JMP Securities LLC

Statement of Financial Condition

December 31, 2019

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

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

SEC FILE NUMBER
8-39613

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 1/1/19 (MM/DD/YY) AND ENDING 12/31/19 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: JMP Securities LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

600 Montgomery Street, Suite 1100
(No. and Street)

San Francisco	CA	94111
(City)	(State)	(Zip Code)

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

Raymond Jackson (415) 835-3979
(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*)

Three Embarcadero Center	San Francisco	CA	94111
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

- [x] Certified Public Accountant
- [ ] Public Accountant
- [ ] Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

**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, Raymond Jackson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JMP Securities LLC, as of December 31, 2019, 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:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

JURAT

State of California
County of San Francisco

Subscribed and sworn to (or affirmed) before me on this 27th day of February, 20 20 by RAYMOND SIVA JACKSON proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Notary Signature Notary Public Antonio

Signature

Managing Director, Chief Financial Officer

Title

ANTONIO LOCATELLI
Notary Public - California
San Francisco County
Commission # 2316760
My Comm. Expires Jan 18, 2024

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

- [x] (a) Facing Page.
- [x] (b) 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 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.
- [x] (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.

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

Report of Independent Registered Public Accounting Firm

To the Managing Member of JMP Securities LLC:

Opinion on the Financial Statement – Statement of Financial Condition

We have audited the accompanying statement of financial condition of JMP Securities LLC (the "Company") as of December 31, 2019, including the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement 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 of this financial statement 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 statement is 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 statement, 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 statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 28, 2020

We have served as the Company's auditor since 2001.

JMP Securities LLC
Statement of Financial Condition
December 31, 2019

Assets		
Cash and cash equivalents	$	29,123,248
Marketable securities owned, at fair value		14,919,292
Investment banking fees receivable, net (allowance for doubtful accounts of $0 at December 31, 2019)		9,066,049
Receivable from clearing broker		935,675
Due from affiliates		1,596,757
Deferred tax asset		2,859,497
Other assets		4,455,744
Total assets	$	62,956,262
Liabilities and Member's Equity		
Liabilities		
Marketable securities sold, but not yet purchased, at fair value		3,854,600
Accrued compensation and benefits		26,963,439
Accounts payable and accrued expenses		1,913,255
Due to affiliates		531,405
Other liabilities		5,343,124
Total liabilities		38,605,823
Liabilities subordinated to claims of general creditors (Note 5)		10,000,000
Commitments and contingencies (Note 7)		
Member's equity		14,350,439
Total liabilities and member's equity	$	62,956,262

The accompanying notes are an integral part of this statement of financial condition.

1. Organization and Description of Business

JMP Securities LLC (the “Company”), is a full service investment bank that provides equity research, institutional brokerage and investment banking services to growth companies and their investors. The Company is a wholly-owned, indirect subsidiary of JMP Group LLC (the “Parent”), is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”) and Securities Investor Protection Corporation (“SIPC”). The Company operates as an introducing broker and does not hold funds or securities for customers, does not owe any money or securities to customers, and does not carry customer accounts. All customer transactions are cleared through another broker-dealer on a fully-disclosed basis, and the Company claims exemption from Rule 15c3-3 of the Securities Exchange Act of 1934.

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 the use of estimates and assumptions that affect both the reported amount of assets and liabilities, the 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 may differ from those estimates.

Fair Value of Financial Instruments

Fair value is defined as 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. Substantially all of the Company’s financial instruments are recorded at fair value or amounts that approximate fair value. Marketable securities owned and Marketable securities sold, but not yet purchased, are stated at fair value, with related changes in unrealized appreciation or depreciation reflected in the line item “Principal transactions” in the accompanying Statement of Operations.

