

MR

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER

8- 44516

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 01/01/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Oriental Financial Services Corp.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

Professional Office Park VI 997 San Roberto Street 9th Floor  
(No. and Street)

San Juan

(City)

Puerto Rico

(State)

00926

(Zip Code)

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

Ana R. Suarez

(787) 993-4288

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

KPMG, LLP

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

250 Munoz Rivera Avenue, Suite 1100

(Address)

San Juan

(City)

Puerto Rico

(State)

00918

(Zip Code)

CHECK ONE:

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

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Section

MAR 04 2014

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Washington, DC  
124

\*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)

MR

OATH OR AFFIRMATION

I, Ana R. Suarez, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Oriental Financial Services Corp., 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:

Affidavit Number 710  
Sworn and subscribed before me by  
Ana R. Suarez, of legal age, married, in her capacity as Chief Compliance Officer of Oriental Financial Services and Resident of Guaynabo, PR, whom I personally know.

Ana R. Suarez  
Signature

CCO  
Title



[Signature] Notary Public In San Juan, Puerto Rico this 26 of February, 2013

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).



**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Financial Statements and Supplementary Schedules

December 31, 2013

(With Reports of Independent Registered Public Accounting Firm Thereon)

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124



**KPMG LLP**  
American International Plaza  
Suite 1100  
250 Muñoz Rivera Avenue  
San Juan, PR 00918-1819

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors  
Oriental Financial Services Corp.:

We have audited the accompanying financial statements of Oriental Financial Services Corp. (the Company) (a wholly owned subsidiary of OFG Bancorp), which comprise the statement of financial condition as of December 31, 2013, and the related statements of income, changes in stockholder's 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 financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Oriental Financial Services Corp. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the 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, II, and III has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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, II, and III is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information contained in schedule IV is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**KPMG LLP**

February 28, 2014  
San Juan, Puerto Rico

Stamp No. E94583 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to the record copy of this report.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Statement of Financial Condition

December 31, 2013

<b>Assets:</b>	
Cash and cash equivalents	\$ 5,964,474
Deposit with clearing organization	1,250,000
Securities owned – at fair value	1,868,925
Receivables from broker-dealers and others	1,847,871
Deferred tax asset, net	1,124,070
Due from affiliates (note 6)	118,407
Property and equipment, net	295,865
Prepaid expenses and other assets	1,764,829
Total assets	<u>\$ 14,234,441</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ 1,629,770
Unearned revenue	191,700
Total liabilities	<u>1,821,470</u>
<b>Stockholder's equity:</b>	
Common stock, \$1 par value. Authorized, issued, and outstanding 1,000 shares.	1,000
Additional paid-in capital	12,411,971
Retained earnings	—
Total stockholder's equity	<u>12,412,971</u>
<b>Commitments and contingencies</b>	
Total liabilities and stockholder's equity	<u>\$ 14,234,441</u>

See accompanying notes to financial statements.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Statement of Income

Year ended December 31, 2013

Revenue:	
Commissions	\$ 13,469,113
Interest and dividends	116,932
Investment banking fees	224,211
Trading losses	(570,468)
Other income	186,240
	<hr/>
Total revenue	13,426,028
	<hr/>
Expenses:	
Employee compensation and benefits	7,072,370
Management and service fees (note 6)	1,548,706
Clearing broker fees	644,087
Claims and settlements	714,389
Occupancy and equipment (note 6)	697,534
Wrap fees	297,399
Professional services	908,388
Advertising and promotion	22,355
Taxes, other than payroll and income taxes	352,940
Communications	87,472
Other	430,663
	<hr/>
Total expenses	12,776,303
	<hr/>
Income before income tax expense	649,725
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Income tax expense	47,723
	<hr/>
Net income	\$ 602,002
	<hr/> <hr/>

See accompanying notes to financial statements.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Statement of Changes in Stockholder's Equity  
Year ended December 31, 2013

