

CM

SEC  
Mail Process  
Section



17008371

| OMB APPROVAL                                      |              |
|---|--------------|
| OMB Number:                                       | 3235-0123    |
| Expires:  | May 31, 2017 |
| Estimated average burden hours per response . . . | 12.00        |

MAR 01 2017  
 Washington DC 406  
**ANNUAL AUDITED REPORT  
 FORM X-17A-5  
 PART III**

| SEC FILE NUMBER |       |
|-----------------|-------|
| 8 -             | 40644 |

**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 1/1/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**SEB Securities, Inc.**

| OFFICIAL USE ONLY |
|-------------------|
| FIRM ID. NO.      |

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

245 Park Avenue, 33rd Floor

(No. and Street)

New York

New York

10167

(City)

(State)

(Zip Code)

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

Nils Henrik Jens Lundqvist

(212) 907 - 4620

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

CohnReznick LLP

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

1301 Avenue of the Americas

New York

New York

10019

(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)

*Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.*

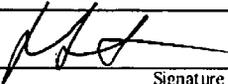
RMS

75

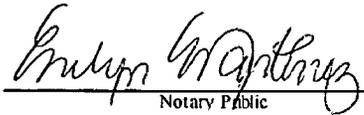
**OATH OR AFFIRMATION**

I, Nils Henrik Jens Lundqvist, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SEB 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

FinOp \_\_\_\_\_  
 Title

  
 \_\_\_\_\_  
 Notary Public

**EVELYN MARTINEZ**  
 Notary Public, State of New York  
 No. 01MA6267792  
 Qualified in Richmond County  
 Commission Expires August 20, 2020

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 Proprietor's 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, pursuant to Rule 171-5.

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

## TABLE OF CONTENTS

---

### Facing Page

|  |             |
|--|-------------|
| <b>Report of Independent Registered Public Accounting Firm</b> | <b>2</b>    |
| <b>Financial Statement</b>                                     |             |
| Statement of Financial Condition                               | <b>3</b>    |
| Notes to Financial Statement                                   | <b>4-11</b> |

Report of Independent Registered Public Accounting Firm

To the Stockholder  
SEB Securities, Inc.

We have audited the accompanying statement of financial condition of SEB Securities, Inc. (the "Company") as of December 31, 2016, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this 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 statement of financial condition 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 that are 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of SEB Securities, Inc. as of December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.



New York, New York  
February 17, 2017

**SEB SECURITIES, INC.**  
(A Wholly Owned Subsidiary of SEB AB)

**FINANCIAL STATEMENTS**

**Statement of Financial Condition**

---

**December 31, 2016**

---

**ASSETS**

|   |    |                   |
|---|----|-------------------|
| Cash  | \$ | 16,804,321        |
| Receivables from broker-dealers and clearing broker,<br>including clearing deposit of \$100,000 |    | 1,969,238         |
| Receivables from customers  |    | 1,065,715         |
| Taxes receivable  |    | 223,833           |
| Deferred tax asset  |    | 396,977           |
| Due from Parent   |    | 4,968,614         |
| Collateral on stock borrowed  |    | 11,018,321        |
| Other assets  |    | 99,507            |
| Total assets  | \$ | <u>36,546,526</u> |

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

|  |    |                   |
|--|----|-------------------|
| Accrued compensation                     | \$ | 411,100           |
| Payable to broker-dealers                |    | 1,065,715         |
| Payable to customers                     |    | 1,577,519         |
| Accounts payable and accrued liabilities |    | 170,425           |
| Collateral due to Parent                 |    | 11,018,321        |
| Total liabilities                        |    | <u>14,243,080</u> |

Commitments and contingencies (Note 6)

**Stockholder's equity**

|   |    |                   |
|---|----|-------------------|
| Common stock - \$.01 par value; authorized, issued and outstanding - 1,000 shares |    | 10                |
| Additional paid-in capital  |    | 2,539,014         |
| Retained earnings   |    | 19,764,422        |
| Total stockholder's equity  |    | <u>22,303,446</u> |
| Total liabilities and stockholder's equity  | \$ | <u>36,546,526</u> |

\*See accompanying Notes to Financial Statements

# **SEB SECURITIES, INC.**

**(A Wholly Owned Subsidiary of SEB AB)**

## **Notes to Financial Statements**

**Year Ended December 31, 2016**

---

### **1. Nature of operations**

SEB Securities, Inc. (the "Company") is a wholly owned subsidiary of Skandinaviska Enskilda Banken AB (publ) ("SEB AB" or the "Parent"). The Company is registered as a broker-dealer in securities under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

The Company's activities primarily include research, effecting securities transactions in securities listed on major European exchanges for U.S. institutional customers as well as financial advisory services in connection with trans-Atlantic mergers and acquisitions. Under an agreement with a foreign affiliate, the Company processes customers' securities transactions with an affiliate, which clears and settles the transactions on a receipt versus payment/delivery versus payment basis. The Company also executes and clears U.S. securities trades through an unaffiliated clearing broker on a fully disclosed basis.