The fair value of the Company’s financial instruments is generally obtained from quoted market prices or alternative pricing methodologies that the Company believes offer reasonable levels of price transparency. To the extent that certain financial instruments trade infrequently or are nonmarketable securities and, therefore, do not have readily determinable fair values, the Company estimates the fair value of these instruments using various pricing models and the information available to the Company that it deems most relevant. Among the factors considered by the Company in determining the fair value of financial instruments are discounted anticipated cash flows, the cost, terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, the Black-Scholes Options Valuation methodology, and other factors generally pertinent to the valuation of financial instruments.

Marketable securities owned and securities sold, but not yet purchased, consist of U.S. listed and OTC securities whose value is determined based on quoted market prices.See Note 4 for the disclosures related to the fair value of the Company’s marketable securities and other investments.

Cash and Cash Equivalents
The Company considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. The Company holds cash in financial institutions in excess of FDIC insured limits. The Company periodically reviews the financial condition of the institutions and assesses the credit risk.

Investment Banking Fees Receivable
Investment banking fees receivable include receivables relating to the Company's investment banking or advisory engagements. The Company records an allowance for doubtful accounts on these receivables on a specific identification basis. Investment banking fees receivable which are deemed to be uncollectible are charged off and deducted from the allowance. There was no allowance for doubtful account related to investment banking fees receivable as of December 31, 2019.

Receivable from Clearing Broker
The Company clears customer transactions through another broker-dealer on a fully disclosed basis. Included in receivables from clearing broker are (i) commissions related to securities transactions generated in December 2019 and paid in January 2020, net of clearing costs, (ii) cash on deposit of $250,000 with the Company's clearing broker and (iii) net receivable arising from unsettled trades.

Due from/to Affiliates
Due from affiliates includes receivables from the Parent and other affiliates for certain operating expenses paid on the Company's behalf. Due to affiliates mainly consists of payables to the Parent and other affiliates for rent and depreciation expenses as well as interest on the subordinated borrowing described in Note 5. Due from/to affiliates balances are settled in cash through intercompany accounts.

Income Taxes
The Company is a single member limited liability company, which is treated as a disregarded entity for federal income tax purposes. As a result, the Company is effectively treated as a division of the Parent for federal income tax purposes. For the year ended December 31, 2019, the Company recognized income taxes as if it were a stand-alone taxpayer. All current tax liabilities or receivables recorded by the Company are settled in cash with the Parent.

The Company recognizes a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authorities widely understood administrative practices and precedents. If this threshold is met, the Company measures the tax benefit as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

The Parent filed income tax returns with the federal government and various state and local jurisdictions and does not anticipate any tax adjustments that will result in a material adverse effect on the Company's financial condition, results of operations, or cash flows.

The Company's policy for recording interest and penalties associated with the tax audits or unrecognized tax benefits, if any, is to record such items as a component of income taxes.

Share-Based Compensation
Share-based compensation awards include restricted share units ("RSUs"), share options, and share appreciation rights ("SARs") granted by the Parent to the Company's employees. These awards generally have two to three-year requisite service periods and, in some cases, have post-vesting sale and transfer restrictions. In the event of a change in control or corporate transactions, these awards will vest immediately prior to the effective date of such an event.

Other Assets and Liabilities

Below table presents components of other assets and other liabilities as of December 31, 2019.

Other Assets		
Indemnification payment receivable (Note 8)	$	3,000,000
Prepaid expenses		1,215,611
Other		240,133
Total other assets	$	4,455,744
Other Liabilities		
Litigation settlement payable (Note 8)	$	3,000,000
Deferred compensation liability		2,343,124
Total other liabilities	$	5,343,124

Recently Adopted Accounting Guidance

On January 1, 2019, the Company adopted Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842). The ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing information about leasing arrangements. The new standard requires lessees to recognize the assets and liabilities arising from operational leases on the balance sheet. The Company reviewed the standard and determined that the Company’s arrangements with its affiliate JMP Group Inc. related to the office space the Company occupies (Note 7) were not required to be accounted for under Topic 842, as the arrangements did not contain leases based on the guidance within the Topic. The Company does not have any other leasing arrangements. As a result, the adoption of ASU 2016-02 did not have any impact on the Company’s financial statements.

