

DRIVEWEALTH, LLC

Unaudited Statement of Financial Condition

As of June 30, 2022

**DRIVEWEALTH, LLC
ANNUAL STATEMENT OF FINANCIAL CONDITION
INDEX
AS OF JUNE 30, 2022**

	Page
Financial Statement:	
Statement of Financial Condition	2
Notes to the Statement of Financial Condition	3-9

DRIVEWEALTH, LLC
STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2022

ASSETS

Cash	\$	115,518,933
Cash Segregated under Federal and Other Regulations		12,907,965
Securities Owned, at Market (Long)		632,568
Securities Borrowed		157,598,010
Securities Failed to Deliver		27,430,294
Receivable from Brokers and Dealers		3,647,365
Receivable from Customers		2,056,667
Receivable from Non-Customers		6,369,585
Due from Affiliates		1,852,803
Clearing Deposits		33,553,116
Investments in fractional shares held by customers		362,044,190
Other Assets		878,803
Total Assets	\$	<u>724,490,299</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities

Payable to Broker-Dealers and Investment Advisors	\$	3,907,965
Payable to Customers		5,346,904
Accounts Payable and Accrued Expenses		4,940,751
Securities Loaned		157,598,010
Securities Failed to Receive		20,030,770
Omnibus Payable		7,399,524
Repurchase obligation for investments held by customers		362,044,190
Securities Owned, at Market (Short)		16,573
Due to Affiliates		792,862
Total Liabilities	\$	<u>562,077,549</u>

Member's Equity

Total Liabilities and Member's Equity	\$	<u>162,412,750</u> <u>724,490,299</u>
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See accompanying Notes to the Statement of Financial Condition

DRIVEWEALTH, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2022

1. Nature of Operations and Summary of Significant Accounting Policies

1.1 Nature of Operations

DriveWealth, LLC (“DriveWealth” or the “Company”) was formed in New Jersey in 2012 and is wholly owned by DriveWealth Holdings, Inc. (the “Parent”). The Company is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority (“FINRA”). The Company is also registered with 53 U.S states and territories and is a member of the National Futures Association and is registered as an introducing broker with the Commodity Futures Trading Commission.

The Company operates as an agency business retailing corporate equity securities providing an API – driven brokerage infrastructure platform to allow the user customer base of correspondent broker-dealers and investment advisors to trade equity securities and exchange traded funds. DriveWealth is a self-clearing DTC Member but also clears its business on an omnibus basis with other clearing brokers including RBC Capital Markets, LLC; Wedbush Securities, Inc.; Axos Clearing, Inc.; and Velox Clearing, Inc. (the “Clearing Brokers”). The Company is subject to the provisions of SEC Rule 15c3-1 and SEC Rule 15c3-3. The Company is authorized to engage in the following business lines: (1) Broker or dealer retailing corporate equity securities over-the-counter (including after-hours trading); (2) Non-exchange member arranging for transactions in listed securities by exchange member; (3) the operation of an on-line system facilitating transactions in the above; (4) the receipt of fees related to foreign currency transactions; (5) fully-disclosed correspondent clearing and settlement services for U.S. and foreign registered introducing broker-dealers; (6) single consolidated margin and cash account clearing and settlement services for qualified intermediaries that are also foreign broker-dealers registered in their local jurisdiction; (7) facilitation of fractional shares trading on a principal basis; and (8) mutual fund retailer.

1.2 Basis of Presentation

The Statement of Financial Condition has been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as detailed in the Financial Accounting Standards Board’s Accounting Standards Codification.

1.3 Revenue Recognition

Clearing fee revenue, which includes monthly platform fee minimums, account fees and transaction/activity fees, are recognized on a trade date basis as securities transactions occur. Commission revenue is also recorded on a trade date basis as securities transactions occur. Other revenue includes principal facilitation and payment for order flow as well as miscellaneous brokerage fees, all of which are recorded on respective transaction dates. Margin interest revenue is recorded monthly on the first business day following each month-end.

