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SECURITIES AND EXCHANGE COMMISSION

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

SEC FILE NUMBER
8- 68219

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 01/01/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: First Bank Puerto Rico Securities, Corp.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1519 Ponce de Leon Avenue, Stop 23, 2nd Floor

(No. and Street)

San Juan PR 00908  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Caroline Wisniewski 770-923-9632  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

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

(Address) (City) (State) (Zip Code)

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)

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6/13/12

OATH OR AFFIRMATION

I, Caroline Wisniewski, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Bank Puerto Rico Securities, Corp., as of December 31, 2011, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Caroline Wisniewski  
Signature

FINOP

Title

Tiffany Messenger  
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).

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Index**  
**December 31, 2011**

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This report contains (check all applicable boxes):

- (a) Facing page
- (b) Statement of Financial Condition
- (c) Statement of Income
- (d) Statement of Changes in Stockholder's Equity
- (e) Statement of Changes in Subordinated Borrowings
- (f) Statement of Cash Flows
- (g) Computation of Net Capital for Broker and Dealers Pursuant to Rule 15c3-1 (Schedule I)
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 (Schedule II)
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 (not applicable)
- (l) 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 (not applicable)
- (k) A Reconciliation Between the Audited and Unaudited Statements of Financial Condition with Respect to Methods of Consolidation (not applicable)
- (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 (not applicable)
- (o) Report of Independent Auditors on Internal Control
- (p) Schedule of Segregation Requirements and Funds in Segregation — Customers' Regulated Commodity Futures Account Pursuant to Rule 171-5 (not applicable)

See also Public report filed simultaneously herewith which contains:  
Statement of Financial Condition  
Supplemental Report on Internal Control



## Report of Independent Auditors

To the Board of Directors and Stockholder of  
FirstBank Puerto Rico Securities, Corp.:

In our opinion, the accompanying statement of financial condition and related statements of income, of changes in stockholder's equity, of changes in subordinated borrowings, and of cash flows present fairly, in all material respects, the financial position of FirstBank Puerto Rico Securities, Corp. (the "Company") at December 31, 2011, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of these statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

February 28, 2012

CERTIFIED PUBLIC ACCOUNTANTS  
(OF PUERTO RICO)  
License No. 216 Expires Dec. 1, 2013  
Stamp E16084 of the P.R. Society of  
Certified Public Accountants has been  
affixed to the file copy of this report.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Statement of Financial Condition**  
**December 31, 2011**

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**Assets**

Cash	\$	3,095,677
Underwriting fees receivable		200,083
Prepaid and other assets		17,718
Total assets	\$	<u>3,313,478</u>

**Liabilities and Stockholders Equity**

Liabilities

Accounts payable to parent company	\$	797,144
Accounts payable		40,168
Income tax payable		321,305
Total liabilities		<u>1,158,617</u>

Stockholder's equity

Common stock, \$1 par value; 1,000 shares authorized, issued and outstanding		1,000
Additional paid-in capital		299,000
Retained earnings		1,854,861
Total stockholder's equity		<u>2,154,861</u>

Total liabilities and stockholder's equity	\$	<u>3,313,478</u>
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The accompanying notes are an integral part of these financial statements.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Statement of Income**  
**For the Year Ended December 31, 2011**

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<b>Revenues</b>	
Underwriting fees	\$ 1,384,729
Interest income	18,115
Total revenues	<u>1,402,844</u>
<b>Expenses</b>	
Employees compensation and benefits	170,302
Communications and data processing	14,100
Taxes, other than income taxes, and insurance	27,893
Business promotion	8,127
Professional and service fees	100,122
Occupancy and maintenance	22,068
Other expenses	3,519
Total expenses	<u>346,131</u>
Income before income taxes	1,056,713
Income tax expense	<u>318,715</u>
Net income	<u>\$ 737,998</u>

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

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended December 31, 2011**

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<b>Common stock outstanding:</b>	
Balance at beginning and end of year	\$ 1,000
<b>Additional paid-in capital:</b>	
Balance at beginning and end of year	299,000
<b>Retained earnings:</b>	
Balance at beginning of year	1,116,863
Net income	737,998
Balance at end of year	1,854,861
Total stockholder's equity	\$ 2,154,861

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

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Statement of Changes in Subordinated Borrowings**  
**For the Year Ended December 31, 2011**

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Subordinated borrowings at beginning of year	\$	-
Increase		
Issuance of subordinated borrowing		-
Decrease		
Payment of subordinated borrowings		-
		<hr/>
Subordinated borrowings at December 31, 2011	\$	-
		<hr/> <hr/>

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

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Statement of Cash Flows**  
**December 31, 2011**

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**Cash flows from operating activities**

Net income	\$ 737,998
Adjustments to reconcile net income to net cash flows from operating activities	
Depreciation expense	44
Increase in underwriting fees receivable	(200,083)
Increase in prepaid and other assets	(14,277)
Increase in accounts payable to parent company	760,363
Increase in accounts payable	5,468
Decrease in income tax payable	(454,543)
Total adjustments	<u>96,972</u>
Net cash provided by operating activities	<u>834,970</u>

