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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 11/01/2014

AND ENDING 10/31/2015

MM/DD/YY

MM/DD/YY



**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: RBC Capital Markets, LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

3 World Financial Center

(No. and Street)

New York

New York

10281

(City)

(State)

(Zip Code)

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

Steven DeCicco (212) 428-6200

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Deloitte & Touche LLP

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

30 Rockefeller Center

New York

New York

10112

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

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**AFFIRMATION**

I, Steven DeCicco, affirm that, to the best of my knowledge and belief, the accompanying consolidated financial statements and supplemental schedules pertaining to RBC Capital Markets, LLC and Subsidiaries (the "Company") for the year ended October 31, 2015, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

  
Signature

12/23/15  
Date

Steven DeCicco  
Chief Financial Officer

  
Notary Public

DANIELLE BOLDIN  
NOTARY PUBLIC, STATE OF NEW JERSEY  
ID NO. 50011489  
QUALIFIED IN HUDSON COUNTY  
MY COMMISSION EXPIRES 3/9/2020

**RBC CAPITAL MARKETS, LLC & SUBSIDIARIES**  
**(An indirect wholly-owned subsidiary of Royal Bank of Canada)**

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

RBC CAPITAL MARKETS ARBITRAGE S.A. & SUBSIDIARY  
(An Indirect Wholly Owned Subsidiary of the Royal Bank of Canada)  
(SEC I.D. No. 8-65401)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
AS OF OCTOBER 31, 2015  
AND  
REPORT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM

Filed pursuant to Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a Public Document.

**RBC CAPITAL MARKETS ARBITRAGE S.A. & SUBSIDIARY**  
**(An Indirect Wholly Owned Subsidiary of The Royal Bank of Canada)**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
RBC Capital Markets Arbitrage S.A. & Subsidiary  
16, rue Norte-Dame  
L-2440 Luxembourg

We have audited the accompanying consolidated statement of financial condition of RBC Capital Markets Arbitrage S.A. and Subsidiary (the "Company") as of October 31, 2015, you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of RBC Capital Markets Arbitrage S.A. and Subsidiary as of October 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

December 23, 2015

**RBC CAPITAL MARKETS ARBITRAGE S.A. & SUBSIDIARY**  
**(An Indirect Wholly Owned Subsidiary of the Royal Bank of Canada)**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**AS OF OCTOBER 31, 2015**  
**(In thousands, except share and per-share information)**

**Assets**

Cash	\$ 556
Securities owned—At fair value (includes securities pledged of \$250,053)	3,748,758
OTC derivatives receivable	257
Receivable from non-affiliate broker-dealers—net	42,823
Other assets	10,945
Total assets	<u>\$ 3,803,339</u>

**Liabilities and stockholders' equity**

Liabilities:

Bank loans	\$ 180,538
Securities sold, but not yet purchased—at fair value	878,510
OTC derivatives payable	97
Payable to affiliate broker-dealer—net	410,306
Accounts payable and accrued liabilities	29,486
	<u>1,498,937</u>

Stockholders' equity:

Common stock, \$1,000 par value—150,000 shares authorized, issued, and outstanding	150,000
Retained earnings	2,154,402
Total stockholders' equity	<u>2,304,402</u>

Total liabilities and stockholders' equity	<u>\$ 3,803,339</u>
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See notes to consolidated financial statements.

**RBC CAPITAL MARKETS ARBITRAGE S.A. & SUBSIDIARY**  
**(An Indirect Wholly Owned Subsidiary of The Royal Bank of Canada)**

**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2015**

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**1. ORGANIZATION AND NATURE OF BUSINESS**

RBC Capital Markets Arbitrage S.A. (the "Company") was incorporated on October 26, 2001, as a "Societe Anonyme" under the laws of the Grand Duchy of Luxembourg. The Company is an indirect wholly owned subsidiary of the Royal Bank of Canada (the "Bank").

The Company is a fully disclosed broker-dealer registered with the Securities and Exchange Commission and is a member of Financial Industry Regulatory Authority, Inc. (FINRA). The Company clears the majority of its securities transactions through an affiliate, RBC Capital Markets LLC (RBC CM LLC or the "Clearing Broker").

