

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL REPORTS
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PART III

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/22 AND ENDING 12/31/22
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: SouthState|DuncanWilliams Securities Corp.

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

6750 Poplar Ave, Suite 300

(No. and Street)

Memphis

TN

38138

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Stuart Hodges

(770)850-3412

shodges@southstatebank.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

FORVIS, LLP

(Name – if individual, state last, first, and middle name)

999 Shady Grove Rd, Suite 400

Memphis

TN

38138

(Address)

(City)

(State)

(Zip Code)

10/08/2003

57

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.


Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Duncan F. Williams, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of SouthState/DuncanWilliams Securities Corp, as of 12/31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.


Notary Public



Signature: 
Title: President

This filing** contains (check all applicable boxes):

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☒ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☒ (d) Statement of cash flows.
- ☒ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☒ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☒ (g) Notes to consolidated financial statements.
- ☒ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☒ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☒ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☒ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☒ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☒ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: _____

**To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

SouthState|DuncanWilliams Securities Corp.

Audited Financial Statements
and Supplementary Information

December 31, 2022

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

SouthState|DuncanWilliams Securities Corp.

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December 31, 2022

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Report of Independent Registered Public Accounting Firm

Stockholder and Board of Directors
SouthState|DuncanWilliams Securities Corp.
Memphis, Tennessee

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of SouthState|DuncanWilliams Securities Corp. (the “Company”, a wholly owned subsidiary of SouthState Bank) as of December 31, 2022, the related statements of operations, changes in stockholder’s equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended, 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, 2022, and the results of its operations and its cash flows for the year then ended 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. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Supplemental Information

The supplementary information contained in Schedules I, II, III, and IV (“supplemental information”) has been subjected to audit procedures performed in conjunction with the audit of SouthState|DuncanWilliams Securities Corp.’s financial statements. The supplemental information is the responsibility of the Company’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 CFR §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

FORVIS

We have served as the Company's auditor since 2008.

FORVIS, LLP (formerly Dixon Hughes Goodman LLP)

FORVIS, LLP

Memphis, Tennessee
February 27, 2023

SouthState|DuncanWilliams Securities Corp.

Statement of Financial Condition

December 31, 2022

Assets

Cash	\$	691,295
Cash segregated under federal regulations		125,003
Receivables from brokers or dealers and clearing organization		65,847,849
Securities owned, at fair value		31,263,504
Furniture, equipment and leasehold improvements, net and right of use asset		803,812

Other Assets:

Accrued interest on securities owned	\$	233,689	
Other receivables and miscellaneous		582,393	816,082

Total Assets	\$	99,547,545
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SouthState|DuncanWilliams Securities Corp.

Statement of Financial Condition (Continued)

December 31, 2022

Liabilities and Stockholder's Equity

Liabilities:

Securities sold, not yet purchased, at fair value		\$	6,381,467
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Other Liabilities:

Accounts payable	\$	800,972	
Operating lease obligations		487,553	
Deferred income taxes		33,111	
Income taxes payable		1,273,839	
Accrued expenses and other		1,342,250	3,937,725
Total Liabilities			<u>10,319,192</u>

Stockholder's Equity:

Common stock:

Authorized 1,000,000 shares, issued and outstanding 744,725 shares with par value of \$10 a share		7,447,250
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Additional paid-in capital	52,384,652
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Retained earnings	29,396,451
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Total Stockholder's Equity	<u>89,228,353</u>
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Total Liabilities & Stockholder's Equity	<u>\$ 99,547,545</u>
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SouthState|DuncanWilliams Securities Corp.

Statement of Operations

For the Year Ended December 31, 2022

Revenues

Commissions earned	\$ 3,664
Other commissions	21,349
Income from trading in debt securities	21,585,948
Profits from underwriting	1,350,014
Margin interest	139
Sales of investment company shares	70,811
Fees for account supervision	169,062
Commodities income	933,779
Other revenue related to securities	2,600,487
Other	127,419
	<u>26,862,672</u>

Expenses

Registered representatives' compensation	16,338,979
Clerical and administrative employees' compensation	1,488,390
Clearance paid to brokers	359,678
Communications	2,219,321
Occupancy and equipment rental	662,500
Promotional	680,380
Interest	106,808
Losses in error	1,824
Data processing costs	345,914
Regulatory fees	376,109
Other	1,226,004
	<u>23,805,907</u>

Earnings from continuing operations before federal and state income tax expense	3,056,765
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Federal and state income tax expense	<u>747,520</u>
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Net income	<u><u>\$ 2,309,245</u></u>
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See accompanying notes to financial statements.