**Cash flows from investing activities**

Purchase of fixed assets	(790)
Net cash used in investing activities	<u>(790)</u>
Net increase in cash	<u>834,180</u>
Cash at beginning of year	<u>2,261,497</u>
Cash at end of year	<u>\$ 3,095,677</u>

**Supplemental disclosure on cash flow information**

Income tax paid	<u>\$ 34,404</u>
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The accompanying notes are an integral part of these financial statements.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Notes to Financial Statements**  
**December 31, 2011**

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**1. Reporting Entity and Summary of Significant Accounting Policies**

**Reporting Entity**

FirstBank Puerto Rico Securities, Corp. (the "Company") is organized under the laws of the Commonwealth of Puerto Rico ("Commonwealth") and is wholly-owned by FirstBank Puerto Rico, Inc. ("FirstBank"), a commercial bank chartered under the laws of the Commonwealth of Puerto Rico, which is, in turn, wholly-owned by First BanCorp.

The Company operates as a broker-dealer in the Commonwealth and is engaged to conduct municipal securities underwriting business for local Puerto Rico Municipal Bond Issuers ("Municipal Issuers"). The Company is registered as a broker-dealer with the Securities and Exchange Commission (SEC) and the Puerto Rico Financial Institutions Commissioner. The Company is subject to the supervision, examination and regulation of the Financial Industry Regulatory Authority ("FINRA"), and also is subject to the regulations of the Municipal Securities Rulemaking Board.

The accounting and reporting practices of the Company conform with generally accepted accounting principles in the United States of America ("GAAP") and the industry practices. The following is a description of most significant of these policies:

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are adequate. Actual results could differ from those estimates.

**Revenue Recognition**

Underwriting fees are recorded as income when earned and the services are performed and completed. The Company has an investment banking services, sales and distribution agreement with J.P. Morgan Securities Inc. to assist the Municipal Issuers in structuring and facilitating the issuance of their municipal securities that are to be offered and sold outside of Puerto Rico.

**Income Taxes**

The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred income tax assets and liabilities are determined for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. The computation is based on enacted tax laws and rates applicable to periods in which the temporary differences are expected to be recovered or settled. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized. In estimating taxes, management assesses the relative merits and risk of the appropriate tax treatment of transactions taking into account statutory, judicial and regulatory guidance, and recognizes tax benefits only when deemed probable.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Notes to Financial Statements**  
**December 31, 2011**

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The Company recognizes and measures its unrecognized tax benefits in by assessing the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. As of December 31, 2011, the Company has not recognized a liability for unrecognized tax benefits.

**2. Subordinated Borrowings**

The Company has a revolving subordinated loan agreement with FirstBank maturing on June 30, 2012. Under the agreement, the Company may borrow up to \$50,000,000. The interest rate on this loan is equivalent to FirstBank's cost of funds for 90-days funding. FirstBank's cost of funds for 90 days was 1.35% as of December 31, 2011. All borrowings under this agreement qualify as regulatory capital and the agreement includes all statutory restrictions specified by the Uniform Net Capital Rule. The Company had no borrowings outstanding as of December 31, 2011.

**3. Related Party Transactions**

The Company has an Expense Sharing & Management Agreement (the "Agreement") with FirstBank under which FirstBank provides office space, computer and other office equipment, and general managerial & administrative support and services. Under such Agreement, the Company pays a management fee and reimburses all direct expenses to FirstBank on a monthly basis. Cash deposited with parent company amounted to \$19,350. Accounts payable to the parent company amounted to \$797,144, including rent payable to the parent company for office space amounting to \$8,215 as of December 31, 2011.

**4. Benefit Plan**

The Company's employees participate in the FirstBank 401(k) Retirement Plan for residents of Puerto Rico (Section 1165(e)), (the "Plan") established by its parent company. The Company provides contributory retirement plans pursuant to Section 1165(e) of Puerto Rico Internal Revenue Code. All employees are eligible to participate in the Plan after three months of service for purposes of making elective deferral contributions and one year of service for purposes of sharing in the Company's matching, qualified matching and qualified nonelective contributions. Under the provisions of the Plan, the Company contributes 25% of the first 4% of the participant's compensation contributed to the Plan on a pre-tax basis. Participants are permitted to contribute up to \$10,000 for 2011 and 2012 and \$12,000 beginning on January 1, 2013. Additional contributions to the Plan are voluntarily made by the Company as determined by its Board of Directors. The Company had a total plan expense of \$1,350 during the year ended December 31, 2011.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Notes to Financial Statements**  
**December 31, 2011**

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**5. Concentration of Credit Risk**

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

Most of the cash balance outstanding as of December 31, 2011 is deposited with a local financial institution insured by the FDIC up to regulatory limit of \$250,000.

**6. Clearance Agreements**

The Company has a clearing and custody agreement with Sterne, Agee & Leach, Inc. ("Sterne, Agee"). Sterne, Agee is a member of various stock exchanges and subject to the rules and regulations of such organizations as well as those of the Securities and Exchange Commission. Under the terms of the agreement, Sterne, Agee clears and executes the brokerage transactions of the Company's customers on a fully disclosed basis.

