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ANNUAL AUDITED REPORT
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PART III

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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 January 1, 2013 AND ENDING December 31, 2013
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **MML Investors Services, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1295 State Street

(No. and Street)

Springfield

(City)

MA

(State)

01111-0001

(Zip Code)

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

Nathan Hall

413-744-5006

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

One Financial Plaza

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

755 Main Street

(Address)

Hartford

(City)

CT

(State)

06103

(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)

SEC 1410 (06-02)

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3/7/14

OATH OR AFFIRMATION

I, Nathan Hall, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MML Investors Services, LLC, as of December 31, 2013, 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:

Nathan Hall
Signature

Assistant Vice President & CFO
Title

Susana Marquez
Notary Public



- This report ** contains (check all applicable)
- (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).

MML Investors Services, LLC and Subsidiaries
(SEC File Number 8-27250)

Consolidated Financial Statements and Supplemental Schedules
As of and For the Year Ended December 31, 2013
With Report of Independent Registered
Public Accounting Firm Thereon
Supplemental Report on Internal Control

Filed pursuant to Rule 17a-5(e)(3)

MML Investors Services, LLC and Subsidiaries

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KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Report of Independent Registered Public Accounting Firm

The Board of Directors and Member of
MML Investors Services, LLC and Subsidiaries:

We have audited the accompanying consolidated financial statements of MML Investors Services, LLC and Subsidiaries (the Company), which comprise the consolidated statement of financial condition as of December 31, 2013, and the related consolidated statements of operations, changes in equity, and cash flows for the year then ended, that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of MML Investors Services, LLC and Subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements 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 consolidated financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in Schedules I and II has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I and II is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Hartford, Connecticut
February 18, 2014

MML Investors Services, LLC and Subsidiaries

Consolidated Statement of Financial Condition

December 31, 2013

(Dollars in thousands)

Assets

Cash and cash equivalents	\$ 26,300
Cash segregated under federal regulations	651
Receivables from brokers or dealers and clearing organizations	24,464
Receivables from related parties	61
Prepaid expenses and other assets	4,658
Taxes receivable	1,553
Deferred tax assets, net	<u>307</u>
Total assets	<u>\$ 57,994</u>

Liabilities and Equity

Commissions payable	\$ 24,547
Payables to related parties	8,952
Accounts payable and accrued expenses	<u>2,785</u>
Total liabilities	<u>36,284</u>
Member's equity	75,800
Accumulated deficit	<u>(54,667)</u>
Member's equity	<u>21,133</u>
Noncontrolling interests in subsidiary	<u>577</u>
Total equity	<u>21,710</u>
Total liabilities and equity	<u>\$ 57,994</u>

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

MML Investors Services, LLC and Subsidiaries

**Consolidated Statement of Operations
For the Year Ended December 31, 2013
(Dollars in thousands)**

Revenues

Commissions	\$ 179,243
Trail commissions	80,640
Corporate registered investment advisor income	67,134
Other income	<u>33,831</u>
Total revenues	<u>360,848</u>

Expenses

Commission expense and distribution support	294,047
Management fees	48,181
General and administrative expenses	7,297
Clearing charges	5,405
Legal and regulatory costs	3,707
Other expenses	<u>172</u>

Total expenses 358,809

Income before income taxes 2,039

Income tax expense 504

Consolidated net income 1,535

Less: Net income attributable to noncontrolling interests 991

Net income attributable to controlling interests \$ 544

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

MML Investors Services, LLC and Subsidiaries

**Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2013
(Dollars in thousands)**

	<u>Member's Equity</u>		<u>Non-</u>	<u>Total</u>
	<u>Member's</u>	<u>Accumulated</u>	<u>controlling</u>	<u>Equity</u>
	<u>Equity</u>	<u>Deficit</u>	<u>Interests</u>	
Balances at December 31, 2012	\$ 75,800	\$ (55,211)	\$ 682	\$ 21,271
Contributions	--	--	112	112
Distributions	--	--	(1,208)	(1,208)
Net income	<u>--</u>	<u>544</u>	<u>991</u>	<u>1,535</u>
Balances at December 31, 2013	<u>\$ 75,800</u>	<u>\$ (54,667)</u>	<u>\$ 577</u>	<u>\$ 21,710</u>

