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

SEC FILE NUMBER
8-43852

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 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **SMBC Securities, Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

277 Park Avenue

(No. and Street)

New York

New York

10172

(City)

(State)

(Zip Code)

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

Tetsuya Tonoike, President

(212) 224-5011

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

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

345 Park Avenue

New York

New York

SEC Mail Processing
Section

10154

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

MAR 02 2009

Washington, DC

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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 exemption. See Section 240.17a-5(e)(2)

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SEC 1410 (06-02)

OATH OR AFFIRMATION

I, Tetsuya Tonoike, swear (or affirm) that, to the best of my knowledge and believe the accompanying financial statement and supporting schedules pertaining to the firm of SMBC Securities, Inc. , as of December 31, 2008, 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:

Three horizontal lines for providing details of the interest.



Signature

President

Title

POLYMNIA MAKRILLOU
Notary Public, State of New York
No. 01MA6136212
Qualified in Kings County
Commission Expires October 31st, 2009


Notary Public

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.

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



SMBC SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of
Sumitomo Mitsui Banking Corporation)

Statement of Financial Condition

December 31, 2008

(With Independent Auditors' Report Thereon)

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Section**

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
SMBC Securities, Inc.:

We have audited the accompanying statement of financial condition of SMBC Securities, Inc., (the Company) (an indirect wholly owned subsidiary of Sumitomo Mitsui Banking Corporation) as of December 31, 2008. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of SMBC Securities, Inc. as of December 31, 2008, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 27, 2009

SMBC SECURITIES, INC.
 (An Indirect Wholly Owned Subsidiary of
 Sumitomo Mitsui Banking Corporation)

Statement of Financial Condition

December 31, 2008

Assets

Cash and cash equivalents	\$	3,330,862
Securities purchased under agreements to resell		590,475,494
Securities owned, at market value		3,102,167
Receivable from brokers, dealers and clearing organization		42,029,623
Receivable from customers		7,817,618
Furniture, equipment, and leasehold improvements, at cost, net of accumulated depreciation and amortization of \$2,236,813		95,367
Deferred tax assets		307,105
Other assets		1,665
		<u>647,159,901</u>
Total assets	\$	<u>647,159,901</u>

Liabilities and Stockholders' Equity

Liabilities:		
Securities sold under agreements to repurchase	\$	520,475,493
Payable to brokers, dealers and clearing organization		39,616,375
Accounts payable, accrued expenses, and other liabilities		3,213,854
		<u>563,305,722</u>
Subordinated liabilities		25,000,000
		<u>588,305,722</u>
Total liabilities		<u>588,305,722</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock:		100
Class A, \$0.10 par value. Authorized 50 shares; issued and outstanding 5 shares		
Class B, \$0.10 par value. Authorized 9,950 shares; issued and outstanding 995 shares		
Additional paid-in capital		39,999,900
Retained earnings		18,854,179
		<u>58,854,179</u>
Total stockholders' equity		<u>58,854,179</u>
Total liabilities and stockholders' equity		<u>647,159,901</u>

See accompanying notes to statement of financial condition.

SMBC SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of
Sumitomo Mitsui Banking Corporation)

Notes to Statement of Financial Condition

December 31, 2008

(1) Organization

SMBC Securities, Inc. (the Company or SMBC SI), an indirect wholly owned subsidiary of Sumitomo Mitsui Banking Corporation (SMBC), is registered as a broker dealer under the Securities Exchange Act of 1934, is a member of the National Association of Securities Dealers, Inc. (NASD), and is also registered with the Municipal Securities Rulemaking Board. The Company was incorporated on August 8, 1990 and commenced operations in December 1991. The Company is exempt from the Securities and Exchange Commission (SEC) Rule 15c3-3 pursuant to provision (k)(2)(i) of such rule. Sumitomo Mitsui Banking Corporation (SMBC), the parent, owns 80% of the Class A common stock and 100% of the Class B common stock and SMBC Financial Services, Inc., a wholly owned subsidiary of SMBC, owns 20% of the Class A common stock.

The Company engages in the trading of U.S. government and agency securities and enters into repurchase and reverse repurchase agreements, which include managing a matched book. The Company also acts as an originator, placement, and facility agent in connection with the origination and servicing of asset-backed transactions.

(2) Significant Accounting Policies

(a) Basis of Accounting

The Company's statement of financial condition has been prepared in conformity with U.S. generally accepted accounting principles. The preparation of the statement of financial condition requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the statement of financial condition. Such estimates are subject to change in the future as additional information becomes available or previously existing circumstances are modified. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash balances and due from banks and was \$3,330,862 at December 31, 2008.

(c) Securities Purchased under Agreements to Resell

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as financing transactions and are carried at amounts at which the securities will be subsequently resold or repurchased, plus accrued interest. The agreements provide that the transferor will receive substantially the same securities in return at the maturity of the agreement and the transferor obtains from the transferee sufficient cash or collateral to purchase such securities during the term of the agreement.