### **2. Summary of significant accounting policies**

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### *Cash and Cash Equivalents*

The Company considers all short-term investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2016.

The Company's cash at December 31, 2016 was held at two financial institutions. More than half of the Company's stockholder's equity is held in one bank account and therefore is subject to the credit risk at the financial institution that holds the account. The Company has not experienced any losses in such accounts and does not believe there to be any significant credit risk with respect to these deposits.

#### *Receivable from and Payable to Broker-Dealers*

From time to time the Company will have a receivable from and payable to broker-dealers that will consist primarily of failed-to-deliver/failed-to-receive transactions with an affiliate.

#### *Translation of Foreign Currency*

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into U.S. dollar amounts using the average exchange rates. Adjustments arising from foreign currency transactions are reflected in the statement of income.

#### *Furniture, Equipment and Leasehold Improvements*

The Company shares furniture, equipment and leasehold improvements with SEB NY (see Note 3). It also leases equipment from a third party vendor.

**SEB SECURITIES, INC.**  
(A Wholly Owned Subsidiary of SEB AB)

**NOTES TO FINANCIAL STATEMENTS**  
Year Ended December 31, 2016

---

**2. Summary of significant accounting policies (continued)**

*Commission Income*

The Company earns commissions from customers' securities transactions. Commission income and related clearing costs are recorded on a trade date basis.

*Underwriting Income*

Underwriting income includes underwriting fees, which the Company earns for its participation with its affiliates in initial public offerings. Such revenues are recognized in the statement of income, net of expenses, when the services related to the underlying transaction are completed under the terms of the agreement or contract.

*Securities Finance Income*

The Company earns securities finance income in accordance with a revenue sharing agreement based on its participation in securities lending transactions as part of a global trading book with several affiliated entities. Each transaction involves borrowing securities from one counterparty and lending to a second counterparty, which may be either an affiliate in the global book or a third party. As a result, revenues cannot be directly assigned to individual members of the global book. Revenues are therefore allocated to the Company and other members in the global book based on relative trader compensation of the member firms.

The firm also engages in conduit, or principal, securities borrowing and lending activities involving U.S. institutional counterparties whereby the Company borrows fully-paid U.S. securities from a U.S.-based institutional lender (in exchange for the provision of collateral to the lender) and, then, on-lends such securities to SEB AB (in exchange for the receipt of collateral from SEB AB, as borrower). The Company receives, as consideration for its conduit lending activities, a credit spread between its borrowing cost and its lending fee.

*Capital Markets Income*

The Company markets capital market products to U.S. investors. The buy and sell side of each trade is executed together to ensure the Company does not own or maintain an inventory, and revenue is recognized for the gain or loss on trading activity on a trade-date basis.

*Interest Income*

The Company earns interest income primarily on cash balances which is recognized on an accrual basis.

*Short-term Incentive Compensation ("STI")*

Short-term incentive compensation is expensed in the period granted. However at the discretion of the Company, a portion may be deferred over three years (see Note 4). As such, the Company's statement of financial condition includes the full effect of the STI awarded and liability for unpaid deferred amounts within 'accounts payable and accrued liabilities'.

*Other Income*

Other income consists of research services provided by the Company to third parties. Research services are provided to various customers. All other income items are billed as services are provided and revenue is recognized as earned.

**SEB SECURITIES, INC.**  
(A Wholly Owned Subsidiary of SEB AB)

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

---

**2. Summary of significant accounting policies (continued)**

*Long-term Incentive Compensation ("LTI")*

Long-term incentive compensation cost is measured at the date of grant based on the current fair value of the award and is recognized as expense on a straight-line basis over the period during which the employee is required to provide service in exchange for the award (the "vesting period") (see Note 4). On older (closed) plans the award was settled through purchases of Parent stock in the open market. As such, the Company accrued a liability over the vesting period, which is included in 'accounts payable and accrued liabilities' on the statement of financial condition. At the same time, the Parent agreed to contribute capital to cover all payouts under the plans. Each prior period, the Company recorded a contribution and receivable from the Parent until payouts are made under the programs. The receivable was included in 'Due from Parent' on the statement of financial condition.