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

MML Investors Services, LLC and Subsidiaries

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2013
(Dollars in thousands)**

Cash flows from operating activities:

Consolidated net income	\$ 1,535
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation of furniture and equipment	22
Deferred taxes, net	674
Changes in operating assets and liabilities:	
Receivables from brokers or dealers	(1,711)
Prepaid expenses and other assets	(740)
Current taxes receivable	(1,833)
Commissions payable	1,475
Payables (receivables) to related parties, net	(1,588)
Accounts payable and accrued expenses	<u>(1,033)</u>
Net cash used in operating activities	<u>(3,199)</u>

Cash flows from investing activities:

Purchases of fixed assets	<u>(11)</u>
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Cash flows from financing activities:

Net distributions to noncontrolling interests	<u>(1,096)</u>
Net decrease in cash and cash equivalents	<u>(4,306)</u>

Cash and cash equivalents, beginning of year 30,606

Cash and cash equivalents, end of year \$ 26,300

Supplemental cash flow information:

Income taxes received, net of state tax payments	<u>\$ 1,663</u>
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The accompanying notes are an integral part of these consolidated financial statements.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements **December 31, 2013** *(Dollars in thousands)*

(1) Organization

MML Investors Services, LLC (“MMLIS”) is an indirect wholly-owned subsidiary of Massachusetts Mutual Life Insurance Company (“MassMutual” or “Parent”). MMLIS is the retail broker-dealer for MassMutual’s career agency system and offers a wide variety of investment products and services through MassMutual agents, including open-end mutual funds, fee-based investment advisory programs, limited partnerships, variable insurance products, unit investment trusts, and general securities.

MMLIS is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission (“SEC”), is a member of the Financial Industry Regulatory Authority, LLC (“FINRA”), and is licensed as a broker-dealer in all 50 states, Puerto Rico and the District of Columbia.

MMLIS is the parent corporation of MML Insurance Agency, LLC (“MMLIA”). MMLIA enables MassMutual agents to sell non-MassMutual insurance products and conducts business in all 50 states, Puerto Rico, and the District of Columbia.

MMLIS has a controlling interest in MMLISI Financial Alliances, LLC (“MFA”). MFA is a Delaware Series limited liability company formed to facilitate referrals made by certain professional firms to MMLIS, MMLIA, and MassMutual, for products and services. Until December 31, 2013, MFA was registered as a broker-dealer with the SEC and was a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). Effective December 31, 2013, MFA withdrew its registration as a broker-dealer. MFA remains registered with the SEC as an investment advisor and is licensed as an insurance agency in 49 states, Puerto Rico and the District of Columbia. Through its Series B ownership position, MMLIS maintains a 51% controlling interest in MFA. The Series A members, comprised of professional firms, hold a 49% noncontrolling interest in MFA.

MMLIS and MMLIA are organized as limited liability companies pursuant to the Massachusetts Limited Liability Act. The sole member of MMLIS is MassMutual Holding LLC, whose sole member is MassMutual. For federal and most state tax purposes, MMLIS and MMLIA are treated as single member limited liability companies disregarded as separate entities from their sole owners (see Note 9). MMLIS, MMLIA, and MFA are collectively referred to herein as the “Company.”

MML Investors Services, LLC and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013
(Dollars in thousands)**

(2) Summary of Significant Accounting Policies

The significant accounting policies are as follows:

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of MMLIS as well as MMLIA and MFA. MMLIS consolidates entities over which it exercises control and has a greater than 50% ownership interest. Noncontrolling interests in MFA are reported separately on the Consolidated Statement of Financial Condition ("Statement of Financial Condition") and the Consolidated Statement of Operations ("Statement of Operations"). The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All material intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires the use of estimates. Accordingly, certain amounts in these financial statements contain estimates made by management. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts, which may exceed federally insured limits. The Company has not experienced any losses on such accounts. Cash segregated under federal regulations includes funds held in a separate bank account for the exclusive benefit of MMLIS customers, in accordance with Rule 15c3-3 of the SEC (see Note 4).