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balances at December 31, 2012	\$ 1,000	4,921,456	2,170,198	7,092,654
Net assets contributed by merger with OFS Securities, Inc. (note 1)	<u>—</u>	<u>7,816,613</u>	<u>—</u>	<u>7,816,613</u>
Balances at December 31, 2012, as affected by the merger	1,000	12,738,069	2,170,198	14,909,267
Net income	—	—	602,002	602,002
Group allocation of equity-based compensation	—	101,702	—	101,702
Dividends paid	<u>—</u>	<u>(427,800)</u>	<u>(2,772,200)</u>	<u>(3,200,000)</u>
Balances at December 31, 2013	\$ <u>1,000</u>	<u>12,411,971</u>	<u>—</u>	<u>12,412,971</u>

See accompanying notes to financial statements.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Statement of Cash Flows

Year ended December 31, 2013

Cash flows from operating activities:	
Net income	\$ 602,002
Adjustments to reconcile net income to net cash used in operating activities:	
Deferred income tax benefit	(532,999)
Stock-based compensation	101,702
Depreciation	84,235
Bad debt expense	161,060
Retainer bonus disbursements	(367,500)
Amortization of retainer bonuses	299,049
Changes in operating assets and liabilities:	
Receivables from broker-dealers and others	(1,071,359)
Securities owned, at fair value – net	(1,374,385)
Prepaid expenses and other assets	(197,440)
Due from affiliates	(11,339)
Accounts payable and accrued expenses	(945,094)
Unearned revenue	(109,543)
Net cash used in operating activities	(3,361,611)
Cash flows from financing activity:	
Dividends paid	(3,200,000)
Net cash used in financing activity	(3,200,000)
Net decrease in cash and cash equivalents	(6,561,611)
Cash and cash equivalents – beginning of year, as affected by the merger	12,526,085
Cash and cash equivalents – end of year	\$ 5,964,474
Supplemental disclosures of cash flow information:	
Income taxes paid	\$ 939,637
Noncash transaction:	
Net assets contributed by affiliated entity, net of cash - beginning of year	\$ 869,878

See accompanying notes to financial statements.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

**(1) Organization and Summary of Significant Accounting Policies**

***Organization and Description of Business***

Oriental Financial Services Corp. (the Company) is a wholly owned subsidiary of OFG Bancorp (the Group) and is incorporated under the laws of the Commonwealth of Puerto Rico. The Company is engaged in brokerage, underwriter syndicate and offerings, and investment advisory services in Puerto Rico and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation. The Company is approved as a registered broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 and does not carry customer accounts; accordingly, it is exempt from the Customer Protection Rule (Securities and Exchange Commission (SEC) Rule 15c3-3) pursuant to Provision K(2)(ii) of such rule.

Effective August 1, 2013, the Company and OFS Securities, Inc. entered into a merger agreement whereby OFS Securities, Inc. contributed its net assets in exchange for membership interest of the Company. The net assets contributed were recorded at OFS Securities, Inc.'s carrying amount as this transaction was executed among entities under common control. This transaction was structured to qualify as a tax exempt transaction based on the provisions of Section 1034.04 of the Puerto Rico Internal Revenue Code for a New Puerto Rico.

The merger was recorded using the as-if-pooling of interest method and the statement of income includes all the transactions as if the merger would have occurred on January 1, 2013. Additional paid-in capital was also restated by the amount of to give retroactive effect of this merger transaction to the beginning of the year.

The following assets and liabilities were contributed to the Company on July 31, 2013, including results of operations from January 1, 2013 to July 31, 2013 of \$148,215:

Cash and cash equivalents	\$ 6,354,750
Deposit with clearing organization	100,000
Securities owned – at fair value	175,301
Receivables from broker-dealers and others	3,236,235
Deferred tax asset, net	480,184
Due from affiliates	10,000
Property, plant and equipment, net	22,876
Prepaid expenses and other assets	503,148
Accounts payable and accrued expenses	<u>(2,917,666)</u>
Net assets contributed	<u>\$ 7,964,828</u>

The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles (GAAP). The following is a summary of the Company's most significant accounting policies:

**(a) Basis of Presentation**

The financial statements of the Company are prepared for the purpose of complying with statutory requirements of the Commonwealth of Puerto Rico, the SEC, and the FINRA.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

**(b) Use of Estimates**

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 the disclosure of contingencies in the statement of financial condition and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of deferred tax assets, receivables from broker-dealers and others, securities owned, the useful lives of property and equipment, share-based compensation, and accruals for claims and settlements.

