



Statement of Financial Condition and  
Report of Independent Registered Public Accounting Firm

**AUTOMATED EQUITY FINANCE MARKETS, INC.**

December 31, 2020

# AUTOMATED EQUITY FINANCE MARKETS, INC.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Stockholder  
Automated Equity Finance Markets, Inc.

**Opinion on the financial statements**

We have audited the accompanying statement of financial condition of Automated Equity Finance Markets, Inc. (the “Company”) as of December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

**Basis for opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

*Grant Thornton LLP*

We have served as the Company's auditor since 2009.

New York, New York  
February 22, 2021

**AUTOMATED EQUITY FINANCE MARKETS, INC.**  
**Statement of Financial Condition**  
**As of December 31, 2020**

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**ASSETS**

Cash	\$ 643,618
Accounts receivable	158,868
Due from affiliates	<u>180,871</u>
Total assets	<u>\$ 983,357</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Due to affiliates	\$ 36,699
Other liabilities	<u>31,873</u>
Total liabilities	<u>68,572</u>

**STOCKHOLDER'S EQUITY**

Common stock, \$0.0001 par value; 1,000 shares authorized; 100 shares  
issued and outstanding

Additional paid-in capital	73,511,573
Accumulated deficit	<u>(72,596,788)</u>

Total stockholder's equity 914,785

Total liabilities and stockholder's equity \$ 983,357

*The accompanying notes are an integral part of this statement.*

# **AUTOMATED EQUITY FINANCE MARKETS, INC.**

## **Notes to Statement of Financial Condition**

### **December 31, 2020**

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#### **1. ORGANIZATION AND BUSINESS ACTIVITY**

Automated Equity Finance Markets, Inc. (the “Company”) is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). The Company is a registered Alternative Trading System and operates an automated marketplace for securities lending and borrowing (“ECS”), which centrally clears transactions through the Options Clearing Corporation (“OCC”). Members utilizing the marketplace include broker/dealers and prime brokers. The Company does not carry accounts on behalf of securities customers.

EquiLend Holdings LLC, the ultimate parent of the Company, has developed a global platform for the automation and negotiation of securities financing transactions. Wholly owned subsidiaries of EquiLend Holdings LLC include EquiLend LLC, EquiLend Europe Limited, EquiLend Canada Corp., EquiLend Limited, DataLend LLC, EquiLend Clearing LLC (the “Parent”) and Orbisa LLC.

The Company maintains an office in New York.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **New Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, (“ASU 2016-13”), Financial Instruments – Credit Loss (Topic 326), which updates the guidance on recognition and measurement of credit losses for financial assets. The new requirements, known as the current expected credit loss model (“CECL”) will require entities to adopt an impairment model based on expected losses rather than incurred losses. This update is effective for the Company on January 1, 2020 (for fiscal years beginning after December 15, 2020 including interim periods within those fiscal years). The adoption of the ASU did not have any material impact on the Company’s financial statements.

##### **Cash**

All highly liquid investments with original maturities of three months or less when acquired are considered to be cash equivalents. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed applicable FDIC limitations.

##### **Accounts Receivable**

Accounts receivable are stated at the amount the Company expects to collect and do not bear interest. The Company’s accounts receivable arise from subscriptions, transactions and user access fees. The Company has not placed a reserve on its accounts receivable balance as it believes that all of its accounts receivable will be collected.

##### **Income Taxes**

The Company files federal, state and local income tax returns. The Company determines its provision for income taxes based on its own federal, state and local income tax returns. Deferred taxes are recognized based on the difference between the financial reporting and income tax basis of assets and liabilities using estimated income tax rates that will be in effect when such differences reverse. A valuation allowance is established to reduce the deferred tax assets when, based upon the weight of available evidence, it is more likely than not that such assets will not be realized in future years.

**AUTOMATED EQUITY FINANCE MARKETS, INC.**  
**Notes to Statement of Financial Condition**  
**December 31, 2020**

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The Company accounts for income taxes in accordance with the provisions of FASB ASC 740, Income Taxes. As of December 31, 2020, the Company had no uncertain tax positions that have a material impact on the financial statements for the year ended December 31, 2020 and any other open years. Generally, the Company is no longer subject to tax examinations by tax authorities for tax years ended prior to 2017.

The Company had net operating loss carryforwards as of December 31, 2020 of approximately \$2,131,000 for federal, state and local income tax purposes which may be available to offset future taxable income, if any. The Company's deferred tax assets at December 31, 2020 is approximately \$1,381,000, primarily related to the net operating loss carryforward, intangibles and goodwill for which the Company recorded a full valuation allowance as it is not more likely than not that the deferred tax asset will be realized. The net operating loss carryforward will begin to expire in 2036.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. ACCOUNTS RECEIVABLE**

The Company's receivable arise from operating the alternative trading system for its ECS member's activities. These receivables are collected through OCC and amounted to \$158,861 at December 31, 2020 and was included in accounts receivable on the Statement of Financial Condition. The Company collected the full amount in January 2021.

**4. NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Rule 15c3-1, which requires the maintenance of minimum net capital. The Company utilizes the basic method, permitted by Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined. At December 31, 2020, the Company's net capital was \$575,046 which was \$570,046 in excess of its required level and the Company was in compliance with all other capital ratio requirements.

**5. CONCENTRATION OF CREDIT RISK**

During the year ended December 31, 2020, four customers accounted for approximately 36% of the accounts receivable at December 31, 2020.

**6. RELATED PARTIES**

Accounts receivable included \$54,608 owed to the Company by members or affiliates of members of the ultimate parent.

**AUTOMATED EQUITY FINANCE MARKETS, INC.**  
**Notes to Statement of Financial Condition**  
**December 31, 2020**

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Cash consists of \$643,618 at one financial institution in multiple bank accounts with an affiliate of a member of the ultimate parent. As of December 31, 2020, the Parent owed the Company \$160,871. These balances are included in the due from affiliates balance on the Statement of Financial Condition.

The Company has a receivable of \$20,000 from DataLend LLC for funds DataLend LLC received from customers on the Company's behalf. In addition, the Company has payable of \$36,699 to Equilend LLC for funds it received from customers on Equilend LLC's behalf.

**7. IMPLICATIONS OF COVID-19**

The COVID-19 pandemic developed rapidly in 2020. The Company has taken measures to continue operations without jeopardizing the health of employees. Measures taken include a work from home arrangement for all employees and safety protocols for anyone that must travel to the offices. The Company has been able to continue operations. Management will continue to monitor the situation as it unfolds and continue operations in the safest way possible.

**8. SUBSEQUENT EVENTS**

The Company has evaluated the possibility of subsequent events existing in the Company's financial statements through the date the financial statements were issued. The Company has determined that there are no material events that would require disclosure in the Company's financial statements.