The Company is engaged in a single line of business, which is to trade for its own account in securities and commodities (including but not limited to futures contracts and options thereon). In 2012, the Company became an exchange-traded fund market maker on the New York Stock Exchange Archipelago (the "NYSE Arca"). The Company does not conduct any customer business.

The consolidated financial statement includes the accounts of RBCCM Holdco Corp, a wholly owned subsidiary, which has a \$10 thousand investment in a nonvoting preferred membership interest in RBC CM LLC. The Company does not receive any flow-through capital benefit from the consolidation.

On December 10, 2013 U.S. authorities finalized section 619 of the Dodd-Frank Act, commonly referred to as the "Volcker Rule", relating to broad prohibitions and restrictions on proprietary trading and certain banking entity relationships with hedge funds and private equity funds (the "Rule"). The final Rule extended the general compliance deadline to July 21, 2015 and provided some flexibility for foreign institutions as it relates to activities conducted outside the U.S. The Company assessed the impact of the Rule and has executed on a plan to address the requirements of the Rule.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statement is prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions which affect the amounts reported in the consolidated financial statement and accompanying notes (including valuation of certain securities owned and securities sold, but not yet purchased and compensation accruals). Management believes that the estimates utilized in preparing the consolidated financial statement are reasonable. Actual results could differ materially from these estimates.

Proprietary securities transactions in regular-way trades are recorded on the trade date. Dividend income and dividend expense are recorded on an ex-dividend date basis.

Securities owned and securities sold, but not yet purchased are recorded at fair value. Amounts receivable and payable for securities transactions that have not reached their contractual settlement

date are recorded net by counterparty on the Consolidated Statement of Financial Condition in Receivable from non-affiliate broker-dealers—net for clearing with third parties and in Payable to affiliate broker-dealer—net for clearing with RBC CM LLC.

Derivatives are shown net by counterparty when the right to offset exists. For each counterparty, the Company generally enters into a master netting agreement. These agreements provide the Company with the ability to offset receivables and payables covered under the same master netting agreement.

Commissions and execution fees are recorded on a trade-date basis as securities transactions occur.

Interest income and interest expense are recorded on an accrual basis.

### 3. RELATED-PARTY TRANSACTIONS

The Company's business affairs are managed under an agency agreement with RBC CM LLC. Under the agency agreement, RBC CM LLC acts as computation agent, accounting resource, risk manager, and executive, operational, and legal representative for the Company. In the normal course of business the Company may enter into securities transactions with affiliates. Commissions, execution fees, and management fees (which include certain compensation costs) incurred by the Company were paid to RBC CM LLC. At October 31, 2015, amounts receivable from and payable to RBC and affiliates amounted to receivables of \$7.7 million and payables of \$9.4 million and are included in Other assets and Accounts payable and accrued liabilities, respectively, on the Consolidated Statement of Financial Condition.

The Company has a net payable to affiliate representing unsettled security transactions and other borrowings with RBC CM LLC, which are recorded on the Consolidated Statement of Financial Condition in Payable to affiliate broker-dealer—net.

### 4. SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED — AT FAIR VALUE

Securities owned and securities sold, but not yet purchased—at fair value at October 31, 2015, consisted principally of trading securities and exchange-traded derivative contracts as follows:

<b>(In thousands)</b>	<b>Owned</b>	<b>Sold, But Not Yet Purchased</b>
U.S. government	\$ 938,979	\$ 137,931
U.S. government agencies	31,170	-
Corporate bonds	18,068	6,407
Listed equities	1,913,256	641,028
Listed equity options	847,285	93,144
	<u>3,748,758</u>	<u>878,510</u>
Total	<u>\$ 3,748,758</u>	<u>\$ 878,510</u>

The Company pledges its securities owned to collateralize bank loans with affiliates. The fair value of the securities owned by the Company that have been pledged to affiliates where those parties have the right to sell or repledge was \$250 million.