**(c) Cash Equivalents**

The Company has defined cash equivalents as highly liquid investments, with original maturities of less than 90 days that are not held for sale in the ordinary course of business. Cash equivalents include money market investments amounting to \$5,716,875 as of December 31, 2013, and are valued using Level 1 inputs, as defined below.

**(d) Securities Transactions**

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade-date basis. Customers' securities transactions, including the related commission income and expenses, are reported on a trade-date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Securities owned are carried at fair value and the changes in fair value are included as income (loss) for the reporting period.

**(e) Commissions**

Commissions and related clearing broker expenses are recorded on a trade-date basis.

**(f) Investment Banking Revenue**

Investment banking revenue includes gains, losses, and fees, net of syndicate expenses arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenue also includes fees earned from providing merger-and-acquisition and financial restructuring advisory services. Investment banking management fees are recorded on the offering date, sales concessions on the settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

**(g) Other Income and Expenses**

Other income and expenses are accounted for on the accrual basis. Dividend and interest income are recognized when earned

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

**(h) Property and Equipment**

Property and equipment are stated at cost. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful lives of the assets, which range from five to ten years. Depreciation on equipment is calculated on the straight-line method over the estimated useful lives of the assets, which range from three to five years. Total depreciation and amortization for the year ended December 31, 2013 amounted to \$84,235.

**(i) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. 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 effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**(j) Accounting for Transfers of Financial Assets and Extinguishments of Liabilities**

The Company recognizes the financial assets it controls and the liabilities it has incurred. At the same time, it derecognizes financial assets when control has been surrendered and liabilities when they are extinguished.

**(k) Concentrations 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 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.

**(l) Fair Value Measurements**

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The new standard does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it is already required or permitted under International Financial Reporting Standards (IFRS) or GAAP. For GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. The ASU also requires additional disclosures for nonpublic entities to provide quantitative information about significant unobservable inputs used for all Level 3 measurements and a description of the valuation process used. The provisions of the ASU are effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on the Company's financial statements.

**(m) Group of Related Entities**

The Internal Revenue Code for a New Puerto Rico (the 2011 Code) requires that entities exceeding a predefined volume of business issue audited financial statements for filing with local taxing authorities. This predefined volume of business is determined in a "controlled group" basis, as defined in the 2011 Code. The following related entities, as defined by the 2011 Code, are engaged in active trade or business within Puerto Rico:

- Oriental Financial Services Corp.
- Oriental Bank, Inc.
- Oriental International Bank, Inc.
- Oriental Insurance Inc.
- OFG Bancorp, and
- EB Operating Number One, Inc.

**(n) Recently Issued Accounting Pronouncements**

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under GAAP with financial statements prepared under IFRS. The new standards are effective for annual periods beginning January 1, 2013 and interim periods within those annual periods. Retrospective application is required. The Company will implement the provisions of ASU

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

2011-11 as of January 1, 2013. The adoption of this guidance is not expected to have a material effect on the Company's financial statements.

FASB ASU No. 2103-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11)*. The FASB issued ASU 2013-11 in July 2013, which requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. When a net operating loss, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purposes, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. Currently, there is no explicit guidance under GAAP on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendment of this guidance does not require new recurring disclosures. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments of this ASU should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company does not anticipate that the adoption of this guidance will have a material effect on its statement of financial condition or results of operations.

Other accounting standards that have been issued by FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

**(2) Securities Owned**

The following table sets forth the Company's securities owned recorded at fair value as of December 31, 2013:

Puerto Rico government securities	\$ 1,788,487
Other equity securities	<u>80,438</u>
Total	<u>\$ 1,868,925</u>

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

The following table presents the classification in the fair value hierarchy of securities that are measured at fair value on a recurring basis:

	December 31, 2013	Fair value measurements at reporting date using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Puerto Rico government securities	\$ 1,788,487	—	1,788,487	—
Other equity securities	80,438	—	80,438	—
Total	\$ 1,868,925	—	1,868,925	—

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 during the year ended December 31, 2013.

