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8-51868

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

**FACING PAGE**

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

REC'D S.I.C.  
MAR 1 - 2005  
1086

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**BNY INVESTMENT CENTER INC.**

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

**1633 BROADWAY**

OFFICIAL USE ONLY
FIRM ID. NO.

**NEW YORK**

**NY**

**10019**

(City)

(State)

(Zip Code)

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

**Frank Lupo**

**(212) 237-0715**

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Ernst & Young LLP**

**5 Times Square**

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

**New York**

**NY**

**10036**

(Address)

(City)

(State)

(Zip Code)

PROCESSED

MAR 31 2005

THOMSON  
FINANCIAL

B

CHECK ONE:

- 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).

AA4  
3/30/2005

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3/23

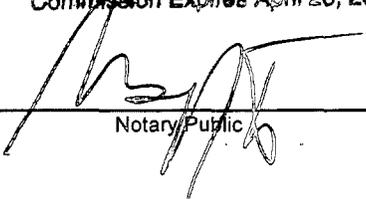
**OATH OR AFFIRMATION**

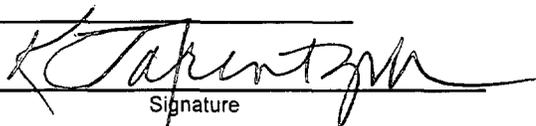
I, Kent Lorentzen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of BNY Investment Center Inc.

as of December 31, 20004, 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:

None

Michael Pirozzi  
Notary Public, State of New York  
No. 01PI6001578  
Qualified in Queens County  
Commission Expires April 28, 2007

  
\_\_\_\_\_  
Notary Public

  
\_\_\_\_\_  
Signature  
President  
\_\_\_\_\_  
Title

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 or Creditors.
- (g) Computation of Net Capital.
- (h) Statement Regarding 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 or 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 regarding SEC Rule 15c3-3.
- (p) Supplementary report of Independent Auditors on Internal Control.

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

STATEMENT OF FINANCIAL CONDITION

BNY Investment Center Inc.

December 31, 2004

with Report of Independent Registered Public  
Accounting Firm

BNY Investment Center Inc.  
Statement of Financial Condition

December 31, 2004

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## Report of Independent Registered Public Accounting Firm

The Stockholder of  
BNY Investment Center Inc.

We have audited the accompanying statement of financial condition of BNY Investment Center Inc. (the "Company") as of December 31, 2004. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of BNY Investment Center Inc. at December 31, 2004, in conformity with accounting principles generally accepted in the United States.



February 23, 2005

BNY Investment Center Inc.  
Statement of Financial Condition

December 31, 2004

<b>Assets</b>	
Cash	\$ 636,879
Securities owned, at market value	14,950,000
Commissions receivable	2,277,763
Other assets	599,719
Total assets	<u>\$ 18,464,361</u>
 <b>Liabilities and stockholder's equity</b>	
Liabilities:	
Accrued compensation and benefits	\$ 1,861,895
Taxes payable	446,871
Other liabilities and accrued expenses	775,770
Total liabilities	<u>3,084,536</u>
Stockholder's equity	<u>15,379,825</u>
Total liabilities and stockholder's equity	<u>\$ 18,464,361</u>

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

# BNY Investment Center Inc.

## Notes to Statement of Financial Condition

December 31, 2004

### **1. Organization and Description of Business**

BNY Investment Center Inc. (the "Company"), a New York corporation, is a wholly-owned subsidiary of The Bank of New York (the "Bank"), which is a wholly-owned subsidiary of The Bank of New York Company, Inc. ("BNY"), a financial holding company. The Company is a registered broker-dealer with the Securities and Exchange Commission (the "SEC"), and is a member of the National Association of Securities Dealers, Inc.

The Company is an agency brokerage firm, which serves the Bank's retail banking customers. The Company specializes in the sale of mutual funds, unit investment trusts and annuities and provides discount brokerage services to its clients.

The clearing and depository operations for the Company's clients are provided by Pershing LLC ("Pershing") on a fully-disclosed basis. Pershing is an affiliate of the Company and a wholly-owned subsidiary of the Bank.

### **2. Significant Accounting Policies**

#### **Securities Transactions**

Securities owned are recorded on a trade date basis and are valued at market. At December 31, 2004, securities owned consisted primarily of an investment in a money market mutual fund managed by BNY Hamilton Funds, Inc. ("BNY Hamilton"), an affiliate of BNY.

