

Ad
3-25



cm
3-23

OMMISSION
20549

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



SEC FILE NUMBER
8-23522

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 1/1/2003 AND ENDING 12/31/2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Fleet Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

26 Broadway
(No. and Street)

New York NY 10004-1798
(City) (State) (Zip Code)

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

Charles E. Sax (212) 747-6694
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

1177 Avenue of the Americas New York NY 10036
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
MAR 31 2004
THOMSON FINANCIAL

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).

Handwritten signature/initials

OATH OR AFFIRMATION

I, Charles E. Sax, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fleet Securities, Inc., as of December 31, 2003, 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:

Charles E. Sax

Signature

Chief Financial Officer, VP, Treasurer

Title

Ellen D. Maher

Notary Public

ELLEN D. MAHER
Notary Public, State of New York
No. 01MA4523043
Qualified in Suffolk County
Certificate filed in New York County
Commission Expires Dec. 31, 2006

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 Proprietor's 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.

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

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of
FleetBoston Financial Corporation)

Statement of Financial Condition
December 31, 2003

Report of Independent Auditors

To the Board of Directors
and Stockholder of
Fleet Securities, Inc.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Fleet Securities, Inc. (the "Company") at December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether this financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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.

PricewaterhouseCoopers LLP

February 27, 2004

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of FleetBoston Financial Corporation)

Statement of Financial Condition**December 31, 2003**

(dollars in thousands)

Assets

Cash and cash equivalents	\$	132,274
Securities borrowed		5,368,208
Receivable from brokers, dealers and clearing organizations (Note 3)		86,646
Receivable from customers (Note 4)		1,243,785
Securities owned, at market value (Note 5)		147,536
Securities owned, pledged to counterparties, at market value (Note 5)		28,512
Memberships in exchanges, at cost (market value \$597)		995
Fixed assets, net of accumulated depreciation and amortization of \$102,258 (Note 8)		58,245
Deferred taxes receivable (Note 9)		17,050
Receivable from Parent		9,019
Other assets		55,816
Total assets	\$	<u>7,148,086</u>

Liabilities and Stockholder's Equity**Liabilities**

Bank loans payable	\$	921
Drafts payable		902
Securities loaned		5,437,101
Payable to brokers, dealers and clearing organizations (Note 3)		544,871
Payable to customers (Note 4)		479,587
Securities sold, but not yet purchased, at market value (Note 5)		14,387
Income taxes payable to Parent		17,358
Accrued compensation		39,477
Deferred taxes payable (Note 9)		7,808
Accrued expenses and other liabilities		32,134
		<u>6,574,546</u>

Commitments and contingencies (Note 11)

Subordinated liabilities (Note 7)		155,000
Stockholder's equity		418,540
Total liabilities and stockholder's equity	\$	<u>7,148,086</u>

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

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of FleetBoston Financial Corporation)

Notes to Statement of Financial Condition

December 31, 2003

1. Organization

Fleet Securities, Inc. (the "Company") is wholly-owned by Quick & Reilly/Fleet Securities, Inc. (the "Parent"), which, in turn, is a wholly-owned subsidiary of FleetBoston Financial Corporation ("FleetBoston").

The Company is a securities broker-dealer which is registered with the Securities and Exchange Commission ("SEC") and is a member of the New York Stock Exchange ("NYSE"). The Company's principal activities include executing and clearing transactions for correspondent broker-dealers and affiliated companies, and the underwriting, syndication and trading of fixed income and securities.

In 2002, the Company discontinued the operations of Fleet Trading, its NASDAQ market-making business. The remaining net assets were liquidated and settled in 2003.

On October 27, 2003, FleetBoston announced a definitive agreement to merge with Bank of America Corporation (the "Bank of America"), a global financial services company headquartered in Charlotte, North Carolina, with Bank of America the surviving company. The Company will be an indirect wholly owned subsidiary of Bank of America. The transaction is expected to be completed in the second quarter, 2004.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies applied by the Company in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles in the United States of America ("GAAP").

Use of Estimates

To prepare financial statements in conformity with GAAP, management must estimate certain amounts that affect the reported assets and liabilities and contingent assets and liabilities. Actual results could differ from those estimates.

Fair Value

Substantially all of the Company's financial assets and liabilities are carried at market or fair value or are carried at amounts which approximate fair value because of their short-term nature or frequent repricing. Fair value is estimated at a specific point in time, based on relevant market information.

Cash Equivalents

Cash equivalents include all demand deposits held in banks and certain highly liquid investments with maturities of 90 days or less, other than those held for sale in the ordinary course of business. Included in cash and cash equivalents is \$93.9 million in a money market fund which is reported at cost, which approximates fair value.

Securities Transactions

Securities transactions executed on behalf of customers are recorded on a settlement date basis.

