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

MAR 01 2017

SEC FILE NUMBER
8- 319551

Washington DC 416

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 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Securian Financial Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

400 Robert Street North

(No. and Street)

St. Paul

MN

55101

(City)

(State)

(Zip Code)

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

Lisa Carriere

651-665-3045

(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)

4200 Wells Fargo Center

Minneapolis

MN

55402

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

<b>FOR OFFICIAL USE ONLY</b>

\*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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OATH OR AFFIRMATION

I, George I. Connolly, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Securian Financial Services 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:

Handwritten signature of G. Connolly

Signature

President

Title

Handwritten signature of Blaine D. Westberg

Notary Public



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).



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder  
Securian Financial Services, Inc.:

We have audited the accompanying statement of financial condition of Securian Financial Services, Inc. (the Company) as of December 31, 2016, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 statements referred to above present fairly, in all material respects, the financial position of Securian Financial Services, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The supplemental information contained in Schedules I, II, and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information contained in Schedules I, II, and III is fairly stated, in all material respects, in relation to the financial statements as a whole.

Minneapolis, Minnesota  
February 27, 2017

*KPMG LLP*

# SECURIAN FINANCIAL SERVICES, INC.

## Statement of Financial Condition

December 31, 2016

(in thousands)

### Assets

Cash and cash equivalents	\$	6,894
Securities owned, at fair value		12,494
Commissions receivable		6,877
Due from affiliates		676
Other receivables		872
Deferred tax asset		325
Software, net of accumulated amortization of \$4,812		1,252
Prepaid expenses		1,057
Deposit with clearing organizations		120
		<hr/>
Total assets	\$	<u><u>30,567</u></u>

### Liabilities and Stockholder's Equity

#### Liabilities:

Commissions payable	\$	6,594
Accrued expenses		1,054
Current income tax payable		223
Due to affiliates		1,679
Other liabilities		1,168
		<hr/>
Total liabilities		<u>10,718</u>

#### Stockholder's equity:

Paid-in capital; 25,000 shares of common stock authorized, no par value; 100 shares issued and outstanding		53,216
Accumulated deficit		<u>(33,367)</u>
		<hr/>
Total stockholder's equity		<u>19,849</u>
		<hr/>
Total liabilities and stockholder's equity	\$	<u><u>30,567</u></u>

See accompanying notes to financial statements.

SECURIAN FINANCIAL SERVICES, INC.

Statement of Operations

For the year ended December 31, 2016

(in thousands)

**Revenues**

Commissions and distribution and service fee income:	
12b-1 fees from insurance products	\$ 14,404
Investment advisory and financial planning fees	101,078
Affiliated variable life, variable annuities and other products	104,631
Variable life, variable annuities, mutual funds and other products	67,459
Fee income received from affiliates	1,157
Other income	8,763
Net investment income	106
Net trading and investment gains	202
	<hr/>
	297,800

**Expenses**

Commissions and distribution and service fee expense:	
12b-1 fees from insurance products	14,404
Investment advisory and financial planning	80,545
Affiliated variable life, variable annuities and other products	104,631
Variable life, variable annuities, mutual funds and other products	59,279
Salaries and benefits	18,812
Registration fees	1,532
Clearing fees	267
General and administrative expenses	11,900
	<hr/>
	291,370
	<hr/>
Income from operations before taxes	6,430
Income tax expense:	
Current	2,394
Deferred	87
Total income tax expense	<hr/>
	2,481
	<hr/>
Net income	\$ <u><u>3,949</u></u>

See accompanying notes to financial statements.

**SECURIAN FINANCIAL SERVICES, INC.**

**Statement of Changes in Stockholder's Equity**

**For the year ended December 31, 2016**

(in thousands)

	<u>Paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balances at December 31, 2015	\$ 53,216	\$ (37,316)	\$ 15,900
Net income	<u>-</u>	<u>3,949</u>	<u>3,949</u>
Balances at December 31, 2016	<u>\$ 53,216</u>	<u>\$ (33,367)</u>	<u>\$ 19,849</u>

See accompanying notes to financial statements.

