

Prudential Investment Management Services LLC

**Financial Statements and
Supplementary Information
December 31, 2016**

SEC. I.D. No. 8-36540

This report is deemed CONFIDENTIAL in accordance with Rule 17a-5(e) (3) under the Securities Exchange Act of 1934. A statement of financial condition bound separately has been filed with the Securities and Exchange Commission simultaneously herewith as a Public Document.

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

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL	
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2016 AND ENDING 12/31/2016
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Prudential Investment Management Services LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

655 Broad Street

(No. and Street)

Newark

NJ

07102

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Michael McQuade

973-367-3065

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

300 Madison Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Michael McQuade, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Prudential Investment Management Services LLC, as of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Michael McQuade
Signature

Chief Financial Officer

Title

Alfreda D. Johnson
Notary Public

ALFREDA D. JOHNSON
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires 9/11/2018

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

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Statement of Cash Flows.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Prudential Investment Management Services LLC

Index

December 31, 2016

	Page(s)
Report of Independent Registered Public Accounting Firm	1
Financial Statements	
Statement of Financial Condition.....	2
Statement of Income	3
Statement of Changes in Member's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6-12
Supplementary Information	
Schedule I Computation of Net Capital Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934	13
Schedule II Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934	14
Schedule III Information Relating to Possession or Control Requirements Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934	15

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Report of Independent Registered Public Accounting Firm

To the Management of Prudential Investment Management Services LLC:

In our opinion, the accompanying statement of financial condition and the related statements of income, of changes in member's equity and of cash flows presents fairly, in all material respects, the financial position of Prudential Investment Management Services LLC (the "Company") at December 31, 2016, 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. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Supplementary Schedules I, II and III are supplemental information required by Rule 17a-5 of the Securities and Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. 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 Rule 17a-5 of the Securities and Exchange Act of 1934. In our opinion, the information contained within Supplementary Schedules I, II and III is fairly stated, in all material respects, in relation to the financial statements as a whole.

PricewaterhouseCoopers LLP

February 22, 2017

Prudential Investment Management Services LLC
Statement of Financial Condition
December 31, 2016

(dollars in thousands)

Assets

Cash and cash equivalents	\$	34,756
Cash segregated under federal regulations		23,774
Distribution and service fees receivable		17,806
Receivable from broker-dealers and clearing organizations		3,443
Receivable from affiliates		8,572
Prepaid expenses and other assets		11,400
Total assets	\$	<u>99,751</u>

Liabilities and Member's Equity

Liabilities

Payable to broker-dealers and clearing organizations	\$	10,609
Payable to affiliates and other accrued liabilities		14,174
Payable to customers		11,189
Federal and state income taxes payable to Parent		3,165
Federal and state deferred tax liabilities		2,620
Total liabilities	\$	<u>41,757</u>

Commitments and contingent liabilities (see Note 7)

Member's Equity

Contributed capital	\$	32,796
Undistributed earnings		25,198
Total member's equity		<u>57,994</u>
Total liabilities and member's equity	\$	<u>99,751</u>

The accompanying notes are an integral part of these financial statements.

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Prudential Investment Management Services LLC
Statement of Income
Year Ended December 31, 2016

(dollars in thousands)

Revenues

Commission income	\$	85,377
Distribution and service fee income		180,654
Management and administrative fee income		5,135
Other income		<u>1,032</u>
Total revenues		<u>272,198</u>

Expenses

Commission expense		81,232
Distribution and service fee expenses		137,811
Licenses and regulatory expenses		3,310
Other operating expenses		<u>37,047</u>
Total expenses		<u>259,400</u>

Income before provision for income taxes		12,798
Provision for income taxes		<u>5,591</u>
Net income	\$	<u>7,207</u>

The accompanying notes are an integral part of these financial statements.

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Prudential Investment Management Services LLC
Statement of Changes in Member's Equity
Year Ended December 31, 2016

(dollars in thousands)

	Contributed Capital	Undistributed Earnings	Total Member's Equity
Balance, January 1, 2016	\$ 32,796	\$ 34,991	\$ 67,787
Net income		7,207	7,207
Distribution to Member		(17,000)	(17,000)
Balance, December 31, 2016	<u>\$ 32,796</u>	<u>\$ 25,198</u>	<u>\$ 57,994</u>

The accompanying notes are an integral part of these financial statements.

