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

FEB 25 2009

SEC FILE NUMBER
<del>8-13910</del> 8-13910

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Washington, DC  
110

**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: **NEW ENGLAND SECURITIES CORPORATION**

OFFICIAL USE ONLY
FIRM ID. NO.

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

50 Boylston Street, 5<sup>th</sup> Floor

(No. and Street)

Boston MA 02116  
(City) (State) (Zip Code)

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

John G. Martinez 732-326-7323  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Deloitte & Touche LLP

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

Two World Financial Center New York New York 10281-1414  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

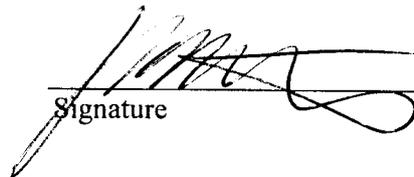
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

*[Handwritten signature]*

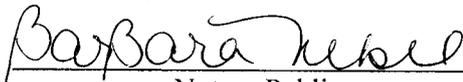
**AFFIRMATION**

I, John G. Martinez, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to New England Securities Corporation as of and for the year ended December 31, 2008, are true and correct. I further affirm that neither the Company, nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

 2/20/09  
Signature Date

VP & Financial and Operations Principal  
Title

Subscribed and sworn to before me on  
this 20<sup>th</sup> day of February, 2009

  
Notary Public

Barbara Nebel  
Notary Public  
My Commission Expires 10-11-2012

**NEW ENGLAND SECURITIES CORPORATION**  
**(SEC. I.D. No. 8-13910)**

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**STATEMENT OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2008**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**AND**  
**SUPPLEMENTAL REPORT ON INTERNAL CONTROL**

\*\*\*\*\*

**Filed in accordance with Rule 17a-5(e)(3)**  
**under the Securities Exchange Act of 1934**  
**as a PUBLIC Document.**

## INDEPENDENT AUDITORS' REPORT

To the Stockholder of  
New England Securities Corporation

We have audited the accompanying statement of financial condition of New England Securities Corporation (the "Company") as of December 31, 2008, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 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 financial statement 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 financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of New England Securities Corporation at December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

February 20, 2009

# NEW ENGLAND SECURITIES CORPORATION

## STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2008

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### ASSETS

Cash and cash equivalents	\$ 17,723,484
Cash segregated pursuant to Federal regulations	4,400,397
Commissions and fees receivable	5,595,656
Receivable from affiliates	347,827
Secured demand note receivable	25,000,000
Prepaid expenses	1,023,829
Deferred tax asset	125,825
Other assets	<u>569,524</u>

TOTAL ASSETS \$ 54,786,542

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### LIABILITIES:

Commissions payable	\$ 4,635,489
Due to affiliates	3,839,178
Due to customers	740,674
Accrued expenses and other liabilities	<u>1,907,320</u>

11,122,661

Note payable under subordinated secured demand note collateral agreement 25,000,000

#### STOCKHOLDER'S EQUITY:

Common stock, \$250 par value; authorized 2,000 shares; issued and outstanding 1,000 shares	250,000
Additional paid-in capital	74,117,262
Accumulated deficit	<u>(55,703,381)</u>

Total stockholder's equity 18,663,881

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 54,786,542

See notes to statement of financial condition.

# NEW ENGLAND SECURITIES CORPORATION

## NOTES TO STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2008

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### 1. ORGANIZATION

New England Securities Corporation (the "Company") is a wholly-owned subsidiary of New England Life Insurance Company, Inc. ("NELICO"), which is a subsidiary of Metropolitan Life Insurance Company. The ultimate parent company is MetLife, Inc.

The Company is a registered broker-dealer under the Securities Exchange Act of 1934 (the "1934 Act"), a registered investment adviser under the Investment Advisers Act of 1940, and is a member of the Financial Industry Regulatory Authority ("FINRA").

The Company's business includes the offering of equity and debt securities, mutual funds, as well as investment advisory and financial planning services. The Company also sells variable annuity and variable life products issued by affiliated and unaffiliated insurance carriers, in addition to being the underwriter for NELICO variable annuity and variable life products.

The Company executes and clears its brokerage transactions on a fully disclosed basis through Pershing LLC ("Pershing") and as agent directly with mutual fund companies, insurance companies and investment advisers. In connection with the sale of mutual funds, the Company receives fees under Rule 12b-1 of the Investment Company Act of 1940.

"MetLife" as used in these Notes refers to MetLife, Inc., a Delaware Corporation, and its subsidiaries (other than the Company), including Metropolitan Life Insurance Company.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Principles of Presentation*** - The statement of financial condition has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

***Use of Estimates in the Preparation of Financial Statements*** - The preparation of the statement of financial condition in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statement of financial condition.

***Cash and Cash Equivalents*** - Cash and cash equivalents consist of cash and highly liquid investments not held for resale with maturities, when purchased, of three months or less. Included in cash equivalents are \$14,826,006 of money market funds held at Pershing. Substantially all the remaining balance is cash on deposit with JPMorgan Chase.