DRIVEWEALTH, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION (CONTINUED)
AS OF JUNE 30, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

1.3 Revenue Recognition and Order Execution (continued)

Regarding Order Flow revenue and Fractional Share Facilitation revenue, the Company receives orders from its counterparties via API and FIX connections. The orders are received through the firm's order gateway (API) and then handled by the firm's order management system ("OMS"). Based on the conditions of the orders (e.g., market, limit, notional, etc.) the OMS will then route full share orders to one of the Company's executing brokers. Most of the orders are routed to an affiliate (DriveWealth Institutional, LLC or "Institutional"), which occurs through redundant (hot) FIX connections, with a secondary FIX connection to an independent executing broker. The redundant FIX connections provide auto-failover for Company's primary route, with a back-up for disaster recovery purposes to its secondary route. On orders executed through Institutional, the Company may receive Order Flow Revenue (payment for order flow for shares Institutional routes away, as well as 50% of the net revenue earned from internalized volume). On fractional share trades, the Company will buy or sell from its principal account at the National Best Bid or Offer. The Company may make a profit or incur a loss for the facilitation of the fractional share trade.

1.4 Use of Estimates

The preparation of the Statement of Financial Condition in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1.5 Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the double-declining method over the estimated useful lives (3-5 years) of the related assets. Leasehold improvements are amortized over the remaining life of the lease.

1.6 Segregated Cash

In accordance with FINRA Customer Protection Rule 15c3-3, the Company calculates weekly, as of the close of the last business day of the week, and deposits no later than one hour after the opening of banking business on the second following business day, the PAB Reserve Requirement as well as the Special Reserve Requirement for the Exclusive Benefit of Customers.

1.7 Income Taxes and Deferred Income Taxes

The Company is not a taxpaying entity for Federal or State income tax purposes. The income or loss of the Company is reported on the Parent's tax returns. Therefore, no provision or liability for income taxes is included in this financial statement. No formal tax sharing agreement exists between the Company and the Parent and the Company has no obligation to fund any liability of the Parent with its earnings. The Company is subject to taxation in local jurisdictions. As of June 30, 2022, the Company's reporting of operations for tax years 2017 2018 2019, 2020 and 2021 are subject to examination by the tax authorities.

DRIVEWEALTH, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION (CONTINUED)
AS OF JUNE 30, 2022

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

1.7 Income Taxes and Deferred Income Taxes (continued)

In accordance with GAAP, the Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of June 30, 2022. The Company does not expect that its assessment regarding unrecognized tax benefits will materially change over the next twelve months. However, the Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with U.S. federal, U.S. state and foreign tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively.

1.8 Advertising

The Company expenses advertising costs as incurred.

1.9 Cash and Cash Segregated Under Federal and Other Regulations

The Company held no cash equivalents on June 30, 2022. We continually review the credit quality of our customers and have not experienced default. As a result, we do not have an expectation of credit losses for these arrangements. The Company considers highly liquid investments with a maturity of three months or less to be cash equivalents and "cash and restricted cash" consists of "cash" and "cash segregated under federal and other regulations."

2. Investments Measured at Fair Value on a Recurring Basis

The Company records its financial assets and liabilities at fair value. The accounting standard for fair value which provides a framework for measuring fair value clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting standard establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

DRIVEWEALTH, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION (CONTINUED)
AS OF JUNE 30, 2022

2. Investments Measured at Fair Value on a Recurring Basis (continued)

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table represents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Equities	\$ 362,659,943	\$ -	\$ -	\$ 362,659,943
Other	\$ 242	\$ -	\$ -	\$ 242
	<u>\$ 362,660,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,660,185</u>

3. Regulatory Requirements

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1(a)(1)(ii)). It computes its net capital under the alternative method, which requires the Company to maintain a minimum net capital of the greater of 2% of aggregate debit items or \$250,000 minimum net capital. On June 30, 2022, the Company has net capital of \$150,711,550 which was \$150,128,528 in excess of its requirement of \$583,022.

The Company is subject to Rule 15c3-3 of the SEC which requires segregation of funds in a special reserve account for the exclusive benefit of customers as well as segregation of funds in a reserve account for the benefit of brokers and dealers (Rule 15c3-3). On June 30, 2022, the Company had segregated cash of \$8,000,000 with a deposit requirement of \$0. Further, the Company had segregated cash for the benefit of brokers and dealers of \$4,907,965 which was \$3,827,081 in excess of the deposit requirement of \$1,080,884.

The Company maintains control of all fully paid customer securities by holding them directly at DTC or in a special omnibus account at the Clearing Brokers. The Company has instructed the Clearing Brokers to maintain physical possession or control of all customer securities carried in the account free of any charge, lien or claim of any kind in favor of the Company or any persons claiming affiliation with the Company. The value of such assets is not included in the Company's Statement of Financial Condition.