SouthState|DuncanWilliams Securities Corp.

Statement of Changes in Stockholder's Equity

For the Year Ended December 31, 2022

	<u>Shares</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 1, 2022	744,725	\$ 7,447,250	\$ 52,384,652	\$ 27,087,206	\$ 86,919,108
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,309,245</u>	<u>2,309,245</u>
Balance at December 31, 2022	<u>744,725</u>	<u>\$ 7,447,250</u>	<u>\$ 52,384,652</u>	<u>\$ 29,396,451</u>	<u>\$ 89,228,353</u>

See accompanying notes to financial statements.

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Net income	\$ 2,309,245
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	74,976
Deferred income taxes	49,603
Changes in assets and liabilities:	
Receivables from brokers or dealers and clearing organization	2,472,748
Securities owned, at fair value	37,156,264
Advance to affiliates	13,019
Accrued interest, commissions and claims	(16,246)
Right of use asset and operating lease obligations	(28,647)
Other receivables and miscellaneous	79,623
Securities sold, not yet purchased, at fair value	(41,322,982)
Accounts payable, accrued expenses and other liabilities	(603,162)
Income taxes payable	225,119
Net cash provided by operating activities	<u>409,560</u>
Cash Flows from Investing Activities:	
Acquisition of Equipment	<u>(79,028)</u>
Net cash used in investing activities	(79,028)
Net change in cash and restricted cash	330,532
Cash and restricted cash at beginning of year	<u>485,766</u>
Cash and restricted cash at end of year	<u><u>\$ 816,298</u></u>
Supplemental disclosures of cash flows information:	
Interest payments	<u><u>\$ 106,808</u></u>
Total tax payments	<u><u>\$ 473,112</u></u>

See accompanying notes to financial statements.

SouthState|DuncanWilliams Securities Corp.

Statement of Changes in Liabilities
Subordinated to Claims of General Creditors

For the Year Ended December 31, 2022

Subordinated borrowings at January 1, 2022	\$ -
Additions	-
Decreases	-
Subordinated borrowings at December 31, 2022	<u>\$ -</u>

See accompanying notes to financial statements.

SouthState|DuncanWilliams Securities Corp.

Notes to Financial Statements

December 31, 2022

1. Operations and Organization

Nature of Business

SouthState|DuncanWilliams Securities Corp., f.k.a Duncan-Williams, Inc. (the "Company") a Tennessee Corporation, is a securities full service broker-dealer operating under provisions of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Customers' funds and securities are protected to the limits provided by the Securities Investor Protection Corporation.

The Company operates primarily as a principal in transactions for the purchase and sale of various types of debt securities, which include: obligations of the United States government, federal government agencies, various state and local governments and corporate debt. The Company also acts as agent for customers in acquiring certificates of deposits, mutual funds and private placement of mortgage loans.

The Company's securities transactions are made primarily with financial institutions, credit unions, private organizations and other broker-dealers. Safekeeping services for customer securities are provided by Pershing LLC ("Pershing"), on a fully disclosed basis. These securities are segregated in accordance with rules and regulations of the Securities and Exchange Commission ("SEC") which limits claims only to the owners of such securities.

On February 1, 2021, 100% of the Company's Common Stock was acquired by South State Bank, N.A. ("SSB") and the Company commenced operating as an operating subsidiary of the parent bank. As a part of the acquisition, the Bank contributed \$50,000,000 as additional paid in capital into the Company. The Company elected not to apply push down accounting as allowed under ASC Topic 805, *Business Combinations*. As a result, purchase accounting adjustments were applied at the South State Bank level without "push down" to the Company.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities Transactions

Purchases and sales of securities and related commission revenues and expenses are recorded on a trade date basis.