Long-term incentive compensation cost on active plans is measured on the current fair value of the award and is recognized as a probable expense on a straight-line basis over the period during which the employee is required to provide service in exchange for the award (the "vesting period") (see Note 4). These plans are settled in cash through the normal payroll process and as such, the Company accrues a liability over the vesting period, which is included in 'accounts payable and accrued liabilities' on the statement of financial condition.

*Income Taxes*

The Company complies with GAAP which requires an asset and liability approach to financial reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred income tax assets to the amount expected to be realized.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces ending retained earnings. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2016. The Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognized as of and for the year ended December 31, 2016.

The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions.

The Company may be subject to potential examination by U.S. federal, U.S. states or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, U.S. state and foreign tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

**SEB SECURITIES, INC.**  
(A Wholly Owned Subsidiary of SEB AB)

**NOTES TO FINANCIAL STATEMENTS**  
Year Ended December 31, 2016

---

**2. Summary of significant accounting policies (continued)**

*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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Liabilities subordinated to claims of general creditors*

In June 2014, the Company entered into a subordinated revolving note agreement for a maximum \$10 million with its Parent which matures in 2020. There were no draws on the subordinated revolving note agreement during 2016.

**3. Related party transactions**

Effective January 1, 1995, the Company entered into a Legal Accounting by Office agreement (the "Agreement") with the Parent, under which the Company agreed to reimburse the Parent for research, trading and business support costs ("Allocated Costs") provided by the Parent to the Company. The research costs are allocated to the Company predicated on the number of sales staff in New York to the Parent's total sales staff, and trading and settlement expenses are allocated to the Company based on the number of the Company's customer transactions to the number of the Parent's total customer transactions. Additionally, information technology costs are separately allocated based on usage and contractual agreements.

The Company operates under service level agreements with a branch of the Parent, Skandinaviska Enskilda Banken New York ("SEB NY"), under which the Company agreed to reimburse the branch for finance, accounting, information technology, operations and other support costs ("Allocated Costs") provided by SEB NY to the Company. SEB NY also sponsors the 401(k) plan in which the Company's employees participate.

The Company shares office space with SEB NY (see Note 6), which includes sharing furniture and certain equipment. There were no amounts due at December 31, 2016 under the lease agreement.

Transactions among the various parties are not presumed to be at arm's length and therefore the amounts involved are not necessarily the same as what might prevail in transactions among non-related parties.

# SEB SECURITIES, INC.

(A Wholly Owned Subsidiary of SEB AB)

## NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

### 4. Employee Compensation Programs

The Company's remuneration is based on three major components: base pay, variable pay and pension/benefits. Variable pay is all compensation that is not predetermined to any size or amount. Variable pay includes both short-term incentive ("STI") and long-term incentive ("LTI") programs.

#### *Short Term Incentive Program ("STI")*

Based on the performance of the Company, Parent, and the individual, the Company may award Short Term Incentives to select staff. These are cash awards in accordance with applicable regulations and expensed at the time the award was granted. A portion of some awards will be deferred and evenly paid out over three years as long as the performance criteria are met. As of December 31, 2016, deferred STI was approximately \$45,000 and approximately \$252,000 of accrued STIs are included within the statement of financial condition.

#### *Long Term Incentive Program ("LTI")*

Each year the Company may offer one or more long-term equity-based incentive programs which have multi-year financial impact. The Parent manages each plan and may make the payouts under the plans dated prior to 2015. Company employees can be invited to participate in an LTI plan, as long as the employee meets plan criteria and remains employed by the Company. The financial impact is reported within the financials. The programs' key features and 2016 financial implications are as follows:

- **Share Deferral Program ("SDP")**
  - Offered to a small number of selected senior executives.
  - Participants are granted an individual number of Conditional Share Rights ("CSR").
  - One Conditional Share Right shall correspond to the fair value of the volume weighted average price for one SEB Class A-share.
  - The programs are based on performance and have a vesting period of three years.
  - Settlement to the employee is in cash through the normal payroll process.

To account for the SDP plans, the estimated total cost is calculated based on the current fair value of the CSR and expensed evenly over the vesting period until fully vested. The estimated cost of the plans for the year ended December 31, 2016 was approximately \$254,000 and is included in 'employee compensation and benefits' on the statement of income. As of December 31, 2016, the total accrued expense to date is approximately \$147,000 and is included in 'accrued compensation' in the statement of financial condition.