## 5. OTC DERIVATIVES RECEIVABLE/PAYABLE

Over-the-counter derivatives receivable/payable at October 31, 2015, consisted of premium and fair value adjustments on swaps and forward contracts as follows:

(In thousands)	Fair Value and Gross Notional Amounts			
	Receivable	Notional	Payable	Notional
Interest rate swaps	\$ 4	\$ 21,000	\$ -	\$ -
Foreign exchange contracts	107	17,000	35	21,000
Contracts for differences	146	1,849	62	1,118
Total	<u>\$ 257</u>	<u>\$ 39,849</u>	<u>\$ 97</u>	<u>\$ 22,118</u>

## 6. BANK LOANS

On October 31, 2015, the Company maintained a \$13 billion secured line of credit (the “Secured Credit Facility”) with the Bank. Under this agreement, this loan is callable at the discretion of the Bank and the Company does not pay interest. The outstanding loan at October 31, 2015, was \$172.684 million, collateralized with firm-owned securities of \$250 million.

In addition, the Company maintained a \$500 million multi-currency secured line of credit with the Bank’s London Branch and a \$100 million multi-currency secured line of credit with RBC Investor Services Bank S.A. in Luxembourg. Under both these agreements these loans are callable at the discretion of the Bank and the Company is charged interest. The amount outstanding at October 31, 2015, was \$200 thousand with the London Branch and \$7.6 million with RBC Investor Services Bank S.A.

## 7. TAXATION

**Income Taxes**—The Company is a fully taxable Luxembourg resident corporation and is subject in Luxembourg to corporate income tax, municipal business tax, and net worth tax.

**Withholding Taxes**—The Company is a foreign U.S. registered broker and dealer that trades exclusively for its own account. As such, the Company does not have a U.S. income tax liability; it is, however, subject to a withholding tax on certain of its dividend and interest income.

The Company has evaluated, in accordance with FASB ASC 740, *Income Taxes*, whether any unrecognized tax benefits are necessary and determined that no such matters exist as of October 31, 2015. The recognition and measurement of unrecognized tax benefits will be reevaluated when new information is available, if applicable, or when an event occurs that requires change.

## 8. COMMITMENTS AND CONTINGENT LIABILITIES

The Company maintains an operating lease for office space in Luxembourg. The lease commitment was for three years from February 2008 until February 2012. Thereafter, the lease renews quarterly until notice of cancellation is given.

## 9. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the rule, which requires the Company maintain the greater of 2% of aggregate debit balances or minimum net capital, as defined, equal to \$1.0 million. At October 31, 2015, the Company had net capital of \$2.0 billion, which was \$2.0 billion in excess of the required minimum net capital.

Proprietary accounts held at a clearing broker (PAB) are considered allowable assets in the net capital computation to the extent the clearing broker performs customer reserve computation for PAB assets. Pursuant to an agreement between the Company and RBC CM LLC, RBC CM LLC is required to perform a computation for PAB assets similar to the customer reserve computation.

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Substantially all of the Company's assets and liabilities are carried at fair value or contracted amounts that approximate fair value.

Securities owned and securities sold, but not yet purchased are carried at fair value. Fair value is generally based on quoted market prices. If quoted market prices are not available, fair value is determined based on other relevant factors, including dealer price quotations, price activity for equivalent securities, and valuation pricing models.

Similarly, the Company's short-term liabilities pursuant to bank loans and certain other payables are recorded at contracted amounts approximating fair value. Bank loans are callable at the discretion of the Bank and therefore the carrying amount approximates fair value. With respect to other payables, these instruments generally have variable interest rates and short-term maturities, in many cases overnight, and accordingly are not materially affected by changes in interest rates.

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value in the Consolidated Statement of Financial Condition.

(In thousands)	Carrying Value	Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Cash	\$ 556	\$ 556	\$ 556	\$ -	\$ -
Bank Loans	180,538	180,538	-	180,538	-
Receivable from non-affiliate broker-dealers-net	42,823	42,823	-	42,823	-
Payable to affiliate broker-dealer-net	410,306	410,306	-	410,306	-
Total	<u>\$ 634,223</u>	<u>\$ 634,223</u>	<u>\$ 556</u>	<u>\$ 633,667</u>	<u>\$ -</u>

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

The Company maintains positions in a variety of financial instruments. Certain instruments, including equity derivative products, give rise to off-balance-sheet risk. Risk arises from changes in

the value of the contracts (“market risk”) and also from the potential inability of counterparties to perform under the terms of the contracts (“credit risk”). The Company attempts to control its exposure to market risk through use of a proprietary trading system that determines whether the market risk inherent in the Company’s portfolios is within established limits.