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Certain assets and liabilities are recognized, on a recurring or nonrecurring basis, at fair value. Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Derivative Financial Instruments

Derivative financial instruments used for trading purposes, including economic hedges of trading instruments, are carried at fair value. Fair values for exchange-traded derivatives, principally futures, are based on quoted market prices. Fair values for over-the-counter ("OTC") derivative financial instruments, principally swaps, are based on pricing models intended to approximate the amounts that would be received from or paid to a third party in settlement of the contracts. Factors taken into consideration in estimating fair value of OTC derivatives include credit spreads, market liquidity, concentrations, and funding and administrative costs incurred over the life of the instruments.

Unrealized gains or losses on these derivative contracts are recognized currently in the statement of operations as other revenue related to securities. The Company does not apply hedge accounting as financial instruments are marked to market with changes in fair values reflected in earnings. Therefore, the disclosures required in hedge accounting are generally not applicable with respect to these financial instruments. The fair value of futures contracts is recorded in receivable/payable to broker or dealer and clearing organization.

Securities Owned and Securities Sold, Not Yet Purchased

Marketable securities, consisting of corporate bonds, state, municipal, United States and agency obligations are recorded at fair value. Unrealized gains and losses have been included in income from trading on a trade date basis.

Furniture, Equipment, Leasehold Improvements, and Right of Use Asset

Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are stated at cost, net of accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Ordinary expenditures for maintenance and repair costs are expensed as incurred while major additions and improvements are capitalized.

2. Summary of Significant Accounting Policies (continued)

Furniture, Equipment, Leasehold Improvements, and Right of Use Asset (continued)

Right of use asset

At lease inception, the Company determines whether an arrangement is or contains a lease. Operating leases are included in right-of-use ("ROU") asset and operating lease obligations in the financial statements. ROU assets represent the Company's right to use leased assets over the term of the lease. Operating lease obligations represent the Company's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short term leases and long term leases is included in occupancy and equipment rental in the statement of operations.

Long-Lived Assets

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no indicators of impairment at December 31, 2022.

Income Taxes

The Company files a consolidated federal tax return with its parent company. Taxes are allocated to the Company based on its proportionate share of taxable income. There is no formal tax allocation agreement for the consolidated tax group. Amounts reflected as federal and state income tax expense in the statement of operations are determined on a stand-alone method by the Company. Income taxes payable, as reflected on the statement of financial condition, are cumulative amounts due to the parent company for the Company's proportionate share of income taxes for 2022 and 2021, net of payments made to the parent or directly to certain states who require entity level tax filings.

2. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Company's financial statements. The Company has determined that it does not have any material unrecognized tax positions as of December 31, 2022. Interest and penalties related to income tax assessments, if any, are reflected in income taxes in the accompanying statement of operations.

Profits or Losses from Underwriting

Profits or losses from underwriting includes gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Sales concessions are recorded on trade date and underwriting fees at the time the underwriting is completed and the income or loss is reasonably determinable.

Advertising

The costs of general advertising, promotion and marketing programs are expensed as incurred and were \$266,336 for the year ended December 31, 2022.

Subsequent Events

The Company has evaluated the effect subsequent events would have on the financial statements through February 27, 2023, which was the date the financial statements were issued.

3. Fair Value Measurements

Prices for certain U.S. government and agency obligations are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Level 2 investment securities include certain U.S. government and agency obligations, corporate debt obligations, state and municipal obligations and certain types of certificates of deposits for which quoted prices are not available in active markets for identical instruments. The Company utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

Level 3 investment securities include certain municipal securities that are in technical default. They are valued based on anticipated refinanced proceeds available under current cash flows of the underlying assets reduced for any contingent payments anticipated to refinance.

3. Fair Value Measurements (continued)

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2022.

	Level 1	Level 2	Level 3	Total
Assets				
Securities owned:				
U.S. government and agency obligations	\$ -	\$ 15,779,524	\$ -	\$ 15,779,524
State and municipal obligations	-	13,992,686	178,630	14,171,316
Corporate bonds	-	1,312,664	-	1,312,664
Total	<u>\$ -</u>	<u>\$ 31,084,874</u>	<u>\$ 178,630</u>	<u>\$ 31,263,504</u>
Liabilities				
Securities sold, not yet purchased:				
U.S. government and agency obligations	\$ 6,381,467	\$ -	\$ -	\$ 6,381,467
Total	<u>\$ 6,381,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,381,467</u>

There were no changes during the year ended December 31, 2022, to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following is a reconciliation of beginning and ending balances for Level 3 assets and liabilities:

Fair value at January 1, 2022	\$ 176,669
Less payments received	-
Change in unrealized gains	1,961
Fair value at December 31, 2022	<u>\$ 178,630</u>

The determination of fair value incorporates various factors including not only the credit standing of the counterparties involved, but also the Company's nonperformance risk or its liabilities.