Revenue Recognition and Related Expense

Commission revenue from mutual funds, annuities, and other securities transactions, as well as related commission and clearing expenses, are recorded on a trade date basis as securities transactions occur. Commission revenue is primarily earned based upon a percentage of the related sales, payment of which is generally received either on a weekly or a monthly basis. Corporate registered investment advisor ("CRIA") revenue and Trail commission revenue, which represents asset-based 12b-1 service fees paid to MMLIS by open-end mutual fund companies, and related commission expenses are recognized as the revenue is earned. CRIA and Trail commission revenues are determined based upon a percentage of assets under management, payment of which is generally received on a quarterly basis. The Company estimates its accruals for revenues earned based upon the volume of transactions, cash receipts, or assets under management in current and prior periods, as applicable. Commissions payable is accrued concurrently using the actual payout rate. Commission, Trail, and CRIA revenue are referred to collectively as Gross Dealer Concessions ("GDC") and the expenses related to these revenues are included in Commission expense and distribution support on the Statement of Operations.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 (Dollars in thousands)

For securities held in brokerage accounts, the Company uses National Financial Services, LLC as clearing agent to process customer trades.

Distribution fees, which do not have a related commission expense, are recognized in the period in which the services are performed and are included in Other income on the Statement of Operations. The related expenses being reimbursed through these distribution fees are reported in the respective expense line items to which they pertain. (See Note 3).

Fair Value of Financial Instruments

The reported carrying value of financial instruments, including cash equivalents, receivables, and payables, approximate their fair values because of the short maturities of these assets and liabilities, with the exception of our fixed payment General Agent Continuing Commission Program, which has a longer maturity and is valued using a discounted cash flow method.

General Agent Continuing Commission Program

The Company has a General Agent Continuing Commission program that facilitates the allocation of future commissions from GDC between a General Agent (“the Former GA”) and their successor (the “Successor GA”) where certain requirements, primarily related to age and years of service, have been satisfied. These commission payments to the Former GA represent their participation in the GA commission overrides generated from commissions earned by the agents within the agency. The role of MMLIS is to process future GDC generated by the agency and distribute to the Former and Successor GAs. Effective December 30, 2010, this program was frozen and no additional General Agents will become eligible for the program. General Agents who are currently receiving payments under this program will continue to receive payments if any future commission overrides are generated.

In 2006, MMLIS committed to making fixed commission payments to certain Former GAs. In 2013, the Company paid \$176 to these Former GAs. The present value of the remaining liability is \$574 at December 31, 2013. The obligations for these payments are recorded as Commissions payable on the Statement of Financial Condition.

Income Taxes

Income taxes payable are based upon the Company’s best estimate of its current and deferred tax liabilities. Deferred income taxes are provided for temporary differences that exist between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company’s temporary differences primarily include compensation and legal accruals. The effective tax rate is different from the prevailing corporate U.S. federal tax rate primarily due to permanent differences caused by items such as state taxes.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013

(Dollars in thousands)

Errors and Omissions Claims/Recoveries

The Company records costs associated with errors and omissions claims as incurred. Recovery of such costs may be received from registered representatives, MassMutual general agents, or from errors & omissions insurance. In 2013, there were no material costs or recoveries.

New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 13-04, "*Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date.*" This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, including the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. ASU 13-04 is effective for fiscal periods beginning after December 31, 2013. Early adoption is permitted. The Company will adopt this ASU in 2014, the impact of which is limited to litigation reserves. The Company does not expect this ASU to have a material effect on its financial results.

(3) Related Party Transactions and Agreements

Through distribution agreements, MMLIS is either the retail distributor or the principal underwriter of certain variable life insurance policies and variable annuity contracts issued by MassMutual, C.M. Life Insurance Company ("C.M. Life") and MML Bay State Life Insurance Company ("MML Bay State"), each of which are direct or indirect wholly-owned subsidiaries of MassMutual. In addition, MMLIS is the sub-distributor of the MassMutual Premier Funds and MassMutual Select Funds (the "MassMutual Funds") and is placement agent for certain unregistered private placement life insurance and annuity contracts issued by MassMutual. MassMutual agents who are MMLIS registered representatives sell these above referenced policies, contracts, funds, and private placements for which they receive commissions. MMLIS has recognized \$70,067 of commission and trail commission revenue from MassMutual, C.M. Life, and MML Bay State, and the related commission expense, in 2013.

MMLIS provides broker-dealer and distribution services to MassMutual's Retirement Services Division ("RS") for its Individual Retirement Account (MMIRA) Program, for which MMLIS earned \$564 in commissions in 2013. MMLIS pays distribution support to MassMutual equal to the MMIRA Program fee income.