DRIVEWEALTH, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION (CONTINUED)
AS OF JUNE 30, 2022

4. Related Party Transactions

The Company has three agreements with related parties in place. Two separate agreements are with affiliates under common control with the Company: DriveWealth Technologies, LLC (“Technologies”) and DriveWealth Institutional, LLC (“DWI”). The third agreement is with the Company’s parent, DriveWealth Holdings, Inc. (“Holdings” or the “Parent”).

Under a Service Level Agreement, the Company pays Technologies a monthly lease fee for the trading platform and app equal to \$0.50 for each new live investing account opened by customers on the app during the preceding month. In addition, the Company pays Technologies an on-going maintenance support fee of \$0.20/month for each live investing account at the end of the preceding month. Under an Expense Sharing Agreement, Holdings incurs certain expenses (such as office facilities, supplies and other general overhead costs) on behalf of its wholly owned subsidiaries, the Company and Technologies. Such costs are charged back to the Company and Technologies either on a specific identification basis, or 50/50 in cases where specific identification is not feasible. As of June 30, 2022, the receivable under this arrangement is \$792,862 and is included in due from affiliates on the Statement of Financial Condition.

Under another Service Level Agreement, the Company has shared revenue through Principal Facilitation with DWI, amounting to \$3,509,311 as of June 30, 2022. As of June 30, 2022, the receivable under this arrangement is \$1,209,539 and is included in due from affiliates on the Statement of Financial Condition.

Holdings currently leases 21,441 square feet of office space in Jersey City, NJ. Under a separate service level agreement, the Company is allocated ~26% of such space from Holdings. For 2022, the Company incurred expenses of \$111,236 for rent under this agreement. This amount is included in Occupancy and Equipment Costs in the Statement of Operations. See also Note 7.

5. Receivable From and Payable to Broker-Dealers and Investment Advisors

Amounts receivable from broker-dealers and advisors represent clearing fees due to the Company while amounts payable to broker-dealers and advisors represent clearing deposits held in a PAB Reserve account.

6. Receivable From and Payable to Customers

Accounts receivable from and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables.

DRIVEWEALTH, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION (CONTINUED)
AS OF JUNE 30, 2022

7. Commitments

As described in Note 4, the Company leases office space pursuant to a lease expiring in 2028. The future minimum lease payments, and related net present value of such payments for the respective years ending December 31, are as follows:

2022	\$115,673
2023	235,411
2024	242,515
2025	249,833
2026	257,384
2027	265,150
2028	<u>157,369</u>
Total Future Payments	1,523,335
Less: Imputed Interest	<u>(247,052)</u>
Net Present Value of Future Payments	<u>\$1,276,284</u>

The weighted average remaining lease term of operating leases is ~32 months. The weighted average discount rate used to impute interest is 5.75%.

8. Concentrations of Business Risk and Credit Risk and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash balances which at times may be in excess of insured amounts. It is the Company's policy to review, as necessary, the credit standing of its counterparties.

The Company's security transactions are cleared by the Clearing Brokers pursuant to their respective clearing agreement. The Company is subject to credit risk to the extent its Clearing Brokers are unable to fulfill contractual obligations on its behalf. The Company bears the risk of financial failure by its Clearing Brokers. Notwithstanding the foregoing, the Clearing Brokers as well as the Company, are members of the Securities Investor Protection Corporation ("SIPC"). SIPC protects the accounts of customers up to \$500,000 for securities and cash (including a \$250,000 limit for cash only).

As of June 30, 2022, three correspondent brokers and two investment advisors represented approximately 30% of outstanding receivables.

DRIVEWEALTH, LLC
NOTES TO THE STATEMENT OF FINANCIAL CONDITION (CONTINUED)
AS OF JUNE 30, 2022

9. Deferred Compensation Plan

The Company maintains a 401(k) deferred compensation plan which covers substantially all full-time employees. Participants are permitted to contribute a portion of their gross earnings into the plan. Employer contributions are made on a discretionary basis.

10. Financial Instruments with Off Balance Sheet Credit Risk

In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities. These activities may expose the Company to off-balance sheet credit risk in the event the customer is unable to fulfill its contracted obligations. The Company is therefore exposed to risk of loss on these transactions in the event of a contra party being unable to meet the terms of their contracts, which may require the Company to purchase or sell financial instruments at prevailing market prices. The Company maintains \$33,553,116 in deposits with the Clearing Brokers to mitigate such losses. As of June 30, 2022, customer margin debits in the amount of \$1,172,437 were directly financed by the Company.