**(3) Prepaid Expenses and Other Assets**

Prepaid expenses and other assets at December 31, 2013 consist of the following:

Prepaid retainer bonuses	\$ 1,215,895
Prepaid municipal taxes	116,765
Prepaid income taxes	315,065
Prepaid others	80,072
Other assets	37,032
	\$ 1,764,829

Prepaid retainer bonuses comprised amounts advanced to new brokers under promissory note agreements that require the brokers to repay the Company the amounts advanced by making annual payments on the anniversary dates established in the agreements. Under the terms of the agreements, the brokers are not required to repay the Company if at the anniversary date (date of scheduled repayment), the brokers achieve certain milestones and comply with the conditions established in the promissory note.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

**(4) Property and Equipment**

Property and equipment at December 31, 2013 consist of the following:

	<b>Estimated useful lives (in years)</b>		
Leasehold improvements	5-10	\$	368,568
Furniture, fixtures, and equipment	3-5		100,419
Computer and communication equipment	3		139,696
Total			608,683
Less accumulated depreciation and amortization			(312,818)
Total		\$	295,865

**(5) Clearing Agreement**

The Company has a clearing agreement (the Agreement) with Pershing LLC (Pershing). Pershing is a member of various stock exchanges and is subject to the rules and regulations of such organizations as well as those of the SEC. Under the terms of the Agreement, Pershing clears and executes the brokerage transactions of the Company's customers on a fully disclosed basis. The Agreement states that the Company will assume customer obligations if a customer of the Company defaults. Also, under the terms of the Agreement, the Company is required to maintain a minimum deposit with Pershing at all times. This deposit amounted to \$1,250,000 as of December 31, 2013.

In October 2010, the Company received a payment from Pershing amounting to \$750,000 to cover the costs of conversion from National Financial Services Corp. (NFSC) and as an incentive for entering into a new clearing agreement with Pershing. The remaining portion of this payment that has not been recognized as revenue, which amounts to approximately \$191,700 as of December 31, 2013, is presented in the accompanying statement of financial condition as unearned revenue. Income of \$109,543 and \$82,157 will be recognized in 2014 and 2015, respectively.

**(6) Transactions with Affiliated Companies**

The Company receives technical, operational, and consulting services from Oriental Bank (the Bank), a related party, for which it is charged a management and service fees for the year ended December 31, 2013, the Company was charged \$1,548,706 by the Bank for these services. In addition, the Company is also charged by the Bank for the use of facilities and equipment, which amounted in 2013 to approximately \$71,000, included in occupancy and equipment expenses in the statement of income.

The Company's employees participate in the Group's equity-based compensation plans. During the year ended December 31, 2013, the Group allocated stock compensation expense of \$101,702 to the Company. The Group follows the fair value method of recording stock-based compensation.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

The Company also maintains an operating cash account with the Bank amounting to \$180,000 as of December 31, 2013, included in cash and cash equivalents in the statement of financial condition.

The Company paid \$3.2 million in dividends during the year. Dividends paid were recorded against available retained earnings and any remaining amount was recorded as a reduction to additional paid-in capital.

**(7) Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital 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, will not exceed the 15.00 to 1.00. At December 31, 2013, the Company had net capital of \$8,181,854, which is \$7,931,854 in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital at December 31, 2013 is 0.22 to 1.00. Amended FOCUS Report (Form X-17A-5) was filed on February 28, 2014.

**(8) Income Taxes**

On June 30, 2013 the Governor signed Act No. 40-2013, known as "Ley de Redistribución y Ajuste de la Carga Contributiva" (Act of Redistribution and Adjustment of Tax Burden) (the Act), as amended. This Act, along with others signed by the Governor, comprises the budget of the Commonwealth of Puerto Rico for 2013-2014. The main purpose of the Act is to increase government collections in order to alleviate the structural deficit. The most relevant provisions of the Act, as applicable to the Company, and effective for taxable years beginning after December 31, 2012 are as follows: (1) the maximum Corporate Income Tax rate was increased from 30% to 39%; (2) the allowance deduction for determining the income subject to surtax was reduced from \$750,000 to \$25,000 (which must be allocated among the members of a controlled group of corporations); (3) the allowable Net Operating Loss (NOL) deduction was reduced to (i) 90% of the corporation's net income subject to regular tax, for purposes of computing the regular income tax and (ii) 80% of the alternative minimum taxable income for purposes of computing the alternative minimum tax (AMT); (4) the NOL carryover period was extended from 10 to 12 years for NOLs incurred in taxable years beginning after December 31, 2004 and before January 1, 2013, and from 7 to 10 years for losses incurred in taxable years beginning after December 31, 2012; (5) a new special tax based on gross income (the Special Tax) was added to the Puerto Rico Internal Revenue Code of 2011, as further described below; and (6) a special tax of 1% on insurance premiums earned after June 30, 2013.