4. Cash and Securities Segregated under Federal Regulations

In accordance with provisions of Rule 15c3-3 of the SEC, cash of \$125,003 has been segregated in special accounts. There was no amount required to be on deposit at December 31, 2022.

5. Receivables from and Payables to Brokers or Dealers and Clearing Organization

The amount receivable from and payable to brokers or dealers and clearing organizations at December 31, 2022, consists of the following:

Receivables:

Unsecured deposits and other with brokers or dealers	\$ 272,443
Unsecured deposits with clearing organizations	65,575,406
	<u>\$ 65,847,849</u>

Approximately 99% of receivables from and payables to brokers or dealers and clearing organizations is due from one clearing broker

6. Furniture, Equipment, Leasehold Improvements, and Right of Use Asset

Furniture, equipment and leasehold improvements consisted of the following at December 31, 2022:

Computer hardware	\$ 637,312
Furniture and fixtures	893,364
Leasehold improvements	240,039
Office equipment	585,578
	<u>2,356,293</u>
Less: accumulated depreciation	<u>(2,002,721)</u>
Total property, equipment and leasehold improvements, net	353,572
Right of use asset (see Note 12)	<u>450,239</u>
Total	<u>\$ 803,811</u>

Depreciation expense totaled \$74,976 for the year ended December 31, 2022.

7. Derivative Financial Instruments and Hedging Activities

The Company participates in interest rate swaps fee revenue through various primary broker dealers collected during the issuance of federal agency securities. Included in other revenue related to securities is \$1,237,250 in income from fees earned on these participations for the year ended December 31, 2022.

8. Income Taxes

The provision for income taxes consists of the following:

Current:

Federal	\$	597,379	
State		<u>100,537</u>	\$ 697,916

Deferred

Federal	\$	54,314	
State		<u>(4,710)</u>	49,604

Net tax expense			<u>\$ 747,520</u>
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Income tax expense differs from the expense computed at the federal statutory rate primarily due to non-deductible meals and entertainment, and tax exempt income and expense related to municipal securities.

The components of the deferred tax liability of \$33,111 consists of ROU asset and liability differences, accrued compensation and depreciation.

9. 401(k) Retirement Savings Plan

The Company provides a qualified deferred compensation plan (401(k) plan) which is available to all employees upon hire date. The Company matches employee contributions to the plan up to a maximum of 4% for each employee. The retirement expense for the year ended December 31, 2022, was \$408,036.

10. Leases

The Company leases office space and office equipment under various operating leases through January 2025, with renewal options thereafter. The total cash paid for amounts included in the measurement of lease liabilities, and included in operating cash flows, for operating leases was \$469,841 for the year ended December 31, 2022. Components of lease expense for the year ended December 31, 2022, were as follows:

Operating lease cost	\$	441,193
Variable lease cost		<u>30,626</u>
Total lease cost	\$	<u><u>471,819</u></u>

Lease liability maturities consisted of the following at December 31, 2022:

2023	\$	480,607
2024		9,108
2025		<u>759</u>
Total		490,474
Less interest		<u>(2,921)</u>
Total	\$	<u><u>487,553</u></u>

As of December 31, 2022. The Company had no operating leases that have not yet commenced.

11. Commitments and Contingencies

Legal Matters

The Company is involved in various legal matters arising in the ordinary course of its business. Management is of the opinion that these matters will not have a material adverse effect on the Company's financial statements.

Other Matters

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such underwriting commitments that were open at December 31, 2022, and were subsequently settled had no material effect on the financial statements as of that date. Open underwriting positions at December 31, 2022 were \$460,000. The Company has open transactions that settle on future dates through its Pershing clearing agreement on a fully disclosed basis. At December 31, 2022, buys with a contractual value of \$606,775,786 and sells of \$600,619,672 were open.

12. Related Party Transactions

The Company has a shared services agreement with SSB. Transactions with SSB were as followed: SSB paid the Company \$69,693 for trader and management compensation, \$8,278 for revenue splits; the Company paid SSB \$19,890,452 for Company payroll administered through SSB, \$441,190 for taxes, and \$89,032 for equipment. In addition, the Company recognized approximately \$68,000 of income from trading in debt securities from transactions with SSB.