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of FleetBoston Financial Corporation)

Notes to Statement of Financial Condition

December 31, 2003

Securities Owned and Securities Sold, but Not Yet Purchased

Securities owned and securities sold, but not yet purchased, are valued at market and recorded on a trade date basis.

Fixed Assets

Office furniture and computer equipment are carried at cost less accumulated depreciation and are depreciated on a straight-line basis over the estimated useful lives of the assets, from three to five years. Leasehold improvements are carried at cost less accumulated amortization and are amortized on a straight-line basis over the lesser of ten years and the remaining term of the lease. The Company capitalizes certain costs associated with the acquisition or development of internal-use software. Once the software is ready for its intended use, the Company begins to amortize capitalized costs on a straight-line basis over its expected useful life. This period generally does not exceed three years.

Securities Borrowed and Loaned

Securities borrowed and loaned are recorded based on the amount of cash advanced or received. The Company takes possession of securities borrowed, monitors the market value of securities loaned and obtains additional collateral as appropriate.

Income Taxes

The Company is included in the consolidated Federal and certain combined state and local income tax returns of FleetBoston. For Federal income taxes, the Company is generally charged or credited with an amount equal to its separate tax liability or benefit as if it were filing on an individual company basis. For certain state and local tax filings the Company is charged or credited with an amount equal to its share of the combined state and local liability or benefit.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the Statement of Financial Condition carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled.

3. Receivable from and Payable to Brokers, Dealers and Clearing Organizations

At December 31, 2003, amounts receivable from and payable to brokers, dealers and clearing organizations consist of (dollars in thousands):

Receivable

Correspondents and other	\$ 59,413
Clearing organizations	6,205
Securities failed to deliver	21,028
	<u>\$ 86,646</u>

Payable

Correspondents and other	\$ 524,487
Securities failed to receive	20,384
	<u>\$ 544,871</u>

Included in payable to correspondents and other is approximately \$496.1 million of amounts due to the Company's affiliates.

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of FleetBoston Financial Corporation)

Notes to Statement of Financial Condition

December 31, 2003

4. Receivable from and Payable to Customers

The balances shown on the Statement of Financial Condition represent the amounts receivable from and payable to customers in connection with cash and margin securities transactions. The receivables are collateralized by securities; the value of these securities is not reflected in the accompanying financial statements.

5. Securities Owned and Securities Sold, but not yet Purchased

At December 31, 2003, securities owned and securities sold, but not yet purchased, consist of trading securities at market values, as follows (dollars in thousands):

	Securities Owned	Securities Sold, but Not Yet Purchased
Commercial paper	\$ 7,712	\$ -
Corporate and municipal bonds	95,013	14,387
U.S. Government and agencies	73,211	-
Common stock	112	-
	<u>176,048</u>	<u>14,387</u>
Less securities pledged to counterparties	(28,512)	-
	<u>\$ 147,536</u>	<u>\$ 14,387</u>

Under SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", the Company is required to disclose the market value of collateral received under stock borrow, customer and non-customer agreements which it has the ability to sell or repledge and the amount of collateral that has been pledged or resold. As of December 31, 2003, the Company has received collateral primarily in connection with securities borrowed and customer margin loans with a market value of \$8.2 billion which it can sell or repledge. Of this amount, \$5.7 billion has been pledged or sold as of December 31, 2003 in connection with securities loaned and deposits with clearing organizations.

6. Related Party Transactions

The Company clears transactions for accounts of an affiliated specialist firm and accounts introduced by a broker-dealer affiliate in accordance with the terms of clearance arrangements. The Company also carries proprietary accounts of its Parent and affiliates.

At December 31, 2003, significant balances with affiliates not disclosed elsewhere in the financial statements include net cash held with FleetBoston of approximately \$12.5 million.

7. Liabilities Subordinated to the Claims of General Creditors

Subordinated liabilities at December 31, 2003 include one subordinated loan totaling \$155 million payable to FleetBoston. The Company has an additional \$395 million of undrawn funds under a revolving cash subordination agreement with FleetBoston.

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of FleetBoston Financial Corporation)

Notes to Statement of Financial Condition

December 31, 2003

The \$155 million borrowing under the revolving cash subordination agreement for \$550 million bears interest at one month LIBOR plus 5 basis points per annum and matures on January 31, 2006.

The loan is subordinated to the claims of general creditors of the Company and has been approved as regulatory capital and, accordingly, is included as regulatory capital in computing the Company's net capital under the SEC's Uniform Net Capital Rule 15c3-1. To the extent that such borrowing is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

8. Fixed Assets

A summary of furniture, equipment, computer software and leasehold improvements at December 31, 2003 is as follows (dollars in thousands):

Furniture and equipment	\$ 109,200
Computer software	38,785
Leasehold improvements	12,518
	<hr/>
	160,503
Less: Accumulated depreciation and amortization	(102,258)
	<hr/>
	\$ 58,245

9. Income Taxes

At December 31, 2003, the Company had deferred tax assets of approximately \$17.1 million and deferred tax liabilities of approximately \$7.8 million. The temporary differences were caused primarily by favorable resolution of certain tax contingencies, a difference between the tax basis and book basis for accrued expenses, depreciation and amortization, and unrealized gains on securities owned.