In the case of nonfinancial institutions, the Special Tax is paid as part of the AMT and thus is accounted for under the provisions of ASC 740, income taxes. The applicable rate for nonfinancial institutions increases gradually from 0.2% for gross income equal to or in excess of \$1.0 million up to 0.85% for gross income in excess of \$1.5 billion. In the case of a controlled group of corporations, the tax rate for all members of the group is determined by the aggregate gross income of all members in the group. In the case of financial institutions, the Special Tax is not part of the AMT calculation thus is accounted for as other tax not subject to the provisions of ASC 740 since the same is based on gross income. The applicable rate for financial institutions is 1%, of which fifty percent (50%) may be claimed as a credit against the financial institution's applicable income tax.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

The components of income tax expense for the year ended December 31, 2013 are as follows:

Current income tax expense	\$	580,722
Deferred income tax benefit		<u>(532,999)</u>
Income tax expense	\$	<u><u>47,723</u></u>

The Company's income tax expense differs from amounts computed by applying the applicable statutory rate to income before income taxes as follows:

	<u>Amount</u>	<u>Rate</u>
Tax at statutory rate	\$ 253,393	39.00%
Effect of change in statutory rate from 30% to 39% (including \$110,000 from OFS Securities Inc.)	(179,936)	(27.69)
Nondeductible items	36,065	5.55
Other items	<u>(61,799)</u>	<u>(9.51)</u>
Income tax expense	<u>\$ 47,723</u>	<u>7.35%</u>

For the purpose of the financial statements, the financial result of the merger between the Company and OFS Securities, Inc. is presented as of January 1, 2013, even though the merger occurred on August 1, 2013.

The components of the Company's deferred tax assets at December 31, 2013 are as follows:

Deferred tax assets:		
Net operating loss carryforward	\$	380,835
Unearned revenue		74,763
Stock-based compensation		110,486
Unrealized loss		225,796
Accrual for claims and settlements		295,407
Other items		<u>36,783</u>
Total deferred tax asset	\$	<u><u>1,124,070</u></u>

The deferred taxes detailed above include \$446,530 from the merger with OFS Securities primarily related to a net operating loss from prior years, which has a carryover period of twelve years.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or the entire deferred tax asset will not be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

Based upon the projections for future taxable income over the periods in which the deferred tax assets are expected to reverse, management believes it is more likely than not that the Company will realize the benefits of these deductible differences at December 31, 2013. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward periods are reduced.

The Company follows a two-step approach for recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation process, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. There are no uncertain tax positions recognized in the financial statements as of December 31, 2013.

The Company is potentially subject to income tax audits in the Commonwealth of Puerto Rico for taxable years 2008 to 2012, until the applicable statute of limitations expire. Tax audits by their nature are often complex and can require several years to complete.

**(9) Contingencies**

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

The Company is subject to examinations from its regulators. Such examinations could result in fines and penalties against the Company. On November 13, 2013, the Company accepted and consented, without admitting or denying the findings that the Company purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price, including any markdown or markup, that was not fair and reasonable. The Company agreed to pay a fine of \$40,570 plus restitution of \$13,278 to the identified customers, plus interest. These amounts have been accrued in the financial statements as of December 31, 2013, as a component of accounts payable and accrued expenses in the statement of financial position. As of the date of the financial statements, a FINRA cycle examination is ongoing; however, the Company is not aware of any findings that would have a material impact on the financial statements. No provision has been made for any liabilities that may arise from such examinations since the amount, if any, cannot be determined at this date.