13. Financial Instruments with Off-Balance Sheet Risks and Concentration of Credit Risk

In the normal course of business, the Company may be exposed to risks in the execution of securities transactions. These transactions involve elements of risk as to credit extended, market fluctuations, and interest rate changes.

The Company's securities transactions clear primarily on a delivery versus payment basis. In transactions with repurchase agreements, margin may be required if market conditions are such as to indicate excessive elements of risk in these transactions. The execution of substantially all purchases and sales of securities requires the performance of another party to fulfill the transactions. In the event that the counterparty to the transaction fails to satisfy its obligation, the Company may be required to purchase or sell the security at the prevailing market price, which may have an adverse effect.

The nature of the securities industry is such that large cash balances are maintained in various financial institutions. These balances may exceed the limits of coverage guaranteed by the Federal Deposit Insurance Corporation.

The Company, as a securities broker-dealer, is engaged in various securities trading activities with a variety of customers including individuals, financial institutions, credit unions, insurance companies, pension plans and other broker-dealers. The Company's exposure to credit risk associated with the non-performance of these counterparties could be impacted by changing market conditions which could impair the counterparty's ability to satisfy their obligations to the Company.

In addition, the Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at December 31, 2022, at fair values of the related securities and will incur a loss if the fair value of the securities increases subsequent to December 31, 2022.

14. Net Capital Requirement

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2022, the Company had net capital of \$86,252,444, which was \$86,002,444 in excess of its required net capital of \$250,000. Withdrawals of excess net capital, including advances to affiliates, are subject to regulatory approval if the withdrawals exceed 30% of excess net capital over a 30-day period or reduce excess net capital below 25% of deductions from net worth. The Company's net capital ratio was .0407 to 1 at December 31, 2022.

15. Annual Report of Form X-17A-5

The annual report to the SEC on Form X-17A-5 is available for examination and copying at the Company's office and at the regional office of the SEC.

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SouthState|DuncanWilliams Securities Corp.
Schedule I
Computation of Net Capital Under Rule 15c3-1

December 31, 2022

Net capital:

Total stockholders' equity		\$	89,228,353
Less deductions and charges to capital:			
Non-allowable assets	\$	(1,424,609)	
Other deductions and/or charges		(350,200)	
Haircuts on securities		<u>(1,201,101)</u>	<u>(2,975,910)</u>
Net capital		\$	<u><u>86,252,443</u></u>

Aggregate indebtedness:

Items included in statement of financial condition:

Aggregate indebtedness as defined	\$	<u>3,506,214</u>
Total aggregate indebtedness	\$	<u><u>3,506,214</u></u>

Minimum required net capital	<u>250,000</u>
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Capital in excess of minimum requirement	\$ <u><u>86,002,443</u></u>
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Ratio of aggregate indebtedness to net capital	<u><u>.0407 to 1</u></u>
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There are no material differences between the preceding computation and the Company's corresponding unaudited Part II of Form X-17A-5 at December 31, 2022.

SouthState|DuncanWilliams Securities Corp.

Schedule II

Computation for Determination of
Reserve Requirements Under Rule 15c3-3

December 31, 2022

Credit balances:

Free credit balances and other credit balances in customers'
security accounts and monies borrowed collateralized by
securities carried for the accounts of customers

Total credit balances

\$ -

Debit balances in customers' cash and margin accounts
excluding unsecured accounts and accounts doubtful of
collection net of deductions pursuant to Rule 15c3-3

Total debit balances

\$ -

Reserve computation:

Excess total credits over total debits

\$ -

Required deposit at 105% of excess

\$ -

Deposits held in reserve:

Cash segregated for the benefit of customers
as of December 31, 2022

\$ 125,003

There are no material differences between the preceding computation and the
Company's corresponding unaudited Part II of Form X-17A-5 at December 31, 2022.

SouthState|DuncanWilliams Securities Corp.

Schedule III

Information Relating to the Possession
or Control Requirements Under Rule 15c3-3

December 31, 2022

1. Customers' fully paid securities and excess margin securities not in the Respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of report date but for which the required action was not taken by Respondent within the time frames specified under Rule 15c3-3.)