3. Contributions and Distributions from/to Parent

For the year ended December 31, 2019, the Company recorded distributions to the Parent which consists of withholding taxes on RSU vesting, whereby the Parent’s shares were issued to the Company’s employees net of applicable withholding taxes, and therefore, such withheld shares were deemed to have been purchased by the Parent. For the same period, the Company recorded contributions from the Parent related to (i) marketable securities contributed (ii) RSUs granted by the Parent to the employees of the Company and (iii) a deferred tax asset on a stand-alone basis. See Note 12 for income taxes.

4. Financial Instruments

Fair value is 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. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company provides the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial instrument assets and liabilities carried at fair value have been classified and disclosed in one of the following three categories:

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

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices all of which are carried at fair value.

Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including discounted anticipated cash flows, the cost, terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates, loss severity, as well as other measurements. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. The Company did not own any Level 2 financial instruments at December 31, 2019.

Level 3 is comprised of financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are generally less readily observable from objective sources. The Company did not own any Level 3 financial instruments at December 31, 2019.

The following tables provide fair value information related to the Company's financial assets and liabilities as of December 31, 2019:

	Carrying Value	Fair Value
Assets		
Cash and cash equivalents	$ 29,123,248	$ 29,123,248
Marketable securities owned	14,919,292	14,919,292
Total assets	$ 44,042,540	$ 44,042,540
Liabilities		
Marketable securities sold, but not yet purchased	$ 3,854,600	$ 3,854,600
Total liabilities	$ 3,854,600	$ 3,854,600

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 29,123,248	$ -	$ -	$ 29,123,248
Marketable securities owned	14,919,292	-	-	14,919,292
Total assets	$ 44,042,540	$ -	$ -	$ 44,042,540
Liabilities				
Marketable securities sold, but not yet purchased	$ 3,854,600	$ -	$ -	$ 3,854,600
Total liabilities	$ 3,854,600	$ -	$ -	$ 3,854,600

As of December 31, 2019, both marketable securities owned and marketable securities sold, but not yet purchased, were primarily comprised of U.S. listed equity securities.

Transfers between levels of the fair value hierarchy result from changes in the observability of fair value inputs used in determining fair values for different types of financial assets and are recognized at the beginning of the reporting period in which the event or change in circumstances that caused the transfer occurs. There were no assets or liabilities measured at fair value on a nonrecurring basis.

There were no transfers in/out of Level 1, Level 2 or Level 3 during the year ended December 31, 2019.

5. Liabilities Subordinated to Claims of General Creditors

JMP Capital LLC, a wholly-owned, indirect subsidiary of the Parent, has made four loans to the Company under certain subordinated loan agreements. Such subordinated loan agreements and subsequent amendments extending the maturity date were approved by FINRA.

Borrowings under the subordinated loan agreements as of December 31, 2019 were the following:

JMP Capital LLC Interest at 13% matures on January 31, 2020	$ 4,000,000
JMP Capital LLC Interest at 13% matures on September 30, 2020	2,500,000
JMP Capital LLC Interest at 13% matures on October 31, 2020	1,000,000
JMP Capital LLC Interest at 13% matures on October 31, 2020	2,500,000
	$ 10,000,000

Liabilities subordinated to claims of general creditors are covered by agreements approved by the FINRA and qualify as equity capital in computing net capital under the SEC's Uniform Net Capital Rule ("Rule 15c3-1"). To the extent that the subordinated liability is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

6. Related Party Transactions

The Company pays certain operating expenses on behalf of its affiliates and is subsequently reimbursed for such payments. In addition, the Company is allocated by, or charges to, its affiliates compensation, depreciation and rental expenses in the ordinary course of business. Such allocation and charge amounts are determined based on the Company's pro-rata share of the actual costs.

All of the above related party transactions are settled through intercompany accounts.

The Company's obligations under the line of credit are guaranteed by the assets of a majority of the Parent's wholly-owned subsidiaries and certain assets of the Parent. Refer to Note 7 for details.