Pursuant to the terms of its Distribution and Broker-Dealer Servicing Agreement with MassMutual, MMLIS also receives 12b-1 fees directly from certain open-end mutual fund companies for investment selections that are available in RS retirement products. In 2013, MMLIS recorded \$14,180 in commissions related to these products and incurred distribution support costs equal to these revenues that are payable to MassMutual.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013

(Dollars in thousands)

In accordance with the terms of MMLIS's agreement with MassMutual for the distribution and servicing of RS's registered 401(k) retirement products, MMLIS earned \$6,408 in commission and trail revenue in 2013 and incurred distribution support costs equal to these revenues that are payable to MassMutual.

Pursuant to the distribution and servicing agreements noted above with MassMutual, C.M. Life, and MML Bay State, MMLIS is reimbursed for expenses it incurs. These reimbursements are included in Other income on the Statement of Operations. MMLIS earned \$9,469 in such distribution fees collectively from MassMutual, C.M. Life, and MML Bay State in 2013.

MMLIS has a selling agreement with its affiliate OppenheimerFunds Distributors, LLC ("OFDI") for the distribution of the OppenheimerFunds, a family of open-end mutual funds and 529 plans. Under the terms of the selling agreement, MMLIS earned \$15,351 in 2013 in commissions and service fees from OFDI. The commissions are paid in accordance with the terms of the prospectuses of the individual funds. In addition, the Company earned \$885 in 2013 from OFDI for marketing, distribution assistance, and conference support, which is included in Other income on the Statement of Operations.

MMLIS receives trail commissions from OFDI as a result of client assets in MassMutual's Retirement Management Account Program ("RMA") being invested in mutual funds distributed by OFDI. In 2013, MMLIS recorded \$61 of commission revenues related to these funds and paid distribution support costs equal to these revenues to MassMutual.

MMLIS has an agreement with MassMutual Trust Company, FSB ("MMTC"), a wholly-owned subsidiary of MassMutual, for the solicitation and referral of trust fiduciary services. Under the terms of the agreement, MMLIS earned \$40 in referral fees from MMTC in 2013, which are included in Other Income on the Statement of Operations. In addition, MMLIS earned \$3,532 in referral fees from client assets invested through MMTC.

All employees of the Company are direct employees of MassMutual. Employee related costs are charged to the Company as part of Management fee expense, in accordance with an intercompany service agreement with MassMutual. For purposes of disclosure within these statements, MassMutual employees who perform work for the Company are referred to as MMLIS employees.

The Company's eligible employees and retirees are covered by MassMutual's employees' benefit plans, which provide benefits for certain of its active and retired employees. These benefit plans include funded and unfunded non-contributory defined benefit pension plans, funded and unfunded defined contribution thrift plans, disability plan, group life insurance plan provided through group insurance contracts, some of which are issued by MassMutual, and group health plan.

Applicable information regarding the actuarial present value of vested and non-vested accumulated plan benefits and the net assets of the plan available for benefits is omitted, as the information is not separately available for the Company's participation in the pension plan.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements **December 31, 2013** *(Dollars in thousands)*

In addition, MassMutual provides certain life insurance and healthcare benefits (other post-retirement benefits) that cover MMLIS's eligible retired employees and their beneficiaries and covered dependents. The healthcare plan is contributory; a portion of the basic life insurance plan is noncontributory. These benefits are funded by MassMutual as the benefits are provided to the participants. The post-retirement health care plans include a limit on the Company's share of costs for recent and future retirees.

MassMutual provides retiree life insurance coverage for the Company's eligible employees, who as of January 1, 2010, were age 50 with at least 10 years of service or had attained 75 points, generally age plus service, with a minimum of 10 years of service.

MassMutual is the sponsor for each of these plans and retains the liabilities. These plans comply with the requirements established by the Employee Retirement Income Security Act of 1974 ("ERISA"). MMLIS funds the costs of these plans as they are incurred. Costs associated with these plans are settled on a monthly basis.

