Comerica Securities, Inc., member FINRA/SIPC

Comerica Securities, Inc.

Statement of Financial Condition

(unaudited) June 30, 2024

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2024

Assets	
Cash and cash equivalents	$ 46,175,766
Cash segregated for the benefit of customers	261,427
Receivables from brokers, dealers and others	2,413,654
Premises, equipment and software, net of accumulated depreciation of $392,144	
Deferred tax asset	3,652
Other assets	866,780
Total assets	157,636
	$ 49,878,915
Liabilities and shareholder’s equity	
Liabilities:	
Payables to affiliates	$ 1,261,538
Payables to customers	2,566 848,462
Accrued expenses and other liabilities	
Total liabilities	2,112,566
Shareholder’s equity:	
Common stock - $1 par value: 50,000 shares authorized, issued and outstanding	50,000
Additional paid-in capital	47,175,440
Retained earnings	540,909
Total shareholder’s equity	47,766,349
Total liabilities and shareholder’s equity	$ 49,878,915

See accompanying notes.

Comerica Securities, Inc.

Notes to Financial Statements (unaudited)

June 30, 2024

1. Organization

Comerica Securities, Inc. (the Company) is a broker/dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. The Company participates in firm commitment underwritings as a syndicate member and advises on merger and acquisition transactions. The Company operates as one reportable segment and is a wholly owned, indirect subsidiary of Comerica Incorporated (the Corporation).

2. Significant Accounting Policies

The following summarizes the significant accounting policies of the Company applied in the preparation of the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash in commercial bank accounts and money market investments with maturity of three months or less when purchased to be cash and cash equivalents. Money market investments are held in listed money market funds and are reported at fair value.

Cash Segregated for the Benefit of Customers

Cash is segregated in an unaffiliated special reserve account for the exclusive benefit of customers pursuant to federal regulations under Rule 15c3-3(e) of the Securities and Exchange Commission (SEC). Amounts payable to customers from segregated cash are immaterial at June 30, 2024.

2. Significant Accounting Policies (continued)

Premises, Equipment and Software

Premises, equipment and software are carried at historical cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are generally three to eight years for equipment and software. Capitalized software includes purchased software and capitalizable application development costs associated with internally developed software and was fully amortized as of June 30, 2024.

Revenue Recognition

The Company's revenues from contracts with customers may be recognized when services are completed or as they are rendered, although contracts are generally short-term by nature. Services provided over time are typically transferred to customers evenly over the term of the contracts and the corresponding revenue is recognized as services are provided. Contract receivables are included in receivables from brokers, dealers and others on the Statement of Financial Condition. Payment terms vary by services offered, and the timing between completion of performance obligations and payment is typically not significant. Revenue from contracts with customers did not generate significant contract assets and liabilities.

Income Taxes

The Company is included in a consolidated federal income tax return with the Corporation. The Company computes income tax expense and settles with the Corporation on the same basis as if the Company had filed a separate federal income tax return.

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

3. Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction as of the measurement date. The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Money Market investments are recorded at fair value on a recurring basis. The Company had no liabilities that require fair value measurement as of June 30, 2024.

3. Fair Value Measurements (continued)

Financial instruments are categorized into a three-level hierarchy based on the markets in which the instruments are traded and the reliability of the assumptions used to determine fair value. The valuation methodologies and key inputs used to measure financial instruments recorded at fair value are described below:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets, such as stocks, exchange-traded funds, mutual fund shares and negotiable certificates of deposit. Money market investments held in listed money market funds and reported in cash and cash equivalents on the Statement of Financial Condition are included in Level 1.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are less active and model-based valuation techniques for which all significant assumptions are observable in the market. This category includes state and municipal securities, corporate debt securities and residential mortgage-backed securities.
- Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of discounted cash flow models and similar techniques.

Financial assets recorded at fair value on a recurring basis at June 30, 2024 consisted of money market investments of $45,199,606 classified as Level 1. No Level 2 or Level 3 assets were held at June 30, 2024. There were no transfers of assets recorded at fair value on a recurring basis into or out of Level 3 fair value measurements during the quarter ended June 30, 2024.

4. Related-Party Transactions

In the normal course of business, the Company engages in transactions with related parties, primarily Comerica Bank and the Corporation.

Comerica Bank also pays certain expenses on behalf of the Company and is subsequently reimbursed for such payments. Payables to affiliates of $1,261,538 at June 30, 2024 included amounts due to Comerica Bank and the Corporation of $1,233,131 and $28,407, respectively.

5. Net Capital Requirements

As a registered broker/dealer, the Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1). Based on the provisions of this rule, the Company must maintain minimum net capital, as defined, equivalent to the greater of $250,000 or 1/15th of aggregate indebtedness, as defined. At June 30, 2024, net capital was $43,420,635 and required net capital was $250,000. The ratio of aggregate indebtedness to net capital (which may not exceed 15 to 1) was 0.486 to 1.

6. Income Taxes

The principal components of the deferred tax asset of $866,780 at June 30, 2024 primarily consist of allowance for depreciation, prepaid expenses and deferred compensation.

7. Commitments and Contingencies

The Company recognizes liabilities for contingencies when analysis indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated as part of accrued expenses and other liabilities on the Statement of Financial Condition. Through the normal course of business operations, the Company may be subject to various pending or threatened legal proceedings, examinations, inquiries, and investigations by regulatory authorities, and operational or customer matters. The Company cannot state the eventual outcome of these matters. Based on current knowledge and after consultation with legal counsel, management believes that current reserves are adequate, and the amount of any incremental liability arising from these matters is not expected to have a material adverse effect on the Company's financial condition, results of operations or cash flows.

For matters where a loss is not probable, the Company has not established legal reserves. Based on current knowledge, expectation of future earnings and after consultation with legal counsel, the Company believes the maximum amount of reasonably possible losses would not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Depending on future developments, it is possible that the ultimate resolution of these matters may be material to the Company's financial condition, results of operations or cash flows.