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Prudential Investment Management Services LLC
Statement of Cash Flows
Year Ended December 31, 2016

(dollars in thousands)

Cash flows from operating activities

Net income \$ 7,207
Adjustments to reconcile net income to net cash used in operating activities

Federal and state deferred tax liabilities \$ (1,651)

(Increase) decrease in operating assets

Cash segregated under federal regulations (3,618)

Distribution and service fees receivable 302

Receivable from broker-dealers and clearing organizations (2,607)

Receivable from affiliates (1,268)

Prepaid expenses and other assets 5,637

Increase (decrease) in operating liabilities

Payable to broker-dealers and clearing organizations (738)

Payable to affiliates and other accrued liabilities (5,653)

Payable to customers 1,147

Federal and state income taxes payable to Parent 992

Net cash used in operating activities (250)

Cash Flows from Financing Activities

Distribution of member's equity to parent \$ (17,000)
Net cash used in financing activities (17,000)

Net decrease in cash and cash equivalents (17,250)

Cash and cash equivalents

Beginning of year 52,006
End of year \$ 34,756

Supplemental cash flow disclosures

Cash paid to Parent during the year for income taxes: \$ 6,251

The accompanying notes are an integral part of these financial statements.

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Prudential Investment Management Services LLC

Notes to Financial Statements

December 31, 2016

(dollars in thousands)

1. Organization and Nature of Business

Prudential Investment Management Services LLC ("PIMS" or the "Company") is a wholly-owned subsidiary of PIFM Holdco LLC, ("PHI"), which is an indirect wholly-owned subsidiary of Prudential Financial, Inc. ("Prudential"). The Company is a registered broker-dealer subject to the rules and regulations of the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

The Company's primary business is the distribution of mutual funds to retail investors through third party financial intermediary firms. The Company also sells various other investment products to institutional investors including private placements and variable life contracts, and distributes participant-directed group variable annuities and mutual funds to retirement plans.

The Company is also engaged in limited retail selling activities through the offering of various investment products sponsored by third parties and affiliates for rollover distributions from benefit plans of clients of Prudential. The Company offers general brokerage services to retail investors. Investment products offered to customers include, but are not limited to, stocks, bonds, mutual funds and options. With respect to custody and clearing of these customer securities transactions, except for mutual fund transactions in the Smart Solutions IRA product, the Company introduces these transactions to National Financial Services LLC, who clears them on a fully disclosed basis.

The Company is the distributor of the Prudential Investments domestic family of mutual funds shares ("Pru Funds"), which have adopted Plans of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The Company has also entered into selling agreements with unaffiliated mutual fund families whereby the Company receives distribution and service fees and commissions for sales of mutual fund products to defined contribution retirement plan clients of Prudential ("DC Plans"). The Company acts as the clearing broker for all mutual fund trades for both proprietary and non-proprietary mutual fund families with respect to the DC Plans business.

As more fully described in Note 5 the Company has various agreements with Prudential affiliates relating to the services of officers and the use of telecommunications, office space, systems, and equipment. As a result, the agreement terms may not be the same as those that would result from agreements with unrelated parties.

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Prudential Investment Management Services LLC
Notes to Financial Statements
December 31, 2016

(dollars in thousands)

2. Summary of Significant Accounting Policies

The audited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The preparation of financial statements in conformity with U.S. 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.

The Company defines cash and cash equivalents as amounts due from banks and from money market mutual funds. Cash and cash equivalents of \$34,756 includes \$20,672 which represents an investment in non-proprietary money market mutual funds. The remaining \$14,084 represents amounts on deposit in corporate accounts at commercial banks. At times, cash on deposit in the commercial banks may be in excess of available Federal insurance coverage. The Company earned investment income of \$49 from these funds in 2016. Cash of \$23,774 has been segregated in a special reserve bank account for the exclusive benefit of customers under SEA Rule 15c3-3 and is classified as Cash segregated under federal regulations.

Commission income and expense is recorded on trade date and includes commissions associated with the sale of mutual funds and private placements. Contingent deferred sales charges ("CDSC") are earned upon investor redemption of shares and are accrued at month end for those transactions that have not yet settled.

Distribution and service fee income includes distribution fees and service fees earned from the distribution of Pru Funds and mutual funds of unaffiliated families. Distribution and service fee expense include trailer expense and the amortization of previously deferred commissions paid to broker-dealers on Class B and Class C shares of Pru Funds. Distribution and service fee income and service fee expenses are accrued monthly on a trade date basis.