#### **Marketing Allowance**

The Company receives marketing allowances from certain mutual funds and insurance carriers and is obligated to use such monies for marketing activities. Total marketing allowance received and used for the year ended December 31, 2004 was \$418,000 and \$614,000 respectively. There is no net income impact on the Statement of Income. At December 31, 2004 the liability for deferred marketing allowance was approximately \$680,000 in the Statement of Financial Condition.

#### **Use of Estimates**

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

# BNY Investment Center Inc.

## Notes to Statement of Financial Condition (continued)

### 2. Significant Accounting Policies (continued)

#### Financial Instruments

Statement of Financial Accounting Standards No. 107, *Disclosure about Fair Value of Financial Instruments*, requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized in the statement of financial condition. Management estimates that the fair value of financial instruments recognized in the statement of financial condition including cash, receivable, securities owned, certain other assets and certain other liabilities approximate their carrying value.

#### 3. Income Taxes

The Company is included in the consolidated federal and combined state and local income tax returns filed by BNY. Income taxes are provided for pursuant to a tax sharing agreement between the Bank and BNY. The Company is included under this tax sharing agreement. Income tax benefits are recognized to the extent such benefits can be realized by BNY in its consolidated returns.

The deferred income taxes reflect the tax effects of temporary differences between financial reporting and tax bases of assets and liabilities.

The Company's effective tax rate differs from the federal statutory rate primarily as a result of the effect of state and local taxes.

#### 4. Transactions with Customers

For transactions in which the Company, through Pershing, extends credit to customers, the Company seeks to control the risks associated with these activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company and Pershing monitor required margin levels daily and, pursuant to such guidelines, request customers to deposit additional collateral or reduce securities positions when necessary.

The Company has agreed to indemnify Pershing for losses that it may sustain from the customer accounts introduced by the Company.

## BNY Investment Center Inc.

### Notes to Statement of Financial Condition (continued)

#### 5. Related Party Transactions

The Company had entered into fully-disclosed clearing agreements with Pershing for the carrying of retail customer accounts and clearance of brokerage transactions. Included in commissions receivable on the statement of financial condition is \$725,620 of commission receivable from Pershing.

At December 31, 2004, the Company had \$14,950,000 in securities owned which are invested in a money market mutual fund managed by BNY Hamilton. As of December 31, 2004, the Company has \$19,161 of dividend receivable from BNY Hamilton Mutual Fund.

#### 6. Net Capital Requirements

The Company is subject to the net capital requirements of the New York Stock Exchange, Inc. (the "Exchange") and the Uniform Net Capital requirements of the Securities and Exchange Commission ("SEC") under Rule 15c3-1. The Exchange and the SEC requirements also provide that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. At December 31, 2004, the Company had net capital of \$12,433,568 which was \$12,227,929 in excess of the amount required to be maintained at that date.

Under the clearing arrangement with the clearing broker, the Company is required to maintain certain minimum levels of net capital and comply with other financial ratio requirements. At December 31, 2004, the Company was in compliance with all such requirements.

#### 7. Guarantees

The Company applies the provisions of the Financial Accounting Standards Board's Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45") which provides accounting and disclosure requirements for certain guarantees.

As described in Note 4, the Company has agreed to indemnify Pershing for losses that it may sustain from the customer accounts introduced by the Company.

BNY Investment Center Inc.

Notes to Statement of Financial Condition (continued)

**7. Guarantees (continued)**

At December 31, 2004, the total amount of customer balances maintained by the clearing broker and subject to such indemnification was approximately \$12,800. In accordance with applicable margin lending practices, customer balances are typically collateralized by customer securities or supported by other types of recourse provisions.

**8. Employee Benefit Plans**

Substantially all employees of the Company are eligible to participate in a retirement savings plan sponsored by the Bank, which is composed of a 401(k) match program subject to certain limitations. A percentage of the employee contribution is matched by the Company.

Employees are also eligible to participate in a deferred cash bonus compensation plan, subject to certain vesting rights.

**9. Subsequent Events**

On February 15, 2005 the Board approved a \$6 million dividend distribution to the Bank. This distribution is payable on February 25, 2005 and is subject to regulatory approval.