The Company is a defendant in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations, or liquidity.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Notes to Financial Statements

December 31, 2013

**(10) Subsequent Events**

The Company has evaluated subsequent events from the date of the statement of financial condition through February 28, 2014, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Computation of Net Capital Pursuant to Rule 15c3-1  
Under the Securities Exchange Act of 1934

December 31, 2013

**Computation of Net Capital**

Total stockholder's equity from statement of financial condition	\$ 12,412,971
Deduct stockholder's equity not allowable for net capital	—
Total stockholder's equity qualified for net capital	12,412,971
Add other deductions or allowable credits	—
Total capital and allowable subordinated liabilities	12,412,971
Deductions and/or charges:	
Total nonallowable assets	3,917,923
Capital charges for spot and commodity futures	—
Other deductions and/or charges	—
	(3,917,923)
Other additions and/or allowable credits	—
Net capital before haircuts on securities positions	8,495,048
Haircuts on securities:	
Contractual commitments	—
Subordinated debt	—
Exempt investment securities	—
Debt securities	93,756
Other securities	219,438
Undue concentration	—
Other	—
	(313,194)
Net capital	\$ 8,181,854

**Computation of Basic Net Capital Requirement**

Minimum net capital required (based on aggregate indebtedness) (15 to 1 ratio)	\$ 121,431
Minimum dollar requirement	250,000
Net capital requirement (greater of two amounts above)	250,000
Net capital	8,181,854
Excess net capital	7,931,854
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	7,881,854

Note: No material difference exists between the audited Computation of Net Capital and the corresponding schedules in the Company's unaudited December 31, 2012, Form X-17A-5, Part II-A filing.

**Schedule I**

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Computation of Net Capital Pursuant to Rule 15c3-1  
Under the Securities Exchange Act of 1934

December 31, 2013

**Computation of Aggregate Indebtedness**

Aggregate indebtedness from statement of financial condition	\$	1,821,470
Add:		
Draft for immediate credit		—
Market value of securities borrowed where no equivalent is paid or credited		—
Other		—
Total aggregate indebtedness	\$	<u>1,821,470</u>
Ratio – aggregate indebtedness to net capital		0.22 to 1.00

**Schedule of Nonallowable Assets**

Receivables from broker-dealers and other	\$	614,753
Prepaid expenses and other assets		1,764,828
Deferred tax asset, net		1,124,070
Property and equipment		295,865
Due from affiliates		<u>118,407</u>
Total nonallowable assets	\$	<u>3,917,923</u>

See accompanying report of independent registered public accounting firm.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

Computation for Determination of Reserve Requirements and  
Information Relating to Possession or Control Requirements for  
Brokers and Dealers Pursuant to Rule 15c3-3  
Under the Securities Exchange Act of 1934

Year ended December 31, 2013

The Company has a clearing agreement (the Agreement) with Pershing LLC (Pershing). Under the terms of the Agreement, Pershing LLC clears and executes the brokerage transactions of the Company's customers on a fully disclosed basis. In management's opinion, the Company has complied with the exemptive provisions under Rule 15c3-3 for the year ended December 31, 2013.

See accompanying report of independent registered public accounting firm.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

**Statement of Changes in Liabilities Subordinated to Claims of General Creditors**  
**Year ended December 31, 2013**

There were no liabilities subordinated to claims of general creditors during the year ended December 31, 2013.

See accompanying report of independent registered public accounting firm.

**ORIENTAL FINANCIAL SERVICES CORP.**  
(A Wholly Owned Subsidiary of OFG Bancorp)

## Statement of Income Schedule

Year ended December 31, 2013

(In thousands of U.S. dollars)

	<b>OFS Securities, Inc. January 1, 2013 to July 31, 2013</b>	<b>Oriental Financial Services, Corp. January 1, 2013 to December 31, 2013</b>	<b>Total</b>
<b>Revenue:</b>			
Commissions	\$ 2,041,114	11,427,999	13,469,113
Interest and dividends	45,525	71,407	116,932
Investment banking fees	—	224,211	224,211
Trading gains and (losses), net	6,094	(576,562)	(570,468)
Other income	62,382	123,858	186,240
<b>Total revenue</b>	<b>2,155,115</b>	<b>11,270,913</b>	<b>13,426,028</b>
<b>Expenses:</b>			
Employee compensation and benefits	1,409,090	5,663,280	7,072,370
Management and service fees	—	1,548,706	1,548,706
Clearing broker fees	98,166	545,921	644,087
Claims and settlements	—	714,389	714,389
Occupancy and equipment	170,932	526,602	697,534
Wrap fees	—	297,399	297,399
Professional services	239,631	668,757	908,388
Advertising and promotion	1,176	21,179	22,355
Taxes, other than payroll and income taxes	45,527	307,413	352,940
Communications	23,944	63,528	87,472
Other	104,257	326,406	430,663
<b>Total expenses</b>	<b>2,092,723</b>	<b>10,683,580</b>	<b>12,776,303</b>
<b>Income before income tax expense</b>	<b>62,392</b>	<b>587,333</b>	<b>649,725</b>
<b>Income tax expense</b>	<b>(85,823)</b>	<b>133,546</b>	<b>47,723</b>
<b>Net income</b>	<b>\$ 148,215</b>	<b>453,787</b>	<b>602,002</b>

See accompanying report of independent registered public accounting firm.