The market value of collateral accepted and pledged by the Company under reverse repurchase agreements and repurchase agreements was \$627,818,117 and \$519,995,601 at December 31, 2008, substantially all of which has been resold or repledged. Collateral received from counterparties is

SMBC SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of
Sumitomo Mitsui Banking Corporation)

Notes to Statement of Financial Condition

December 31, 2008

valued daily, and should the market value of the securities received decline below the principal amount loaned plus, accrued interest, additional collateral is requested when appropriate.

(d) Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation on furniture and equipment is provided on a straight line basis over the assets' estimated useful lives, ranging from three to five years. Amortization on leasehold improvements is provided on a straight line basis over the lesser of the terms of the related leases or useful lives of the improvements.

(e) Income Taxes

The Company provides for all income taxes in accordance with the asset and liability method of accounting. Under this method, deferred income taxes are recognized for future tax consequences attributable to differences between the financial statement 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. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

(f) Securities Owned

Customers' securities transactions are recorded on a settlement-date basis with related commission income and expenses recorded on a trade-date basis. Securities transactions of the Company are recorded on a trade-date basis. Securities owned and securities sold, not yet purchased are carried at fair value, with unrealized gains and losses reflected in earnings. Interest income and expense is recorded on an accrual basis.

At December 31, 2008, securities owned represent two U.S. Treasury bills, which are pledged to a clearing organization as collateral.

(3) Financial Instruments

As of December 31, 2008, the Company's financial instruments consist of securities purchased under agreements to resell, securities sold under agreements to repurchase and securities owned. Securities purchased under agreements to resell, and securities sold under agreements to repurchase are treated as financing transactions and are carried at amounts at which the securities will be subsequently resold plus accrued interest. This amount approximates fair value. Securities owned are carried at fair value.

As defined in SFAS 157, 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 the market approach. Based on this approach, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

SMBC SECURITIES, INC.
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Notes to Statement of Financial Condition

December 31, 2008

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be 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. This category also includes financial instruments that are valued using alternative approaches but for which the Company typically receives independent external valuation information including U.S. Treasuries.

Level 2 includes financial instruments that are valued using models or other valuation methodologies. These models are primarily industry standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. 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. As of December 31, 2008, the Company has no assets or liabilities carried at fair value that it classifies as level 2.

Level 3 includes financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are generally less readily observable. As of December 31, 2008, the Company has no assets or liabilities carried at fair value that it classifies as level 3.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to SFAS 157. Based on the Company's analysis, the securities owned are based on independent external valuation information and are classified as Level 1.

SMBC SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of
Sumitomo Mitsui Banking Corporation)

Notes to Statement of Financial Condition

December 31, 2008

(4) Related-Party Transactions

In the normal course of business, the Company engages in transactions with SMBC and affiliated companies including SMBC NY Branch, SMBC Tokyo, SMBC Capital Markets, Inc. (SMBC-CM), Daiwa SMBC Europe, SF Virgin Islands, LTD. (SFVI) and SMBC Capital Markets Limited. These transactions include but are not limited to securities purchased under agreements to resell and securities sold under agreements to repurchase transactions, trade execution, and advisory services. The following amounts related to transactions with SMBC and affiliated companies are included in the accompanying statement of financial condition:

Statement of financial condition:	
Cash and cash equivalents	\$ 172,726
Receivable from customers (SMBC NY Branch, SFVI, Daiwa SMBC Europe)	7,805,434
Accounts payable, accrued expenses, and other liabilities	1,470,990
Subordinated liabilities	25,000,000

(5) Subordinated Liabilities

In January 2007, the Company amended its \$25,000,000 subordinated loan agreement with SMBC. The loan matures on February 28, 2010, and bears interest at the three month London Interbank Offered Rate (LIBOR) plus 60 basis points. The subordinated loan has been approved as regulatory capital by the NASD and constitutes part of the Company's net capital under the SEC Uniform Net Capital Rule 15c3-1 (Rule 15c3-1), and may be repaid only if, after giving effect to such repayment, the Company meets the specified requirements of the SEC.

(6) Commitments and Contingencies

At December 31, 2008, the Company had an uncommitted line of credit from SMBC for \$50 million.

The Company occupies office space under a noncancelable sublease with SMBC, which expires on June 30, 2021. The rent payable by the Company under the sublease will be equal to its allocable share of the annual rent payable by SMBC under its prime lease.

SMBC SECURITIES, INC.
 (An Indirect Wholly Owned Subsidiary of
 Sumitomo Mitsui Banking Corporation)

Notes to Statement of Financial Condition

December 31, 2008

Future minimum rentals under the sublease are estimated as follows:

		<u>Minimum rentals</u>
Year ending December 31:		
2009	\$	169,219
2010		204,028
2011		250,145
2012		257,649
2013		130,728
Thereafter		<u>2,394,708</u>
	\$	<u><u>3,406,477</u></u>

The Company is involved in litigation arising in the normal course of business from time to time. Based upon discussions with counsel, it is management's opinion that there are no matters pending, which are probable of having a material adverse effect on the financial condition of the Company.