***Cash Segregated Pursuant to Federal Regulations*** - The Company segregates cash pursuant to the requirements of Securities and Exchange Commission ("SEC") Rule 15c3-3. The cash is held at JPMorgan Chase.

***Fair Value of Investments*** – Investments are measured and reported at fair value utilizing quoted prices available in active markets as of the reporting date (“Level I inputs”). At December 31, 2008, the Company did not have any investments whose fair value was determined utilizing Level II or Level III inputs. Level II pricing inputs are either directly or indirectly observable as of the reporting date, where fair value is determined through the use of models or other valuation methodologies. Level III pricing inputs are unobservable, include situations where there is little, if any, market activity for the investment, and require significant management judgment or estimation.

***Revenue Recognition*** – Brokerage transactions and related commission revenue and expense are recorded on a trade date basis. Fee revenues are recorded on an accrual basis.

The Company recognizes first year commission revenue and related commission expense upon the satisfactory completion of the application process for the purchase of variable annuity and variable life products. Renewal commission revenues and related commission expenses are recognized on an accrual basis.

***Income Taxes*** – The Company is a member of the consolidated federal income tax group established by MetLife, Inc. for its wholly owned subsidiaries and participates in a tax sharing agreement with MetLife. As a result, the Company’s income and deductions are included in the consolidated return and any computed federal taxes payable or receivable are due to or from MetLife, Inc. or its affiliates. MetLife allocates income tax expenses or benefits to members of the consolidated group based on each subsidiary’s contribution to consolidated taxable income or loss using the statutory rate applicable to the consolidated group.

The Company also files tax returns with various state taxing agencies, both on a stand alone and combined basis with various MetLife subsidiaries. As a result, the Company’s state income taxes payable or receivable are due to or from various state taxing agencies or such MetLife subsidiaries.

The Company applies the concepts of Statement of Financial Accounting Standards (“SFAS”) No. 109, *Accounting for Income Taxes*, which establishes deferred tax assets and liabilities based upon the difference between the financial statement and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. SFAS No. 109 allows recognition of deferred tax assets if future realization of the tax benefit is more likely than not, with a valuation allowance for the portion that is not likely to be realized.

***Fair Value of Financial Instruments*** - SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires the Company to report the fair value of financial instruments, as defined. Substantially all of the Company’s financial assets and liabilities are carried at fair value or amounts that approximate fair value.

***Adoption of New Accounting Pronouncements*** – In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and requires enhanced disclosures about fair value measurements. The adoption of SFAS 157 on January 1, 2008 did not have a material impact on the Company’s statement of financial condition.

In February 2007, the FASB issued SFAS No. 159, *Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 permits all entities the option to measure most financial instruments and certain other items at fair value at specified election dates and to report related unrealized gains and losses in earnings. The fair value option is generally applied on an instrument-by-instrument basis and is generally an irrevocable election. The Company did not elect to apply SFAS 159 to any of its financial instruments.

### **3. RELATED PARTY TRANSACTIONS**

The Company earns commissions from affiliates for sales of variable annuity and variable insurance products of affiliated insurance companies equal to the Company's expenses incurred related to the sales of such products.

The Company also earns revenues from unaffiliated insurance companies for sales of insurance and annuity products, and has agreed to reimburse NELICO for the associated commissions paid to the sales force and to pay NELICO an amount equal to the excess of such revenues over the Company's commission expenses related to such sales. .

MetLife provides services and support functions, including, but not limited to, payroll, legal, compliance and other general corporate services and charges the Company its allocated portion of such costs.. In addition, the Company is allocated costs related to information systems.

The Company has agreed to defray expenses of NELICO to the extent that a pre-determined percentage of commissionable revenues, excluding revenues from sale of insurance or annuity products, exceeds commission expenses related to such revenues.

In addition, MetLife disburses compensation and other amounts on behalf of the Company, for which the Company reimburses MetLife. Due to affiliates represents amounts due to MetLife for allocated services and support functions, and amounts disbursed by MetLife on behalf of the Company.

### **4. REGULATORY REQUIREMENTS**

As a broker-dealer, the Company is subject to the Uniform Net Capital Rule ("Rule 15c3-1") under the 1934 Act which requires the maintenance of minimum net capital, as defined. The Company calculates net capital under the alternative method permitted by Rule 15c3-1, which requires the Company to maintain net capital, as defined, of the greater of 2% of aggregate debit balances arising from customer transactions pursuant to Rule 15c3-3 under the 1934 Act, or \$250,000. At December 31, 2008, the Company had net capital of \$40,319,989 which was \$40,069,989 in excess of the requirement of \$250,000.

Proprietary accounts held at the clearing broker ("PAIB Assets") are considered allowable assets in the net capital computation pursuant to an agreement between the Company and the clearing broker which requires, among other things, the clearing broker to perform a computation for PAIB Assets similar to the customer reserve computation set forth in Rule 15c3-3 under the 1934 Act.

## **5. EMPLOYEE BENEFIT PLANS**

MetLife sponsors and administers defined benefit and defined contribution pension plans. For the defined benefit plan, the benefits are based on years of credited service and final average earning history. MetLife matches employee contributions to its defined contribution plan.