Under the terms of the clearance agreement with Sterne, Agee, the clearing broker has the right to charge the Company for losses that result from a counterparty's, introduced by the Company, failure to fulfill its contractual obligations which default could have material effect on our business, financial condition and operating results. The Company is unable to develop an estimate of the maximum assumptions under these agreements and the probable exposure, however, the exposure as of December 31, 2011 was immaterial. During 2011, the Company did not pay any amounts related to these guarantees.

**7. Commitments and Contingent Liabilities**

The Company had obligations under a lease agreement with the Company's parent, for office space. Total rent expense for the year ended December 31, 2011 was \$15,706 related to parent company. The Company's lease agreement with FirstBank was amended during 2011 to increase the annual rent to approximately \$17,000 as a result of the increase in space leased.

In the ordinary course of business, the nature of the Company's business subjects it to claims, lawsuits, regulatory examinations and other proceedings. The results of these matters cannot be predicted with certainty. There can be no assurance that these matters will not have a material adverse effect on the Company's results of operations in any future period and a material judgment could have a material adverse impact on the Company's financial condition and results of operations. However, it is the opinion of management, after consultation with legal counsel that, based on information currently available, the ultimate outcome of these matters will not have a material adverse impact on the business, financial condition, operating results or liquidity of the Company.

**8. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Company's net capital ratio was .56 to 1.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Notes to Financial Statements**  
**December 31, 2011**

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At December 31, 2011, the Company had net capital of \$2,079,710, which was \$1,979,710 in excess of its required net capital of \$100,000.

**9. Subsequent Events**

The Company has performed an evaluation of events occurring subsequent to December 31, 2011 through February 28, 2012, which is the date the financial statements were available to be issued. Management has determined that there are no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Computation of Net Capital for Broker and Dealers**  
Pursuant to Rule 15c3-1  
**December 31, 2011**

**Schedule I**

**Computation of Net Capital**

Total stockholder's equity from statement of financial condition	\$ 2,154,861
Deduct stockholder's equity not allowable for net capital	-
Total stockholder's equity qualified for net worth	<u>2,154,861</u>

Add:

Subordinated borrowings allowable in computation of net worth	-
Total capital and allowable subordinated borrowings	<u>2,154,861</u>

Deductions/charges:

Not allowable assets:		
Cash deposited in holding company	19,350	
Prepaid expenses	16,972	
Other assets	829	
Other deductions/charges	<u>38,000</u>	<u>75,151</u>

Net capital before haircuts	2,079,710
Haircuts on securities	-
Undue concentrations	<u>-</u>

Total net capital	<u>\$ 2,079,710</u>
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Aggregate indebtedness

Items included in statement of financial condition:		
Other accounts payable and accrued expenses	\$ 1,158,617	
Items not included in statement of financial condition:		
Market value of securities borrowed for which no equivalent value is paid or credited	-	
Other unrecorded amounts	-	
Total aggregate indebtedness	<u>\$ 1,158,617</u>	

Computation of basic net capital requirement

Minimum net capital required:		
Broker-dealer subsidiary	\$ 100,000	
Excess net capital at 1,500 percent	<u>\$ -</u>	
Excess net capital at 1,000 percent	<u>\$ 1,979,710</u>	
Ratio: Aggregate indebtedness to net capital		<u>0.56 to 1</u>

**Statement Pursuant to Paragraph (a)(4) of the Rule 17a-5 of the Securities and Exchange Commission**

Note: There are no material differences between the preceding computation and the Company's corresponding unaudited part II of Form X-17A-5 as of December 31, 2011 filed on February 13, 2012.

**FirstBank Puerto Rico Securities, Corp.**  
(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)  
**Computation of Determination of Reserve Requirements**  
**Pursuant to Rule 15c3-3**  
**December 31, 2011**

**Schedule II**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k) (2) (ii) of the Rule. As an introducing broker, the Company clears customer transactions on a fully disclosed basis with Sterne, Agee, clearing broker, and promptly transmits all customer funds and securities to Sterne, Agee. Sterne, Agee carries all of the accounts of such customers and maintains and preserves such books and records.



**FirstBank Puerto Rico  
Securities, Corp.**

(a wholly-owned subsidiary of FirstBank Puerto Rico, Inc.)

**Supplemental Report on Internal Control**

**December 31, 2011**



**Report of Independent Auditors  
on Internal Control Required By SEC Rule 17a-5(g)(1)**

To the Board of Directors and Stockholder of  
FirstBank Puerto Rico Securities, Corp.:

In planning and performing our audit of the financial statements of FirstBank Puerto Rico Securities Corp. (the "Company") as of and for the year ended December 31, 2011, 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 (the "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 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 previously 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 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a deficiency, or a 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 company'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 previously.

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, 2011 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 Regulatory Authority ("FINRA") 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.

*PricewaterhouseCoopers LLP*

February 28, 2012

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