(7) Financial Instruments with Off Balance Sheet Risk and Concentration of Credit Risk

In the normal course of business, the Company executes, settles, and finances proprietary securities transactions. These activities expose the Company to off balance sheet risk arising from the possibility that the counterparty may fail to satisfy its obligations. In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to counterparties.

The Company enters into transactions in financial instruments with off balance sheet risk in order to reduce its own exposure to market and interest rate risk and in connection with its normal proprietary trading activities. These financial instruments include forward and futures contracts, interest rate swaps, contractual commitments, and the writing of options, each of which contains varying degrees of off balance sheet risk whereby changes in the market values of the securities or money market instruments underlying the financial instruments may be in excess of the amounts recognized in the accompanying statement of financial condition.

The Company provides trading, financing, and related services to a diverse group of domestic counterparties, including corporations and institutional investors. In connection with these activities, the Company enters into collateralized reverse repurchase and repurchase agreements that may result in significant credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Company minimizes credit risk associated with these activities by monitoring customer credit exposure and collateral values on a daily basis, and by requiring additional collateral to be deposited with or returned to the Company when deemed necessary.

The Company has no outstanding derivative financial instruments as of and for the year ended December 31, 2008.

SMBC SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of
Sumitomo Mitsui Banking Corporation)

Notes to Statement of Financial Condition

December 31, 2008

(8) Net Capital Requirements

The Company, as a registered broker dealer in securities, is subject to the net capital requirements of the NASD and SEC Rule 15c3-1. Effective January 1, 2000, the Company elected the alternative method for calculating net capital. This requires the Company to maintain minimum net capital of the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions, as defined. As of December 31, 2008, the Company's net capital was \$74,903,914, which exceeded the required minimum by \$74,653,914.

(9) Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, (FAS 109) and FIN 48. FAS 109 requires the recognition of tax benefits or expenses based on the estimated future tax effects of temporary differences between the financial statement and tax bases of its assets and liabilities. Deferred tax assets and liabilities primarily relate to tax basis differences on unrealized gains on securities owned and depreciation. FIN 48, which the Company adopted as of January 1, 2007, prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the amount of benefit that represents a greater than 50% likelihood of being realized upon ultimate settlement. There was no impact to the Company's statement of financial condition for the adoption of FIN 48. As of December 31, 2008, the Company has no unrecognized tax benefits and has accrued no interest or penalties with respect to any tax positions taken. If interest and penalties were to be required to be accrued in the future, it is Company policy that such amounts would be a component of the provision for income taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as of December 31, 2008 are as follows:

Deferred rent	\$	50,834
Depreciation		<u>256,271</u>
Deferred tax assets	\$	<u><u>307,105</u></u>

Although realization is not assured for the above deferred tax assets, management believes it is more likely than-not that they will be realized through future taxable earnings.

SMBC SECURITIES, INC.
 (An Indirect Wholly Owned Subsidiary of
 Sumitomo Mitsui Banking Corporation)

Notes to Statement of Financial Condition

December 31, 2008

The Company is no longer subject to U.S. federal, state, and local tax audits for tax years prior to 2005 and is not currently involved in any such audits.

(10) Employee Benefit Plans

The Company participates in a defined benefit noncontributory retirement plan and a defined contribution 401 (k) plan sponsored by its parent, SMBC. The plans cover substantially all employees. Retirement plan costs are allocated to the Company based on actuarial computations. Participants in the 401(k) plan may contribute amounts up to 15% of their eligible compensation, subject to certain limitations. The Company will match such 401(k) contributions in an amount equal to the lesser of 50% of the first 6% contributed by the participant or 3% of total compensation.

(11) Receivable from and Payable to Brokers, Dealers, and Clearing Organizations

Amounts receivable from and payable to brokers, dealers, and clearing organizations at December 31, 2008 consist of the following:

	Receivable	Payable
Securities failed-to-deliver/receive	\$ 43,260,010	39,616,375
Amounts held as margin and escrow deposits for correspondent broker/dealers	(1,230,387)	—
Securities borrowed/loaned	—	—
	\$ 42,029,623	39,616,375

The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. The amount payable to the clearing broker relates to the aforementioned transactions and is collateralized by securities owned by the Company.



KPMG LLP
345 Park Avenue
New York, NY 10154

**Independent Auditors' Report on Internal Control
Required by SEC Rule 17a-5 for a Broker Dealer
Claiming an Exemption from SEC Rule 15c3-3**

The Board of Directors
SMBC Securities, Inc.:

In planning and performing our audit of the financial statements of SMBC Securities, Inc. (the Company) (An Indirect Wholly Owned Subsidiary of Sumitomo Mitsui Banking Corporation), as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulation Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 27, 2009