There are no valuation allowances recorded against the deferred tax assets at December 31, 2003 since management believes that the realization of the deferred tax assets is more likely than not based on anticipated future taxable income to offset the tax benefit of deductible temporary differences.

10. Employee Benefit Plans

During the year, the Company employees participated in FleetBoston's cash balance pension plan, (the "FleetBoston Plan"), covering substantially all full-time employees. The FleetBoston Plan provides for the company to contribute an amount based on a percentage of compensation, as defined in the plan agreement. The Company also has a contributory 401(k) plan covering all full-time employees.

During the year, the Company participated in FleetBoston's benefit plan (the "Benefit Plan"). The Benefit Plan provides health benefits to eligible employees and their families. The Benefit Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

Certain employees of the Company participate in FleetBoston's stock award plans which provide for the issuance of FleetBoston's stock-related awards, such as stock options and restricted stock.

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of FleetBoston Financial Corporation)

Notes to Statement of Financial Condition

December 31, 2003

11. Commitments and Contingencies

The Company leases office space under an informal lease agreement with the Parent and holds non-cancelable operating lease agreements with third parties, which expire on various dates through 2013. These operating leases are subject to escalation based on increases in costs incurred by the lessor. At December 31, 2003, non-cancelable contractual operating leases in excess of one year, had the following minimum lease commitments:

Year ending December 31, (dollars in thousands)	Contractual	Affiliates	Total
2004	\$ 2,718	\$ 10,536	\$ 13,254
2005	2,419	7,702	10,121
2006	1,556	7,839	9,395
2007	1,586	7,491	9,077
2008	1,619	7,948	9,567
Thereafter	826	15,767	16,593
	<u>\$ 10,724</u>	<u>\$ 57,283</u>	<u>\$ 68,007</u>

Margin and deposit requirements of approximately \$109.3 million with the Options Clearing Corporation have been satisfied with pledged securities totaling \$140.5 million.

In the ordinary course of its securities business, the Company has been named as a defendant in a number of legal actions. In the opinion of management, based on discussions with counsel, the resolution of such actions will not have a material adverse effect on the financial condition of the Company.

12. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

In the normal course of business, the Company's securities activities primarily involve executions, settlement and financing of various securities transactions for a nationwide, primarily retail, customer and non customer client base, introduced by its correspondent broker-dealers. These activities may expose the Company to risk in the event customers, other brokers and dealers, banks, clearing organizations or depositories are unable to fulfill contractual obligations.

The Company conducts business with brokers and dealers, clearing organizations and depositories that are primarily located in the New York area. Banking activities are conducted mainly with commercial banks located in the New York area and throughout the country to support customer securities activities of correspondent broker-dealers.

For transactions in which the Company extends credit to customers and noncustomers, the Company seeks to control the risk associated with these activities by requiring customers and non customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requests the deposit of additional collateral or reduces securities positions, when necessary. In addition, the Company's correspondent broker-dealers may be required to maintain deposits relating to its security clearance activities.

The Company records customers' securities transactions on a settlement date basis, which is generally three business days after trade date. The Company is therefore exposed to off-balance

Fleet Securities, Inc.

(An Indirect Wholly Owned Subsidiary of FleetBoston Financial Corporation)

Notes to Statement of Financial Condition

December 31, 2003

sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill contractual obligations.

The Company may be exposed to a risk of loss not reflected in the Statement of Financial Condition for securities sold, but not yet purchased, should the value of such securities rise. The Company's financing and securities lending activities require the Company to pledge securities as collateral for various secured financing sources such as bank loans, securities loaned and letters of credit. In the event the counterparty is unable to meet its contractual obligation, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices. The Company monitors the credit standing of counterparties with whom it conducts business. Risk is further controlled by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral level in the event of excess market exposure or instituting securities buy-in procedures when required.

13. Net Capital Requirements

As a registered broker-dealer and member of the NYSE, the Company is subject to the Uniform Net Capital Rule 15c3-1 (the "Rule") of the Securities and Exchange Commission. The Company computes its net capital under the alternative method permitted by the Rule, which requires that minimum net capital be equal to 2% of aggregate debit items arising from customer transactions. The NYSE may require a member firm to reduce its business if its net capital is less than 4% of aggregate debit items, or may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital would be less than 5% of aggregate debit items. At December 31, 2003, the Company had net capital of \$399.4 million, which was approximately 27.09% of aggregate debit items and exceeded requirements by \$369.9 million.

At December 31, 2003, there were no requirements for funds or securities to be segregated in a special reserve account for either the benefit of customers or proprietary accounts of introducing broker-dealers, in accordance with SEC Rule 15c3-3.