The Company has service agreements with MassMutual that provide for the performance by MassMutual of certain services for the Company including, but not limited to, information systems, benefit plan administration, payroll, legal, compliance, licensing, access to the general agents of MassMutual, cash management, and other general corporate services. The management fee under these service agreements for 2013 was \$48,181. In addition, the Company incurred \$565 of rent expense in 2013 for the use of MassMutual office space. While management believes that these fees are calculated on a reasonable basis, they may not be indicative of the costs that would have been incurred on a stand-alone basis.

Components of Management fee expense as of December 31, 2013 are as follows:

Compensation and benefits	\$ 17,676
Computer services	15,730
Compliance	8,103
Legal	2,231
Other corporate expenses	<u>4,441</u>
Management fees	<u>\$ 48,181</u>

MMLIS provides services to MML Distributors, LLC ("MMLD"), a subsidiary of MassMutual, including, but not limited to, accounting, and other general corporate services. Under the service agreement, MMLD pays a management fee to MMLIS for the services noted above. The management fee for 2013 was \$174 and is included in Other income on the Statement of Operations.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 (Dollars in thousands)

Receivables and Payables to Related Parties

Receivables from related parties consist of the following as of December 31, 2013:

Referral fees due from MassMutual	\$	40
Management fees due from MMLD		13
Interest income due from MassMutual		<u>8</u>
Receivables from related parties	\$	<u>61</u>

Payables to related parties consist of the following as of December 31, 2013:

Payables to MassMutual:		
Management fees	\$	4,566
Distribution support		4,363
Other		<u>23</u>
Payables to related parties	\$	<u>8,952</u>

Related party receivables and payables are reviewed monthly. Certain management fees are net settled against distribution fees in the current month. All other intercompany balances are generally settled in the following month.

The Company reviews current and future capital needs with its parent on at least an annual basis to ensure that adequate capital is maintained.

(4) Customer Protection Reserve under SEC Rule 15c3-3

As a fully computing broker-dealer registered with the SEC, MMLIS is subject to the SEC's Customer Protection rule ("Rule 15c3-3") and is required to maintain a separate bank account designated as "Special Account for the Exclusive Benefit of Customers of MML Investors Services, LLC" for customer funds received. As of December 31, 2013, the balance in this account totaled \$651, which is in excess of the required balance, and is included in Cash segregated under federal regulations on the Statement of Financial Condition.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013

(Dollars in thousands)

(5) Net Capital Requirements

As a broker-dealer, MMLIS is subject to the SEC's uniform net capital rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and requires that the net capital ratio (ratio of "aggregate indebtedness" to "net capital", as those items are defined), shall not exceed 15 to 1 and also provides that equity capital may not be withdrawn or cash dividends paid if the net capital ratio would exceed 10 to 1. In addition, in accordance with FINRA Rule 4110, equity capital may not be withdrawn for a period of one year after a contribution is made, unless otherwise permitted by FINRA, nor may a dividend be paid in any rolling 35-calendar-day period that would exceed 10 percent of excess net capital. At December 31, 2013, the Company had net capital of \$12,514, which was \$10,104 in excess of its required net capital of \$2,410. The Company's ratio of aggregate indebtedness to net capital was 2.89 to 1.

Certain net assets of MMLIA are included as allowable capital in the consolidated computation of MMLIS's net capital since these assets of the wholly owned subsidiary are readily available for the protection of the Company's customers, broker-dealers, and other creditors, as permitted by SEC Rule 15c3-1.

MFA is accounted for using the equity method of accounting for the purpose of filing MMLIS's FOCUS Report with FINRA, in accordance with FINRA regulations, and is included as a non-allowable asset in the computation of the Company's net capital.

The following is a summary of certain financial information for MFA that is not included in MMLIS's net capital computation in its FOCUS Report as of December 31, 2013:

	<u>MFA</u>	
Assets	\$	731
Liabilities	\$	64
Equity	\$	667

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013 (Dollars in thousands)

(6) Litigation, Regulatory Inquiries, Commitments and Contingencies

The Company is involved in litigation arising in and out of the normal course of business, including, but not limited to, alleged registered representative misconduct, which seeks both compensatory and punitive damages. The Company is, from time to time, also involved in regulatory investigations and inquiries, certain of which are ongoing. In all such matters, the Company has and is cooperating fully with the applicable regulatory agency or self-regulatory organization.

As of December 31, 2013, the Company has \$232 included in Accounts payable and accrued expenses on the Statement of Financial Condition for unsettled legal matters.