**KPMG LLP**  
American International Plaza  
Suite 1100  
250 Muñoz Rivera Avenue  
San Juan, PR 00918-1819

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

The Board of Directors  
Oriental Financial Services Corp.:

In planning and performing our audit of the financial statements of Oriental Financial Services Corp. (the Company) (a wholly owned subsidiary of OFG Bancorp), 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 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 making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13, and
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 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 (FINRA), and other regulatory agencies that rely on Rule 17 a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 28, 2014  
San Juan, Puerto Rico

Stamp No. E94584 of the Puerto Rico  
Society of Certified Public Accountants  
was affixed to the record copy of this report.



**KPMG LLP**  
American International Plaza  
Suite 1100  
250 Muñoz Rivera Avenue  
San Juan, PR 00918-1819

**SEC**  
Mail Processing  
Section

MAR 04 2014

Washington, DC  
124

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

The Board of Directors  
Oriental Financial Services, Corp.:

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 Oriental Financial Services, Corp. (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 the Company's 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 records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers. No differences were noted. Though, we noted that the SIPC-7 filed by the Company only includes the results of operations of OFS Securities Inc., the merged entity, subsequent to July 31, 2013. Management has represented to us that the results of operations of OFS Securities Inc. through July 31, 2013 were submitted in a separate SIPC-7 which is not covered by these agreed-upon procedures.
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. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.



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.

February 28, 2014  
San Juan, Puerto Rico

**KPMG LLP**

License No. 21  
Expires December 1, 2016



**SIPC-7**

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended 2013

(Read carefully the Instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

Oriental Financial Services  
997 San Roberto Street  
Suite 900  
Rio Piedras, PR 00926

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

787-522-6994

WORKING COPY

- 2. A. General Assessment (Item 2e from page 2) \$ 19,435
- B. Less payment made with SIPC-6 filed (exclude interest) ( 19,312 )  
\$9,772 on 7/30/13 & \$9,540 on 2/12/14  
Date Paid
- C. Less prior overpayment applied ( \_\_\_\_\_ )
- D. Assessment balance due or (overpayment) 123
- E. Interest computed on late payment (see Instruction E) for \_\_\_\_\_ days at 20% per annum \_\_\_\_\_
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 123
- G. PAID WITH THIS FORM:  
 Check enclosed, payable to SIPC  
 Total (must be same as F above) \$ 123
- H. Overpayment carried forward \$( \_\_\_\_\_ )

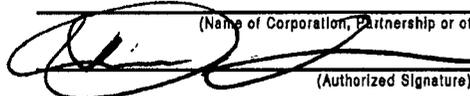
3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

OFS Securities merged with Oriental Financial Services on August 1, 2013.

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

**Oriental Financial Services**

(Name of Corporation, Partnership or other organization)



(Authorized Signature)

Dated the 28 day of February, 20 14.

Vice President

(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates:            Postmarked            Received            Reviewed           

Calculations            Documentation            Forward Copy           

Exceptions:           

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning Jan 1, 2013  
and ending Dec 31, 2013

Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 11,270,911

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

576,562

(2) Net loss from principal transactions in securities in trading accounts.

(3) Net loss from principal transactions in commodities in trading accounts.

(4) Interest and dividend expense deducted in determining Item 2a.

(5) Net loss from management of or participation in the underwriting or distribution of securities.

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

(7) Net loss from securities in investment accounts.

576,562

Total additions

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

3,482,447

(2) Revenues from commodity transactions.

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

268,272

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

165,550

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

157,371

(8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ \_\_\_\_\_

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

4,073,640

2d. SIPC Net Operating Revenues

\$ 7,773,833

2e. General Assessment @ .0025

\$ 19,435

(to page 1, line 2.A.)