The Company pays commissions to broker-dealers that sell Class C shares of Pru Funds and receives either distribution or CDSC fees relating to these funds. The Company has an agreement with its parent, PHI, to finance its expected future monthly cash receipts from distribution and CDSC fees in exchange for cash. Financing under this agreement is on a sole recourse basis, with the Company required to repay PHI if the Company receives the distribution and CDSC fees. At December 31, 2016, the Company recorded expected future cash receipts and the related financing provided of \$9,602 for Class B and C funds. The Company ceased sale of Class B shares of Pru funds in June 2015.

The Company is a branch of its parent PHI and is included in certain unitary state and local income tax returns. Pursuant to the tax allocation arrangement with Prudential, total federal income tax expense is determined on a separate company basis. Members with losses record tax benefits to the extent such losses are recognized in the consolidated federal tax provision.

Deferred income taxes are recognized, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes.

The application of U.S. GAAP requires the Company to evaluate the recoverability of the Company's deferred tax assets and establish a valuation allowance, if necessary, to reduce the

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Prudential Investment Management Services LLC
Notes to Financial Statements
December 31, 2016

(dollars in thousands)

Company's deferred tax assets to an amount that is more-likely-than-not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. Although realization is not assured, management believes it is more-likely-than-not that the deferred tax assets, net of valuation allowances, will be realized.

ASC 740 requires the Company to account for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the Internal Revenue Service ("IRS") or other taxing jurisdictions. Audit periods remain open for review until the statute of limitations has passed. Generally, for tax years which produce net operating losses, capital losses or tax credit carryforwards ("tax attributes"), the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes. The Company classifies all interest and penalties related to tax uncertainties as income tax expense.

See Note 4 for additional information regarding income taxes.

3. Fair Value Assets and Liabilities

Fair Value Measurement—Fair value represents 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 authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1—Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. The Company's Level 1 assets represent an investment in a Prudential sponsored money market mutual fund for which the Company is the exclusive distributor.

Level 2—Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets and liabilities, and other market observable inputs.

Level 3—Fair value is based on at least one or more significant unobservable inputs for the asset or liability. The assets and liabilities in this category may require significant judgment or estimation in determining the fair value. The Company does not have any level 3 assets or liabilities.

CONFIDENTIAL

Prudential Investment Management Services LLC
Notes to Financial Statements
December 31, 2016

(dollars in thousands)

The table below presents the balances of assets measured at fair value on a recurring basis. There were no liabilities carried at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash equivalents (money market mutual fund)	\$ 20,672	\$ -	\$ -	\$ 20,672

The table below presents the carrying amount and fair value by hierarchy level of certain financial instruments that are not reported at fair value. However, as described below, the carrying amount equals or approximates fair value. The Company did not have any transfers between the levels during the year ended December 31, 2016.

	<u>Fair Value</u>				<u>Carrying Amount</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Total</u>
Assets:					
Cash	\$ 14,084	\$ -	\$ -	\$ 14,084	\$ 14,084
Cash segregated under federal regulations	23,774	-	-	23,774	23,774
Distribution and service fees receivable	-	17,806	-	17,806	17,806
Receivable from broker-dealers and clearing organizations	-	3,443	-	3,443	3,443
Receivable from affiliates	-	8,572	-	8,572	8,572
Total assets	<u>\$ 37,858</u>	<u>\$ 29,821</u>	<u>\$ -</u>	<u>\$ 67,679</u>	<u>\$ 67,679</u>
Liabilities:					
Payable to broker-dealers and clearing organizations	\$ -	\$ 10,609	\$ -	\$ 10,609	\$ 10,609
Payable to affiliates and other accrued liabilities	-	14,174	-	14,174	14,174
Payable to customers	-	11,189	-	11,189	11,189
Total liabilities	<u>\$ -</u>	<u>\$ 35,972</u>	<u>\$ -</u>	<u>\$ 35,972</u>	<u>\$ 35,972</u>

The Company believes that due to the short-term nature of the assets listed above, the carrying value approximate fair value. The Company also believes that due to the expected settlement of the liabilities in the near future, carrying values approximate fair value.