In the normal course of business, the Company indemnifies and guarantees clearing agents against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. Pursuant to the terms of the agreements between the Company and the clearing agents, the clearing agents have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that since it only trades with customer invested funds, that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications as of December 31, 2013. In addition, the Company has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations.

(7) Broker's Bond

MMLIS and MFA each carry a broker's blanket fidelity bond in the amount of \$2,000 and \$300, respectively. In addition, the Company is afforded additional coverage under the MassMutual Corporate Fidelity Bond Program in the amount of \$100,000.

(8) Deferred and Incentive Compensation Plans

Certain eligible executives of the Company may elect to defer a portion of their compensation in accordance with a deferred compensation plan offered by MassMutual.

Key employees of the Company are eligible to participate in a long-term incentive compensation plan sponsored by MassMutual. An individual employee's participation may vary from one cycle to the next based on performance, impact on organization and relative contribution. Awards vest over three years, at which time they are paid in cash, and are subject to forfeiture in the event of termination prior to vesting (other than retirement, death, disability or job elimination).

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013

(Dollars in thousands)

A short-term incentive compensation plan exists that is offered to substantially all employees not covered by another incentive plan. Employees are eligible for an annual bonus based upon certain factors, including individual and company performance.

MMLIS funds the costs of these plans as they are incurred. Costs associated with these plans are settled on a monthly basis and are included in Management fees on the Statement of Operations.

(9) Income Taxes

The Company is included in a consolidated U.S. federal income tax return with MassMutual and its eligible U.S. subsidiaries. The Company also files income tax returns in various states. MassMutual, and its eligible subsidiaries and certain affiliates (the "Parties"), including the Company, have executed and are subject to a written tax allocation agreement (the "Agreement"). The Agreement sets forth the manner in which the total combined federal income tax is allocated among the Parties. The Agreement provides the Company with the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses that it may incur. Further, the Agreement provides the Company with the enforceable right to utilize its net losses carried forward as an offset to future net income subject to federal income taxes.

Allocated taxes are calculated and paid on a quarterly basis. During the year ended December 31, 2013, the Company received income tax refunds from MassMutual in the amount of \$1,521, in accordance with the provisions of the Agreement.

The Internal Revenue Service ("IRS") has completed its examination of the years 2007 and prior. The IRS is currently auditing the tax years 2008 through 2010. The Company does not expect a material change in its financial position or liquidity as a result of this audit.

Companies generally are required to disclose unrecognized tax benefits, which are the tax effect of positions taken on their tax returns which may be challenged by the various taxing authorities, in order to provide users of financial statements more information regarding potential liabilities. Management has determined that no reserves for material uncertain tax positions are required at December 31, 2013.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013

(Dollars in thousands)

The components of income taxes included in the Statement of Operations for the year ended December 31, 2013 are as follows:

Income tax expense:

Current:

Federal	\$ (283)
State and other	<u>113</u>
Total current	<u>(170)</u>

Deferred:

Federal	647
State	<u>27</u>
Total deferred	<u>674</u>

Total income tax expense \$ 504

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2013 are as follows:

Deferred tax assets:

Compensation and legal accruals	\$ 718
Other	<u>20</u>
Total deferred tax assets	<u>738</u>

Deferred tax liabilities:

Fixed assets	10
Prepaid expenses	<u>421</u>
Total deferred tax liabilities	<u>431</u>

Net deferred tax asset \$ 307

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the amount of taxes paid in prior years, scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in this assessment. The Company has established valuation allowances when it is more likely than not that deferred tax assets will not be realized.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2013
(Dollars in thousands)

A reconciliation of the differences between the income tax benefit and the amount computed by applying the prevailing corporate U.S. federal tax rate to pre-tax loss for the year ended December 31, 2013 is as follows:

	<u>Amount</u>	<u>Percent</u>
Expense for income taxes at the U.S. federal rate	\$ 714	35.0%
State tax, net of federal expense	91	4.5%
Non-controlling interest	(347)	(17.0)%
Other	<u>46</u>	<u>2.2%</u>
Income tax expense	<u>\$ 504</u>	<u>24.7%</u>

Excluding the effect of noncontrolling interest the effective tax rate for the Company's controlling interest is 48.0%.

