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**FACING PAGE** Washington, D.C.  
**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 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Northern Trust Securities, Inc.  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
 50 S. LaSalle Street  
(No. and Street)  
 Chicago IL 60603  
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
 Michael Schwaeber 312-630-1386  
(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)  
 200 E. Randolph Drive, Suite 5500 Chicago IL 60601  
(Address) (City) (State) (Zip Code)

- CHECK ONE:**
- Certified Public Accountant
  - Public Accountant
  - Accountant not resident in United States or any of its possessions.

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

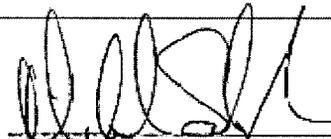
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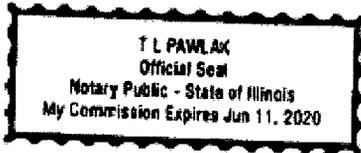
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OATH OR AFFIRMATION

I, Michael Schwaber, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Northern Trust Securities, Inc., as of December 31, 2016, 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:

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

  
Signature



\_\_\_\_\_  
Chief Financial Officer  
Title

  
Notary Public

This report \*\* contains (check at 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 of 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).



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Report of Independent Registered Public Accounting Firm

The Board of Directors  
Northern Trust Securities, Inc.:

We have audited the accompanying statement of financial condition of Northern Trust Securities, Inc. (the Company) as of December 31, 2016 (the financial statement). The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the 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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Northern Trust Securities, Inc. as of December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/KPMG LLP

Chicago, Illinois  
February 24, 2017

**NORTHERN TRUST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Northern Trust Corporation)

Statement of Financial Condition

December 31, 2016

**Assets**

Cash	\$ 1,911,945
Cash segregated under federal and other regulations	3,000,000
Net receivable from clearing broker	53,612,478
Securities owned, at fair value	401,307
Other receivables	6,416,316
Fixed assets, net of accumulated depreciation and amortization of \$170,029	569,109
Goodwill	1,860,474
Deferred tax asset, net	1,710,762
Intangible asset, net	638,647
Other assets	520,011
Total assets	<u>\$ 70,641,049</u>

**Liabilities and Stockholder's Equity**

Payable to employees	\$ 6,697,370
Payable to affiliates	639,918
Payable to customers	431,030
Accounts payable and accrued expenses	959,676
Taxes payable to Parent	1,789,140
Total liabilities	<u>10,517,134</u>
Stockholder's equity	<u>60,123,915</u>
Total stockholder's equity	<u>60,123,915</u>
Total liabilities and stockholder's equity	<u>\$ 70,641,049</u>

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

**NORTHERN TRUST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Northern Trust Corporation)

Notes to Financial Statements

December 31, 2016

**(1) Organization and Nature of Business**

Northern Trust Securities, Inc. (the Company) is registered as a broker-dealer and registered investment advisor with the Securities and Exchange Commission (the SEC) and the Financial Industry Regulatory Authority (FINRA). The Company is an introducing broker-dealer and clears all transactions on a fully disclosed basis through another broker-dealer. The Company promptly transmits all customer funds and securities to such clearing broker. Substantially, all customers of the Company are also clients of affiliated entities.

The Company is a wholly owned subsidiary of Northern Trust Corporation (the Parent).

**(2) Significant Accounting Policies**

A summary of the significant accounting policies that have been followed in preparing the accompanying financial statements is set forth below:

**(a) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements.

**(b) Investments**

The Company holds securities consisting principally of debt securities. Securities are recorded on a trade date basis and carried at fair value with gains and losses from sales of investments, as well as changes related to fair value, included in income. Fair value of securities is based on quoted prices in active markets.

**(c) Fixed Assets**

Office equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the underlying assets, which range from 3 to 10 years. Software is amortized using the straight-line method over the estimated useful lives of the assets, generally ranging from 3 to 10 years. Software is reviewed for impairment on an annual basis or more frequently if events or changes in circumstances indicate the carrying amounts may not be recoverable.

**NORTHERN TRUST SECURITIES, INC.**  
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Notes to Financial Statements

December 31, 2016

**(d) Goodwill and Client Relationship Asset**

Goodwill and the Client Relationship Asset are reviewed for impairment on an annual basis or more frequently if events or changes in circumstances indicate the carrying amounts may not be recoverable. The Client Relationship Asset is included in Other Intangible Assets.

**(e) Income Taxes**

The Company is included in the consolidated federal and state income tax returns filed by the Parent. Under a tax-sharing agreement with the Parent, income taxes are computed based on the current year's results at the statutory rate as if the Company filed separate federal and state income tax returns.

The Company follows an asset and liability approach to account for income taxes. The objective is to recognize the amount of taxes payable or refundable for the current year, and to recognize deferred tax assets and liabilities resulting from temporary differences between the amounts reported in the financial statements and the tax bases of assets and liabilities. Only tax positions that are considered more-likely-than-not to be sustained are recorded in the consolidated financial statements. The measurement of tax assets and liabilities is based on enacted tax laws and applicable tax rates.