**SEB SECURITIES, INC.**  
(A Wholly Owned Subsidiary of SEB AB)

**NOTES TO FINANCIAL STATEMENTS**  
Year Ended December 31, 2016

---

**5. Income taxes**

The tax-effected components of deferred income tax assets consisted of the following at December 31, 2016:

|  |                          |
|--|--------------------------|
| State and local net operating loss carryforwards | \$ 205,996               |
| Temporary Differences                            | <u>190,981</u>           |
| Gross deferred tax assets                        | 396,977                  |
| Valuation Allowance                              | -                        |
| <b>Deferred tax assets</b>                       | <b><u>\$ 396,977</u></b> |

The Company files a federal income tax return and is included in the combined New York State and New York City income tax returns of the U.S. branch of the "Parent" in the beginning tax year ended December 31, 2015. The Company's effective federal tax rate differs from the statutory rate primarily due to the effects of state and local taxes as well as the reversal of the deferred tax valuation allowance.

As of December 31, 2016, the Company's gross deferred tax asset of approximately \$397,000 is primarily the result of differences in the recognition of accruals for financial and tax reporting purposes as well as New York State net operating losses. As of December 31, 2015, a valuation allowance of \$636,000 was recorded against the gross deferred tax asset balance. For the year ended December 31, 2016, the Company recorded a net valuation release of \$636,000, on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

**SEB SECURITIES, INC.**  
(A Wholly Owned Subsidiary of SEB AB)

**NOTES TO FINANCIAL STATEMENTS**  
Year Ended December 31, 2016

---

**6. Commitments and contingencies**

*Operating Leases*

The Company leases its office space under an operating lease with SEB NY which commenced in December, 2013. Subsequent lease attachments have been for one-year extensions.

*Indemnifications*

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranty which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as the contracts refer to potential claims that have not yet occurred. However, management expects the risk of loss to be remote.

**7. Pension plans**

The Company participates in a 401(k) plan and a defined contribution plan sponsored and administered by an affiliate. The 401(k) plan covers all eligible employees of the Company and the defined contribution plan covers all eligible U.S. employees.

**8. Off-balance-sheet risk and concentration of credit risk**

The Company acts as an agent for institutional customers and other broker-dealers in the purchase and sale of foreign securities. The Company executes and clears all of these foreign trades through the Parent and affiliates. These trades are settled on a receive versus payment/delivery versus payment basis. The Company's commissions on foreign securities transactions are collected by the Parent and remitted to the Company monthly. In the normal course of business, the Company's activities involve the execution and settlement of various customer securities transactions.

These activities may expose the Company to off-balance-sheet risk in the event a counterparty is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss. The Company monitors the credit standing of all counterparties with which it conducts business.

Pursuant to a clearance agreement, the Company introduces the majority of its U.S. dollar trades to a clearing broker on a fully-disclosed basis. All of the customers' cash balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts.

**SEB SECURITIES, INC.**  
(A Wholly Owned Subsidiary of SEB AB)

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

---

In addition, the receivables from the clearing broker are pursuant to this clearance agreement and include a clearing deposit of \$100,000.

**9. Net capital requirement**

The Company, as a member of the FINRA, is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1 and has elected to compute its net capital requirements in accordance with the Alternative Standard. Under this method, the Company's net capital, as defined, shall not be less than \$250,000. At December 31, 2016, the Company had net capital of approximately \$16,519,000 which exceeded the required minimum net capital by approximately \$16,269,000.

**10. Exemption from Rule 15c3-3**

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 pursuant to the exemptive provisions of sub-paragraphs (k)(2)(i) and (k)(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

**SEB SECURITIES, INC.**  
**(A Wholly Owned Subsidiary of SEB AB)**

**STATEMENT OF FINANCIAL CONDITION  
AND  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**DECEMBER 31, 2016**

Date 02/27/2017

Securities and Exchange Commission  
Office of Filings and Information Services  
Registration Branch  
Mail Stop 8031  
100 F Street, N.E.  
Washington, D.C. 20549

SEC  
Mail Processing  
Section

MAR 6 1 2017

Washington DC  
406

Re: Annual Audit Report  
December 31, 2015  
SEC File No. 8-40644

Gentlemen:

In accordance with Rule 17a-5(e)(3), we respectfully request that the above-referenced financial statements, exclusive of the Statement of Financial Condition, which is bound separately, be deemed confidential pursuant to the rule.

Very truly yours,



Nils Henrik Jens Lundqvist  
FinOp  
SEB Securities, Inc.