4. Income Taxes

The components of income tax expense (benefit) for the year ended December 31, 2016 are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Tax expense			
Federal	\$ 5,880	\$ (1,797)	\$ 4,083
State	1,362	146	1,508
Total tax expense/(benefit)	<u>\$ 7,242</u>	<u>\$ (1,651)</u>	<u>\$ 5,591</u>

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Prudential Investment Management Services LLC

Notes to Financial Statements

December 31, 2016

(dollars in thousands)

The Company's actual income tax expense for the year ended December 31, 2016 differs from the expected amount computed by applying the statutory federal income tax rate of 35% to income before provision for income taxes for the following reasons:

Expected federal income tax expense	\$	4,480
State income tax expense		980
Non-deductible penalties		131
Total taxes	\$	<u>5,591</u>

The difference between the effective tax rate of 43.68% and the federal statutory income tax rate of 35% is attributable primarily to state income tax expense.

Deferred tax assets (liabilities) at December 31, 2016 resulted from the items listed below:

Deferred commission costs	\$	<u>(2,620)</u>
Net deferred tax liabilities	\$	<u>(2,620)</u>

The application of U.S. GAAP requires the Company to evaluate the recoverability of deferred tax assets and establish a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not expected to be realized. As of December 31, 2016, the company does not require a valuation allowance for its deferred tax assets.

U.S. GAAP prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on its tax returns. The Company does not have any unrecognized tax benefits at December 31, 2016.

The Company files a consolidated Federal income tax return with its parent. The tax years that remain subject to examination by the Internal Revenue Service at December 31, 2016 are 2009 through 2016.

The Company is participating in the IRS's Compliance Assurance Program ("CAP"). Under CAP, the IRS assigns an examination team to review completed transactions as they occur in order to reach agreement with the Company on how they should be reported in the relevant tax returns. If disagreements arise, accelerated resolutions programs are available to resolve the disagreements in a timely manner before the tax return is filed.

5. Related Party Transactions

In 2016, the Company earned commission income and management and administrative fee income from Prudential companies. The Company also earned distribution and service fee income from the Pru Funds as compensation. The Company incurred commission expense, distribution and service fee expense to Prudential companies for the sale of mutual fund products.

The Company is the clearing broker for the Prudential retirement plan platform DC Plans' mutual fund trades.

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Prudential Investment Management Services LLC

Notes to Financial Statements

December 31, 2016

(dollars in thousands)

The Company has an arrangement with an affiliated broker-dealer, Pruco Securities, LLC ("Pruco") whereby the Company pays Pruco commissions for the sale of Pru Funds.

The Company has an agreement with PHI to finance its expected monthly cash receipts related to certain distribution and CDSC fees. The amount payable to PHI under this agreement, at December 31, 2016 was \$9,602 and is included in Payable to affiliates and other accrued liabilities. See Note 2 for further details.

The Company receives various services from Prudential companies including services of officers and the use of telecommunications, office space, systems and equipment. The costs of these services, which are included in Other operating expenses, are allocated to the Company pursuant to service agreements with Prudential companies. In most cases, payments due to the Company from affiliated entities and payments due to affiliates were effected by The Prudential Insurance Company of America ("PICA") on behalf of the Company. In all other cases, the Company receives and remits payment directly from/to affiliated entities.

All services received from and provided to related parties are subject to written agreements. It is noted that balances included below may not agree to the face of the financial statements as these amounts are settled through our affiliated entities although the Company may be contractually liable to a third party.

At December 31, 2016 and for the year then ended, the Company had the following statement of financial condition and statement of income related party balances:

Statement of Financial Condition

	Receivables	Payables
Distribution and service fees	\$ 13,090	\$ -
Payable to broker-dealers and clearing organizations	-	5,855
Payable to customers	-	11,189
Receivable from/payable to affiliates	8,572	13,105
Other assets/liabilities	-	375
Federal and state income taxes payable to Parent	-	3,165
Federal and state deferred tax liabilities	-	2,620
	<u>\$ 21,662</u>	<u>\$ 36,309</u>

Statement of Income

	Income	Expense
Commission income & expenses	\$ 55,618	\$ 55,950
Distribution and service fee income & expenses	150,530	137,811
Management and administrative fee income	4,624	-
Licenses and regulatory expenses	-	612
Other income/operating expenses	956	35,574
Provision for income taxes	-	5,591
	<u>\$ 211,728</u>	<u>\$ 235,538</u>

6. Line of Credit

The Company has a \$250,000 open-ended line of credit with an affiliate, Prudential Funding, LLC. Borrowings under the line of credit will bear interest at the prevailing Commercial Paper rate at the

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Prudential Investment Management Services LLC
Notes to Financial Statements
December 31, 2016

(dollars in thousands)

time of the advance plus 15.5 basis points. The Company had no borrowings during 2016 and as of December 31, 2016, there were no amounts outstanding under the line of credit.