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

**(f) Translation of Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange.

**(3) Transactions with Affiliates**

The Company maintains its bank accounts with affiliates of the Parent and previously had a line of credit with the Parent. The line of credit available to the Company totaled \$5,000,000, which was pursuant to a subordinated revolving credit note that matured on February 28, 2017. The line bore interest at 1.67% per annum. The subordinated revolving credit note of the Company was reported in the consolidated statement of financial condition at its carrying amount which approximates fair value. The Company repaid its Subordinated borrowings from Parent in full on January 28, 2016.

**(4) Payable to Customers**

Payable to customers include amounts due to customers related to soft dollar credits and Commission Recapture.

**NORTHERN TRUST SECURITIES, INC.**  
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Notes to Financial Statements

December 31, 2016

**(5) Net Receivable from Clearing Broker**

Net receivable from clearing broker at December 31, 2016 represents cash on deposit with clearing broker and receivable for transactions pending settlement related to the Company's principal trades, and consist of the following:

	<u>Receivable</u>	<u>Payable</u>	<u>Total</u>
Cash	\$ 54,056,852	(2,000,949)	52,055,903
Security transactions pending settlement	\$ 1,593,952	(37,377)	1,556,575
Total	<u>\$ 55,650,804</u>	<u>(2,038,326)</u>	<u>53,612,478</u>

In addition, the other receivables amount on the statement of financial condition also contains \$3,150,214 of net amounts due from clearing broker related to commission revenues and expenses related to customers' securities and mutual fund 12B-1 fees.

**(6) Securities Owned, at Fair Value**

Securities owned, at fair value as of December 31, 2016 consist of the following:

	<u>Securities owned at fair value</u>
Corporate equities and debt securities	\$ 393,062
Government bonds, agency, and municipal obligations	8,245
Total	<u>\$ 401,307</u>

**(7) Employee Benefits**

The employees of the Company are covered by the Parent's noncontributory defined-benefit pension plan (the Plan). The annual contribution rate is fixed by the Parent and provides for funding of the Plan and the cost of administration of the Plan. The employees of the Company are pooled with the employees of the Parent and affiliates for the purposes of the actuarial valuation. Therefore, the amount of accumulated pension benefits related specifically to the Company is not available.

Employees retiring under the provisions of the Plan may be eligible for postretirement healthcare coverage. The Company also provides for certain benefits after employment but before retirement. These benefits may be subject to deductibles, copayment provisions, and other limitations, and the provisions may be changed at the discretion of the Parent. Furthermore, the Parent reserves the right to terminate these benefits at any time. The employees of the Company are pooled with employees of the Parent and affiliates for purposes of actuarial valuation with regard to postretirement benefits other than pensions and

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Notes to Financial Statements

December 31, 2016

postemployment benefits. Therefore, the amount of the benefit obligation related specifically to the Company is not available.

**(8) Net Capital Requirements**

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain minimum "net capital." The Company has elected to compute its net capital under the alternative method permitted by the rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit balances arising from customer transactions, as defined, and any additional capital requirements for resale agreements. At December 31, 2016, the Company had net capital of \$51,138,753 as calculated under Rule 15c3-1, which was \$50,888,753 in excess of the \$250,000 requirement. The Company's net capital ratio was 0.2 to 1.

The firm is exempt from the provisions of SEA Rule 15c3-3 via a K(2)(ii) exemption. As permitted by this exemption, the firm maintains an account for the exclusive benefit of customers whereby it maintains at all times monies that equal or exceed its requirements to provide commission rebates to customers. At December 31, 2016 the companies had a commission recapture payable of \$24,275 and a soft dollar payable of \$406,755 and maintained \$3,000,000 in the account for the exclusive benefit for customers.

**(9) Fixed Assets**

A summary of Fixed Assets is presented below:

	<b>Original cost</b>	<b>Accumulated depreciation and amortization</b>	<b>Net book value</b>
Office equipment	\$ 175,072	138,780	36,292
Software	564,066	31,249	532,817
Total Fixed Assets	\$ 739,138	170,029	569,109

**(10) Income Taxes**

Deferred taxes result from temporary differences between the amounts reported in the financial statements and the tax bases of assets and liabilities. Deferred compensation is the most significant temporary difference. Net deferred tax assets were \$1,710,762 at December 31, 2016. No valuation allowance related to deferred tax assets has been recorded at December 31, 2016, as management believes it is more likely than not that the deferred tax assets will be fully realized.

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Notes to Financial Statements

December 31, 2016

**(11) Fair Value Measurements**

FASB ASC Topic 820, *Fair Value Measurement* (ASC 820), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

***Fair Value Hierarchy***

ASC 820 establishes the following hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace.