(10) Subsequent Events

The Company has evaluated subsequent events through February 18, 2014, the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and before the date of evaluation that would require recognition or disclosure.

**Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2013
(Dollars in thousands)**

	Additional Information
Net Capital Requirement	
Total member's equity	\$ 21,710
Plus allowable assets of MMLIA	<u>7,060</u>
Total capital	28,770
Less nonallowable assets:	
Investment in subsidiaries	\$ 8,177
Receivables from brokers or dealers	2,553
Receivable from affiliates	487
Current and deferred taxes receivable	2,024
Prepaid expenses, other assets and cash on deposit with FINRA	<u>2,595</u>
	<u>15,836</u>
Net capital before specific reduction in the market value of securities and other deductions	12,934
Less fidelity bond excess deductible	300
Less securities haircuts pursuant to Rule 15c3-1	103
Less present value adjustment on long-term GA commission liability and other deductions	<u>17</u>
Net capital	<u>\$ 12,514</u>
Aggregate Indebtedness	
Total liabilities included in statement of financial condition	\$ 36,284
Plus present value adjustment on long-term GA commission liability	17
Plus assets with negative balances	2
Less liabilities of consolidated subsidiaries (net of intercompany balances with parent of \$33)	<u>(147)</u>
Aggregate indebtedness	<u>\$ 36,156</u>
Minimum net capital required to be maintained (Greater of \$250 or 6-2/3% of \$36,156)	<u>2,410</u>
Net capital in excess of minimum requirements	<u>\$ 10,104</u>
Ratio of aggregate indebtedness to net capital	<u>2.89 to 1</u>

See accompanying report of independent registered public accounting firm.

Statement Pursuant to Paragraph (d)(4) of Rule 17a-5: Reconciliation of FOCUS Report

No material differences exist between the amounts appearing above and the computation reported by MML Investors Services, LLC in Part II-A of the unaudited FOCUS Report on Form X-17A-5 as of December 31, 2013.

MML Investors Services, LLC and Subsidiaries

Schedule II

**Computation for Determination of
Reserve Requirements Under Rule 15c3-3
of the Securities and Exchange Commission
December 31, 2013
(Dollars in thousands)**

**Additional
Information**

Credit Balances

Total credit items \$ 45

Debit Balances

Gross debit items \$ --

Less 1 percent charge --

Total debit items \$ --

Reserve Computation

Excess of total credits over total debits \$ 45

Amount held on deposit in Reserve Bank Account 651

Required deposit None

See accompanying report of independent registered public accounting firm.

Statement Pursuant to Paragraph (d)(4) of Rule 17a-5: Reconciliation of FOCUS Report

No material differences exist between the amounts appearing above and the computation reported by MML Investors Services, LLC in Part II-A of the unaudited FOCUS Report on Form X-17A-5 as of December 31, 2013.



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Report of Independent Registered Public Accounting Firm on Internal Control Pursuant to Securities and Exchange Commission Rule 17a-5

The Board of Directors and Member of
MML Investors Services, LLC and Subsidiaries:

In planning and performing our audit of the consolidated financial statements of MML Investors Services, LLC and Subsidiaries (the Company), as of and for the year ended December 31, 2013, 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 consolidated 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 indebtedness (or 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, counts, verifications, and comparisons, and the recordation of differences 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 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 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 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, 2013, 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, Inc., 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

Hartford, Connecticut
February 18, 2014



KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures Pursuant to SEC Rule 17a-5(e)(4)

The Board of Directors and Member of
MML Investors Services, LLC and Subsidiaries:

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2013, which were agreed to by MML Investors Services, LLC and Subsidiaries (the Company), and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for MML Investors Services, LLC and Subsidiaries' compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement entries within the Company's general ledger system noting no differences;
2. Compared the total revenue reported in audited Form X-17A-5 (Part III), for the year ended December 31, 2013, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013 noting that the amounts in Form X-17A-5 (Part III), as adjusted, were \$24,739 lower than the amount reported in Form SIPC-7, reflecting the revenues of MMLISI Financial Alliances, LLC, a subsidiary of the Company which is included in audited Form X-17A-5 (Part III) and reported as part of a separate filing for Form SIPC-7;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and the trial balance noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Inspected the SIPC-7 noting that no overpayment carry forward was claimed on the current assessment form.



We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Hartford, Connecticut
February 18, 2014