7. Commitments and Contingent Liabilities

The Company is subject to legal and regulatory actions in the ordinary course of its business. Management of the Company, after consultation with its legal counsel, believes that the ultimate resolution of any pending litigation and regulatory matters should not have any material adverse effect on the Company's financial condition, results of operations or cash flows.

On an ongoing basis, the Company's internal supervisory and control functions review the quality of sales and other customer interface procedures and practices and may recommend modifications or enhancements. In certain cases, if appropriate, the Company may offer customers remediation and may incur charges, including the cost of such remediation, administrative costs and regulatory fines.

8. Regulatory Requirements

The Company is subject to the Net Capital Rule 15c3-1 of the Securities Exchange Act of 1934. The Company uses the alternative method of computing net capital, permitted by the Rule, which requires that the Company maintain minimum net capital as defined, equal to the greater of \$250 or 2 percent of aggregate debit balances arising from customer transactions, as defined. At December 31, 2016, the Company had net capital of \$36,652, which was \$36,402 in excess of its required net capital.

The Company is subject to determination of reserve requirements under Rule 15c3-3 of the Securities Exchange Act of 1934. At December 31, 2016, the Company computed the reserve requirement for customers and was required to segregate \$11,189 in the special reserve bank account for the exclusive benefit of customers. At December 31, 2016, the amount held on deposit in the special reserve bank account was \$23,774.

9. Subsequent Events

The Company has evaluated and determined that no events or transactions occurred after December 31, 2016 and through the issuance date, February 22, 2017, of these financial statements that would require recognition or disclosure in these financial statements.

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Prudential Investment Management Services LLC
Computation of Net Capital Pursuant to Rule 15c3-1
Under the Securities Exchange Act of 1934
December 31, 2016

Schedule I

(dollars in thousands)

Net Capital

Total member's equity	<u>\$ 57,994</u>
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Deductions

Nonallowable assets

Distribution and service fees receivable	10,489
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Receivable from broker-dealers and clearing organizations	74
-----------------------------------------------------------	----

Receivable from affiliates	8,572
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Prepaid expenses and other assets	<u>1,794</u>
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Net capital before haircuts on securities positions	<u>37,065</u>
-----------------------------------------------------	---------------

Haircuts on securities

Money market mutual fund	<u>413</u>
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Net Capital	<u>36,652</u>
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Less minimum net capital requirement (2% of aggregate debit items in
Rule 15c3-3 Formula for Reserve Requirements, or \$250,
whichever is greater)

250

Excess net capital	<u>\$ 36,402</u>
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**Statement Pursuant to Paragraph (d) (4) of Rule 17a-5 of the Securities and
Exchange Commission**

There are no differences between the above computation and the computation included in the Company's unaudited Part II FOCUS Report as of December 31, 2016, filed on January 26, 2017.

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Prudential Investment Management Services LLC
Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934
December 31, 2016

Schedule II

(dollars in thousands)

Credit balances

Free credit balances and other credit balances in customers' securities accounts	\$ 11,189
Other	-
Total credit items	<u>11,189</u>

Debit balances

Failed to deliver of customers' securities not older than 30 calendar days (including debit balances in continuous net settlement accounts)	-
Gross debit items	-
Less 3 percent charge	-
Total debit items	<u>-</u>

Reserve computation

Excess of total credits over total debits	<u>11,189</u>
Amount held on deposit in "Reserve Bank Account" at end of reporting period	<u>23,774</u>
Excess funds on deposit in the special reserve bank account	<u>\$ 12,585</u>

Statement Pursuant to Paragraph (d) (4) of Rule 17a-5 of the Securities and Exchange Commission

There are no differences between the above computation and the computation included in the Company's unaudited Part II FOCUS Report as of December 31, 2016, filed on January 26, 2017.

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Prudential Investment Management Services LLC
Information Relating to Possession or Control Requirements
Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934
December 31, 2016

Schedule III

(dollars in thousands)

1. Customers' fully paid 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 the 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 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

\$ -

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