## **6. INCOME TAXES**

The federal deferred tax asset primarily relates to contingency reserves. The state deferred tax asset relates to net operating loss carryforwards. A 100% state deferred tax asset valuation allowance of \$424,215 has been established at December 31, 2008.

As of December 31, 2008, the Company had state net operating loss carryforwards of \$5,539,545 which begin to expire in 2009.

## **7. COMMITMENTS AND CONTINGENCIES**

The Company is a defendant in a number of litigation matters. In some of the matters, very large and/or indeterminate amounts are sought. Modern pleading practice in the United States permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an extended period of time, demonstrate to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value. Thus the specific monetary relief sought is not noted.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be inherently impossible to ascertain with any degree of certainty. Inherent uncertainties can include how fact finders will view individually and in their totality documentary evidence, the credibility and effectiveness of witnesses' testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

On a monthly basis, the Company reviews relevant information with respect to liabilities for litigation and contingencies to be reflected in the Company's statement of financial condition. The review includes senior legal and financial personnel of the Company and MetLife. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated as of December 31, 2008.

In 2008, the Company received a Wells Notice alleging violations of FINRA and SEC Rules. FINRA has advised that the violations in the Wells Notice were discovered during FINRA exams of the Company conducted in 2005, 2006 and 2007. The Company has reached an agreement in principle to settle the matter and pay a fine of \$500,000. The executed settlement has been submitted to FINRA for its approval.

A former California registered representative is alleged to have misappropriated funds from customers. One of the customers has brought a lawsuit in California state court and the Company has settled with two other customers. The Company is evaluating the amounts allegedly misappropriated from the remaining customers.

A Pennsylvania school district filed suit against the Company, a former registered representative of the Company, NELICO, and other defendants alleging split dollar variable life insurance plans sold by the former registered representative were not suitable and violated Pennsylvania's laws related to school districts. The claimant seeks a return of premiums paid and a return of all payments made to the Company, plus punitive damages and attorneys' fees. The causes of action include fraud and deceit, insurer bad faith, professional malpractice, breach of contract, and breach of fiduciary duty. The Company will vigorously defend against the claims in this matter.

Various litigation, claims and assessments against the Company, in addition to those discussed above and those otherwise provided for in the Company's statement of financial condition have arisen in the course of the Company's business. Further, regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable laws and regulations.

It is not feasible to predict or determine the ultimate outcome of all pending investigations and legal proceedings or provide reasonable ranges of potential losses. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect.

#### **8. SECURED DEMAND NOTE**

Effective September 30, 2008, the Company entered into a Secured Demand Note ("SDN") Collateral Agreement with Metropolitan Insurance Company of Connecticut ("MICC") pursuant to which MICC transferred securities to the Company to collateralize MICC's obligation to lend \$25 million to the Company. The Company has not exercised its right to sell or repledge the collateral. The SDN matures on February 28, 2011 and bears interest at 0.5% per annum.

At December 31, 2008, the collateral consisted of U.S. Government Agency securities with a fair value approximating \$37.1 million.

The SDN provides the Company with additional regulatory capital toward meeting the minimum net capital requirement under Rule 15c3-1. The corresponding liability "Note payable under subordinated demand note collateral agreement" is subordinate to the claims of the general creditors. To the extent that the subordinated borrowing is required for the Company's continued compliance with the minimum net capital requirements under Rule 15c3-1, it may not be repaid.

## 9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Company engages in brokerage transactions that settle in accordance with industry practice. In the event a customer or counterparty is unable to fulfill its contracted obligations, the Company might be required to liquidate the transaction for its own account. Additionally, the agreements between the Company and its clearing broker provide that the Company is obligated to assume any responsibility related to nonperformance by its customers. The Company seeks to control the risk associated with nonperformance by monitoring all customer activity and reviewing information it receives from its clearing broker on a daily basis. Although the right of the clearing broker to charge the Company applies to all trades executed through the clearing broker, the Company believes that there is no reasonable amount assignable to its obligations pursuant to this right as any such obligation would be based upon the future non-performance by one or more counterparties. Accordingly, at December 31, 2008, the Company has recorded no liabilities with respect to these obligations.

Certain securities transactions in the normal course of business may also give rise to off-balance sheet market risk. Securities sold, but not yet purchased by the Company involve an obligation to purchase securities at a future date. The Company may incur a loss if the market value of the securities increases. To mitigate the risk of losses, long and short positions are marked-to-market daily and are continuously monitored by management.

\* \* \* \* \*



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www.deloitte.com

February 20, 2009

New England Securities Corporation  
501 Boylston Street, 5th Floor  
Boston, MA

In planning and performing our audit of the financial statements of New England Securities Corporation (the "Company") as of and for the year ended December 31, 2008 (on which we issued our report dated February 20, 2009 and such report expressed an unqualified opinion on those financial statements), 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 compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following: (1) making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) making the quarterly securities examinations required by Rule 17a-13; (3) 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; and (4) obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

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 preparation of financial statements in conformity with 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, Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte + Touche LLP*