7. Commitments and Contingencies

The Company's affiliate, JMP Group Inc., leases office space in California, Illinois, Massachusetts, Minnesota, Florida, and New York for the benefit of its affiliates. A large portion of such office space is occupied by the Company, and the Company is allocated rental expense and operating expenses associated with the space it occupies in accordance with an allocation agreement between the Company and JMP Group, Inc. The allocation agreement is cancellable at any time by either party and therefore no enforceable lease agreement or future commitment exists between the parties.

The Company holds a revolving line of credit with City National Bank (the "Lender") to be used for regulatory capital purposes during its securities underwriting activities. The unused portion of the line bears interest at the rate of 0.25% per annum, paid monthly. Effective as of June 6, 2019, the Company entered into an amendment to its credit agreement with the Lender (the "Amendment"). Pursuant to the Amendment, the $20.0 million line of credit was renewed for one year. The Amendment was approved by FINRA on June 5, 2019 and any borrowing on this line of credit would qualify as equity capital in computing net capital under Rule 15c3-1. On June 6, 2020, any existing outstanding amount will convert to a loan maturing the following year. There were no borrowings on this line of credit as of December 31, 2019. The Company's obligations under the line of credit are guaranteed by the assets of a majority of the Parent's wholly-owned subsidiaries and certain assets of the Parent.

In connection with its underwriting activities, the Company may, from time to time, enter into firm commitments for the purchase of securities in return for a fee. These commitments require the Company to purchase securities at a specified price. Securities underwriting exposes the Company to market and credit risk, primarily in the event that, for any reason, securities purchased by the Company cannot be distributed at anticipated price levels. As of December 31, 2019, the Company had no open underwriting commitments.

The securities owned are on deposit with the clearing broker and, together with the cash held by the clearing broker, may be used to maintain margin requirements. Furthermore, the securities owned may be hypothecated or borrowed by the clearing broker.

8. Litigation

The Company is involved in a number of judicial, regulatory and arbitration matters arising in connection with our business. The outcome of matters the Company has been and currently is involved in cannot be determined at this time, and the results cannot be predicted with certainty. There can be no assurance that these matters will not have a material adverse effect on our results of operations in any future period and a significant judgment could have a material adverse impact on our financial condition, results of operations and cash flows. The Company may in the future become involved in additional litigation in the ordinary course of our business, including litigation that could be material to our business.

In December 2019, plaintiffs in a class action lawsuit and the Company, as defendant, entered into an agreement to settle such lawsuit by paying $3.0 million (the "Settlement Amount") into a settlement fund escrow account following the preliminary approval of such settlement by the court. Concurrently with entering into the settlement agreement, the Company entered into an agreement with a third party indemnifying the Company with respect to such lawsuit whereby such indemnifying party would pay the Settlement Amount into the settlement fund escrow account on behalf of the Company at the time such payment comes due. The timely performance of these two agreements is expected to result in no impact on the results of operations or cash flows of the Company. The indemnification payment receivable and settlement liability have been separately recorded and included in the Statement of Financial Condition within other assets and other liabilities.

The Company reviews the need for any loss contingency reserves and establishes reserves when, in the opinion of management, it is probable that a matter would result in liability and the amount of loss, if any, can be reasonably estimated. Management, after consultation with legal counsel, believes that the currently known actions or threats will not result in any material adverse effect on the Company's financial condition, results of operations or cash flows.

9. Regulatory Requirements

The Company is subject to Rule 15c3-1, which requires the maintenance of minimum net capital, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2019, the Company had net capital of $16,855,729 which was $15,456,687 in excess of its required net capital of $1,399,042. The Company's ratio of aggregate indebtedness to net capital was 1.25 to 1.

All customer transactions are cleared through another broker-dealer on a fully disclosed basis. Therefore, the Company is not required to maintain a separate bank account for the exclusive benefit of customers or to segregate customer securities in accordance with Rule 15c3-3 of the SEC.