Securities sold, but not yet purchased represent obligations of the Company to deliver specified securities at contracted prices, thereby creating an obligation to purchase the securities in the market at prevailing prices. Consequently, the Company’s ultimate obligation to satisfy the sale of securities sold, but not yet purchased may exceed the amounts recognized in the Consolidated Statement of Financial Condition.

ASC 815, *Derivatives and Hedging*, requires that all derivatives be recognized as either assets or liabilities and be measured at fair value. The Company buys and sells derivative financial instruments for trading purposes solely for its own account. Principal transactions as shown in the Consolidated Statement of Income includes the results from trading of the following instruments: equities, fixed income, exchange-traded options and futures contracts on equities and equity indexes, and OTC derivative contracts with affiliates and third parties.

## 12. FAIR VALUE MEASUREMENT

Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on observability of inputs as follows:

*Level 1*—Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

*Level 2*—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3*—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. Valuation adjustments that may be made to ensure that financial instruments are reported at fair value include:

- Credit valuation adjustments that represent the estimated fair value of the credit risk of the external counterparties.
- Credit valuation adjustments to reflect the Company’s credit quality in the valuation of the Company’s liabilities.
- Liquidity adjustments for financial instruments that are not quoted in an active market when the Company believes that the amount realized on sale may be less than the estimated fair value due to low trading volumes.

- Model and parameter adjustments to reflect the impact of use of unobservable model inputs. These adjustments are necessary when instruments are valued using model inputs which are not observable and are subject to significant management judgment.

A description of the valuation techniques and significant assumptions applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis follows.

*Valuation Process*—The Company's business units are responsible for valuing their respective portfolio of financial assets and liabilities.

The Global Valuation Committee, established by RBC Bank, is an independent group responsible for providing oversight on financial instruments fair value policies and practices, escalating significant valuation issues, and reviewing and approving valuation adjustment methodologies.

The Valuation Group ("VG") is responsible for the Company's fair value valuation policies, processes and procedures. VG is independent of the business units. VG implements valuation control processes to validate the fair value of the Company's financial instruments measured at fair value including those derived from pricing models. These control processes are designed to assure that the values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, the control processes are designed to ensure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable.

The Company's control processes apply to financial instruments categorized in Level 1, Level 2 or Level 3 of the fair value hierarchy, unless otherwise noted. These control processes include:

*Model Review*—VG, in conjunction with the Global Risk Management ("GRM") and, where appropriate, the Credit Risk Management Department, independently review valuation models' theoretical soundness, the appropriateness of the valuation methodology and calibration techniques developed by the business units using observable inputs. Where inputs are not observable, VG reviews the appropriateness of the proposed valuation methodology to ensure it is consistent with how a market participant would arrive at the unobservable input. The valuation methodologies utilized in the absence of observable inputs may include extrapolation techniques and the use of comparable observable inputs. As part of the review, VG develops a methodology to independently verify the fair value generated by the business unit's valuation models. Before trades are executed using new valuation models, those models are required to be independently reviewed. All of the Company's valuation models are subject to an independent annual review by VG.

*Independent price verification ("IPV")*—IPV is a control process by which valuation system market prices or model inputs are verified for accuracy. Generally on a monthly basis, VG independently validates the fair values of financial instruments determined using valuation models by determining the appropriateness of the inputs used by the business units and by testing compliance with the documented valuation methodologies approved in the model review process described above.

The relevance and reliability of the IPV process is dependent on the quality of the inputs used. Assessing data sources and input factors is a judgmental process in which all facts and circumstances have to be taken into account. For example, the use of observable prices from active markets should be maximized and the use of unobservable inputs minimized. Conversely, when a market is deemed to be inactive, observable inputs may not be relevant, and in such circumstances compensating controls need to be employed.

For financial instruments categorized within Level 3 of the fair value hierarchy, VG reviews the business unit's valuation techniques to ensure these are consistent with market participant assumptions.