Level 1 – Quoted active market prices for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted active market prices for similar assets or liabilities, quoted prices for identical or similar assets in inactive markets, and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 – Valuation techniques in which one or more significant inputs are unobservable in the marketplace.

Observable inputs reflect market data obtained from sources independent of the reporting entity; unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. The standard requires an entity measuring fair value to maximize the use of observable inputs and minimize the use of unobservable inputs and establishes a fair value hierarchy of inputs. Financial instruments are categorized based on the lowest level input that is significant to their valuation.

The Company's financial assets measured at fair value on a recurring basis consist of securities owned. All securities are classified as Level 2 assets and totaled \$401,307 at December 31, 2016 and are valued using external pricing vendors. For the year ended December 31, 2016, there were no transfers between levels of securities.

**(12) Off-Balance-Sheet Risk and Concentration of Credit**

Customer transactions generally settle three business days after the trade date. If a customer does not complete the purchase or sale transaction, subsequent market fluctuation may require the Company to sell or purchase securities at prices that may differ from the original trade price. As an introducing broker with customers throughout the United States, but primarily in the Midwest, the Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer cash and margin accounts introduced by the Company. To minimize its risk related to the indemnification agreement, the Company adjusts the amount of the margin required commensurate with the level of risk associated with the customers' underlying positions. If necessary, the Company may liquidate certain positions in order to

**NORTHERN TRUST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Northern Trust Corporation)

Notes to Financial Statements

December 31, 2016

satisfy minimum margin requirements. Management believes that the margin deposits held at December 31, 2016 are adequate to mitigate the risk of material loss. For the year ended December 31, 2016, no indemnity payments were made to the clearing broker-dealer.

In the normal course of its business, the Company enters into long- and short-security positions. The risk of potential loss due to changes in the market may exceed the amounts recorded for such short security transactions.

The securities owned by the Company are primarily corporate debt securities, government bonds, agency, and municipal obligations. The largest position of any single issuer at December 31, 2016 was a corporate debt, which amounted to \$50,498.

In addition to the clearing broker, the Company also indemnifies and guarantees certain other service providers, such as executing brokers, banks, and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including subcustodians and third-party brokers, improperly executed transactions. 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 it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

**(13) Legal Proceedings**

The Company is a defendant in legal proceedings incidental to its securities business. Management of the Company, after consultation with legal counsel, believes the resolution of these various matters will not result in any material adverse effect on the financial position or results of operations of the Company.

**(14) Cash Segregated under Federal and Other Regulations**

Cash of \$3,000,000 has been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the SEC.

**(15) Aviate Acquisition**

In May 2016, Northern Trust, parent company of Northern Trust Securities, Inc., completed its acquisition of Aviate Global LLP (Aviate), an institutional equity brokerage firm offering market research and execution services, with offices in the United States, Europe, and the Asia-Pacific region. The portion of the purchase price pertaining to Northern Trust Securities, Inc.'s participation in the acquisition, which is subject to certain performance-related adjustments over a three-year period after the acquisition date, totaled \$3.1 million inclusive of contingent consideration.

The assets acquired as part of the transaction are as follows:

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Notes to Financial Statements

December 31, 2016

	<b>Fair Value</b>
Cash	245,675
Fixed assets, net of accumulated depreciation and amortization	90,730
Other receivables	304,215
Goodwill	1,860,474
Intangible asset, net	693,000
Other assets	121,345
Payable to affiliates	(22,812)
Accounts payable and accrued expenses	(178,118)
	<b>3,114,509</b>

**(a) Goodwill**

The Company has recorded goodwill to the extent that the purchase price of the acquisition exceeded the fair value of the net identifiable tangible and intangible assets of the acquired business. The Company's policy is to test goodwill for impairment on at least an annual basis, or whenever events and circumstances indicate that the carrying value may not be recoverable.

**(b) Intangible Asset, net**

The Company has recorded an intangible asset for a specifically identified intangible asset that was acquired in the acquisition. The Company's policy is to test review identified intangible assets for impairment on at least an annual basis, or whenever events and circumstances indicate that the carrying value may not be recoverable.

The gross carrying amount and accumulated amortization as of December 31, 2016 relating to goodwill and other intangible assets acquired as part of the transaction are as follows:

	<b>Original cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
Goodwill	\$ 1,860,474		1,860,474
Client Relationship Asset	693,000	54,353	638,647
Goodwill and Other Intangible Assets	\$ 2,553,474	54,353	2,499,121

**NORTHERN TRUST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Northern Trust Corporation)

Notes to Financial Statements

December 31, 2016

**(16) Subsequent Events**

The Company performed an evaluation of subsequent events through the date the financial statements were issued, and determined that there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in the financial statements other than items described above as of December 31, 2016.

**NORTHERN TRUST SECURITIES, INC.**  
(A Wholly Owned Subsidiary of Northern Trust Corporation)

Statement of Financial Condition

December 31, 2016

(With Reports of Independent Registered  
Public Accounting Firm Thereon)