The Company claims exemption from the provisions of Rule 15c3-3 pursuant to paragraph k (2) (ii) of such Rule under the Securities Exchange Act of 1934 as it is an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers. Operating under this exemption, the Company has not prepared a Determination of Reserve Requirements for Brokers or Dealers.

10. Guarantees

The Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the Company. Should a customer not fulfill its obligation on a transaction, the Company may be required to buy or sell securities at prevailing market prices in the future on behalf of its customers. The Company's obligation under the indemnification has no maximum amount. All unsettled trades at December 31, 2019 have settled with no resulting liability to the Company. For the year ended December 31, 2019, the Company did not have a loss due to counterparty failure, and has no obligations outstanding under the indemnification as of December 31, 2019.

The Company is engaged in various investment banking and brokerage activities whose counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter party with which it conducts business.

11. Financial Instruments with Off-Balance Sheet Risk, Credit Risk or Market Risk

The majority of the Company's transactions, and consequently the concentration of its credit exposure, is with its clearing broker, National Financial Services LLC. The clearing broker is also the primary source of short-term financing for the Company's security trading, which is collateralized by cash and securities owned by the Company and held by the clearing broker. The Company's securities owned may be pledged by the clearing broker. As of December 31, 2019, there were no borrowings from the clearing broker. The amount receivable from the clearing broker includes amounts receivable related to unsettled trades and commissions earned from customer transactions. As of December 31, 2019 the Company's cash on deposit with the clearing broker was not collateralizing any liabilities to the clearing broker.

In addition to the clearing broker, the Company is exposed to credit risk from other brokers, dealers, and other financial institutions with which it transacts business. In the event counterparties do not fulfill their obligations, the Company may be exposed to credit risk.

The Company's trading activities include providing securities brokerage services to institutional clients. To facilitate these customer transactions, the Company purchases proprietary securities positions ("long positions") in equity securities. The Company also enters into transactions to sell securities not yet purchased ("short positions"), which are recorded as liabilities on the statement of financial condition. The Company is exposed to market risk on these long and short securities positions as a result of decreases in market value of long positions and increases in market value of short positions. Short positions create a liability to purchase the security in the market at prevailing prices. Such transactions result in market risk as the Company's ultimate obligation to satisfy the sale of securities sold, not yet purchased may exceed the amount recorded in the Statement of Financial Condition. These securities positions are marked to market daily and are monitored by management to assure compliance with limits established by the Company.

12. Income Taxes

As described in Note 2, the Company recognizes its U.S. Federal and state income taxes as if it were a stand-alone taxpayer. All tax liabilities or receivables accrued by the Company are settled in cash through intercompany accounts.

The Company provides deferred income taxes on temporary differences using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the stand-alone financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

As of December 31, 2019, the Company computed a deferred tax asset on a stand-alone basis of $2,859,497. The significant components of the deferred taxes include temporary differences related to compensation accruals and net operating losses.

As of December 31, 2019, the Company had not accrued any interest or penalties related to unrecognized tax benefits. The Company is subject to federal and state income tax assessment for years beginning 2015. The Company does not believe that there will be a material change in its unrecognized tax positions over the next twelve months.

13. Employee Benefits

All salaried employees of the Company are eligible to participate in the JMP Group 401(k) Plan after year of employment. Participants may contribute up to the limits set by the U.S. Internal Revenue Service. The Company contributes a match of 100% of each participant's contributions to the JMP Group 401(k) Plan up to a maximum of 3% of the participant's compensation plus 50% of the participant's elective deferrals between 3% and 5%. All participants are immediately vested 100% on matched contributions.

14. Subsequent Events

The Company has performed an evaluation of subsequent events through February 28, 2020, which is the date the statement of financial condition was issued.

On January 22, 2020, an amendment extending the maturity date of the $4,000,000 subordinated borrowing (Note 5) from January 31, 2020 to January 31, 2021 was approved by FINRA.