The results of this independent price verification and any adjustments made by VG to the fair value generated by the business units are presented to management of the Company.

*Review of New Level 3 Transactions*—VG reviews the models and valuation methodology used to price all new material Level 3 transactions.

### **Level 1 and Level 2 Valuation Techniques:**

#### *U.S. Government Securities:*

- U.S. Government Securities—U.S. Treasury securities are generally valued using quoted market prices, and depending on the level of market activity and transparency are categorized within Level 1 or Level 2 of the fair value hierarchy.
- U.S. Government Agencies—Valuations are based on both proprietary and industry-recognized models and discounted cash flow techniques. The most significant inputs to the valuation of these instruments include but are not limited to the level of interest rates and spreads, and prepayment rates. These securities are generally categorized within Level 2 of the fair value hierarchy.

#### *Debt Securities:*

- Corporate Bonds—The fair value of corporate bonds is estimated using executed transactions, market price quotations (where observable), bond spreads, or credit default swap spreads adjusted for any basis differences between cash and derivative instruments. Corporate bonds are categorized within Level 2 of the fair value hierarchy.

#### *Other Securities:*

- Listed Equity Securities—Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, they are categorized within Level 1 of the fair value hierarchy.
- Listed Equity Options—Listed equity options that are actively traded are valued based on quoted prices from the exchange and are categorized within Level 1 of the fair value hierarchy. All other listed equity options are classified within Level 2 of the fair value hierarchy.
- OTC Derivatives—OTC derivatives contracts include interest rate swaps, foreign exchange contracts, and equity forwards. Depending on the product and terms of the transaction, the fair value of the OTC derivative products can be either observed or modeled using a series of techniques using observable inputs. OTC derivative products are categorized within Level 2 of the fair value hierarchy.

The following table presents the financial instruments measured at fair value on a recurring basis as of October 31, 2015, categorized by the valuation hierarchy set out in ASC 820:

(In thousands)	Fair Value Measurements Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Securities owned:				
U.S. government	\$ 2,091	\$ 936,888	\$ -	\$ 938,979
U.S. government agencies	-	31,170	-	31,170
Corporate bonds	-	18,068	-	18,068
Listed equities	1,910,805	2,451	-	1,913,256
Listed equity options	847,285	-	-	847,285
Total securities owned	<u>2,760,181</u>	<u>988,577</u>	<u>-</u>	<u>3,748,758</u>
OTC derivatives receivable:				
Interest rate swaps	-	4	-	4
Foreign exchange contracts	-	107	-	107
Contracts for differences	146	-	-	146
Total OTC derivatives receivable	<u>146</u>	<u>111</u>	<u>-</u>	<u>257</u>
Total Assets	<u>\$ 2,760,327</u>	<u>\$ 988,688</u>	<u>\$ -</u>	<u>\$ 3,749,015</u>

(In thousands)	Fair Value Measurements Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Securities sold, but not yet purchased:				
U.S. government	\$ 61	\$ 137,870	\$ -	\$ 137,931
Corporate bonds	-	6,407	-	6,407
Listed equities	640,877	151	-	641,028
Listed equity options	93,140	4	-	93,144
Total securities sold, but not yet purchased	<u>734,078</u>	<u>144,432</u>	<u>-</u>	<u>878,510</u>
OTC derivatives payable:				
Foreign exchange contracts	-	35	-	35
Contracts for differences	62	-	-	62
Total OTC derivatives payable	<u>62</u>	<u>35</u>	<u>-</u>	<u>97</u>
Total Liabilities	<u>\$ 734,140</u>	<u>\$ 144,467</u>	<u>\$ -</u>	<u>\$ 878,607</u>

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications affecting all levels of the fair value hierarchy are reported as transfers in/out of the levels at the end of the year in which the reclassifications occur. For the year ended October 31, 2015, there were no transfers between levels.

### **13. SUBSEQUENT EVENTS**

The Company has evaluated events and transactions that occurred subsequent to October 31, 2015 through the date this consolidated financial statement was issued. There were no events or transactions during the period which would require recognition or disclosure in this consolidated financial statement.

\* \* \* \* \*