\$ -

A. Number of items

-

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

\$ -

A. Number of items

-

SouthState|DuncanWilliams Securities Corp.

Schedule IV

Reconciliation of the Computation of Aggregate
Indebtedness and Net Capital with that of the
Registrant as Filed in Part IIA of Form X-17A-5

December 31, 2022

1. Aggregate indebtedness as reported by registrant in Part IIA of Form X-17A-5 as of December 31, 2021	\$ 3,506,214
Reconciling items	<u>-</u>
Aggregate indebtedness as computed on Schedule I	<u><u>\$ 3,506,214</u></u>
2. Net capital as reported by registrant in Part IIA of Form X-17A-5 as of December 31, 2021	\$ 86,252,443
Reconciling items	<u>-</u>
Net capital as computed on Schedule I	<u><u>\$ 86,252,443</u></u>

Report of Independent Registered Public Accounting Firm on SouthState|DuncanWilliams Securities Corp.'s Compliance Report

Board of Directors
SouthState|DuncanWilliams Securities Corp.
Memphis, Tennessee

We have examined SouthState|DuncanWilliams Securities Corp.'s (the "Company") statements, included in the accompanying SouthState|DuncanWilliams Securities Corp. Compliance Report that (1) the Company's internal control over compliance was effective during the most recent fiscal year ended December 31, 2022, (2) the Company's internal control over compliance was effective as of December 31, 2022, (3) the Company was in compliance with 17 CFR §§240.15c3-1 and 240.15c3-3(e) as of December 31, 2022, and (4) the information used to state that the Company was in compliance with 17 CFR §§240.15c3-1 and 240.15c3-3(e) was derived from the Company's books and records. The Company's management is responsible for establishing and maintaining a system of internal control over compliance that has the objective of providing the Company with reasonable assurance that noncompliance with 17 CFR §240.15c3-1, 17 CFR §240.15c3-3, 17 CFR §240.17a-13, or Rule 2340 of Financial Industry Regulatory Authority that requires account statements to be sent to the customers of the Company will be prevented or detected on a timely basis. Our responsibility is to express an opinion on the Company's statements based on our examination.

We conducted our examination in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Company's internal control over compliance was effective as of and during the most recent fiscal year ended December 31, 2022, the Company complied with 17 CFR §§240.15c3-1 and 240.15c3-3(e) as of December 31, 2022, and the information used to assert compliance with 17 CFR §§240.15c3-1 and 240.15c3-3(e) as of December 31, 2022, was derived from the Company's books and records. Our examination includes testing and evaluating the design and operating effectiveness of internal control over compliance, testing and evaluating the Company's compliance with 17 CFR §§240.15c3-1 and 240.15c3-3(e), determining whether the information used to assert compliance with 240.15c3-1 and 240.15c3-3(e) was derived from the Company's books and records, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, SouthState|DuncanWilliams Securities Corp.'s statements referred to above are fairly stated, in all material respects.

FORVIS, LLP (formerly Dixon Hughes Goodman LLP)

FORVIS, LLP

Memphis, Tennessee
February 27, 2023

SouthState|DuncanWilliams Securities Corp.'s Compliance Report

SouthState|DuncanWilliams Securities Corp. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. 240.17a-5, "Reports to be made by certain broker and dealers"). As required by 17 C.F.R. 240.17a-d(d)(1) and (3), the Company states to the best of its knowledge and belief as follows:

1. The Company has established and maintained Internal Control Over Compliance, as that term is defined in paragraph d(3)(ii) of Rule 17a-5.
2. The Company's Internal Control Over Compliance was effective during the fiscal year ended December 31, 2022 and from January 1, 2022 to December 31, 2022.
3. The Company's Internal Control Over Compliance was effective as of the end of the fiscal year ended December 31, 2022.
4. The Company was in compliance with 17 C.F.R. 240.15c3-1 and 17 C.F.R. 240.15c3-3(e) as of the end of the fiscal year ended December 31, 2022; and
5. The information the Company used to state that the Company was in compliance with 17 C.F.R. 240.15c3-1 and 17 C.F.R. 240.15c3-3(e) was derived from the books and records of the Company.



SouthState|DuncanWilliams Securities Corp.

Duncan F. Williams, President

February 27, 2023