan during the year.

**12. Transactions with Affiliated Companies, continued:**

The Company participates in FMR's Retiree Health Reimbursement Plan ("RHRP"), a defined benefit health reimbursement arrangement covering eligible employees. FMR has established the Fidelity Welfare Benefit Plans VEBA Trust to provide a funding vehicle for certain benefits related to FMR's benefit plans, including the RHRP. FMR accrues a benefit to participants under the RHRP based on an award of three thousand dollars for each eligible full-time employee and one thousand five hundred dollars for each eligible part-time employee, subject to ten year cliff vesting with consideration given for prior service. Future awards under the RHRP are at the discretion of FMR.

The Company participates in various share-based compensatory plans sponsored by FMR and is allocated a compensation charge from FMR that is amortized over the period in which it is earned by participants. The various share-based compensation arrangements are accounted for as share appreciation rights by FMR. These share-based compensation arrangements are solely compensatory for U.S. federal income tax purposes, and generally provide holders with compensation based on participation in changes in FMR's Net Asset Value per share (as defined) ("NAV") over their respective terms. All plans are settled in cash or senior notes at the end of their defined term or when plan participants are no longer employees.

**13. Concentration of Credit Risk:**

The Company provides brokerage, clearance, financing and related services to a customer base primarily in the United States, including institutional and individual investors and brokers and dealers (including affiliates). The Company's exposure to credit risk associated with these transactions is measured on an individual customer or counterparty basis. To reduce the potential for risk concentration, credit limits are established and continually monitored in light of changing customer and market conditions. In the normal course of providing such services, the Company requires collateral on a basis consistent with industry practice or regulatory requirements. The type and amount of collateral is continually monitored and counterparties are required to provide additional collateral as necessary.

**14. Subsequent Events:**

The Company has performed an evaluation of events that have occurred subsequent to June 30, 2018, and through September 5, 2018 (the date of issuance of this report). There have been no material subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the statement of financial condition as of June 30, 2018.