# SECURIAN FINANCIAL SERVICES, INC.

## Statement of Cash Flows

For the year ended December 31, 2016

(in thousands)

### Cash flows used for operating activities

Net income	\$	3,949
Adjustments to reconcile net income to net cash used for operating activities:		
Software amortization		240
Deferred tax provision		87
Change in operating assets and liabilities:		
Increase in commissions receivable		(711)
Purchase of securities owned		(12,292)
Net trading and investment gains		(202)
Increase in due from affiliates		(179)
Increase in other receivables		(249)
Change in income tax payable - current		(557)
Increase in prepaid expenses		(959)
Increase in commissions payable		749
Increase in accrued expenses		53
Decrease in due to affiliates		(405)
Increase in other liabilities		1,168
		<u>1,168</u>
Net cash used for operating activities		<u>(9,308)</u>

### Cash flows used for investing activity

Additions to capitalized software		<u>(523)</u>
Net cash used for investing activity		<u>(523)</u>
Decrease in cash and cash equivalents		(9,831)
Cash and cash equivalents at beginning of year		<u>16,725</u>
Cash and cash equivalents at end of year	\$	<u><u>6,894</u></u>

See accompanying notes to financial statements.

# SECURIAN FINANCIAL SERVICES, INC.

## Notes to Financial Statements

December 31, 2016

(in thousands)

### (1) Basis of Presentation and Nature of Business

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The financial statements include the accounts of Securian Financial Services, Inc. (the Company), a wholly-owned subsidiary of Securian Financial Group, Inc. (SFG).

The preparation of the financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported assets and liabilities, including disclosure of contingent assets and liabilities, as of the statement of financial condition date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company is a registered broker/dealer in securities under the Securities Exchange Act of 1934. The Company is also a registered investment adviser under the Investment Advisers Act of 1940. The Company is the distributor of Minnesota Life Insurance Company's (Minnesota Life), a subsidiary of SFG, variable annuity contracts, variable life insurance policies and certain equity indexed annuity contracts and life insurance policies. The Company is also the distributor of Securian Life Insurance Company's (Securian Life), a subsidiary of Minnesota Life, variable life insurance policies and certain equity indexed life insurance policies. Additionally, the Company also sells mutual funds, annuity contracts and insurance policies sponsored by third parties. The Company does not hold or carry securities for customer accounts.

The Company's results of operations may not be indicative of the results that might be obtained had it operated independently.

### (2) Summary of Significant Accounting Policies

#### Commission Income/Expense and Distribution and Service Fee Income/Expense

Commission income on mutual fund, variable life and annuity, investment advisory and financial planning sales and other products is earned and recognized on the trade date. Related commission expense due to agents on such sales is also recognized on the trade date. Commission income based on assets under management is recorded as revenue when received along with the related commission expense due to the agents on such sales.

Under an assignment agreement with Minnesota Life, the Company receives and recognizes upon receipt, 12b-1 fees from the affiliated Securian Funds Trust funds portfolios and the Waddell and Reed Target portfolios, and transfers them to Minnesota Life.

(Continued)

**SECURIAN FINANCIAL SERVICES, INC.**

**Notes to Financial Statements (Continued)**  
(in thousands)

**(2) Summary of Significant Accounting Policies (Continued)**

Valuation of Investments and Net Investment Income

Equity securities owned are classified as trading and are carried at fair value on the statement of financial condition. Changes in fair value of equity securities are included in net trading and investment gains on the statement of operations. The Company recognizes dividend income upon the declaration of the dividend. Dividend income is included in net investment income on the statement of operations.

Cash and cash equivalents of sufficient credit quality are carried at cost, which approximates fair value. The Company considers all money market funds with original maturity dates of less than three months to be cash equivalents.

Other Receivables

Other receivables are carried at original amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. At December 31, 2016, the Company had no allowance for doubtful receivables. Other receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. Interest is not accrued on past-due other receivables balances.

Income Taxes

The Company files a life/non-life consolidated federal income tax return with Minnesota Mutual Companies, Inc., the Company's ultimate parent. The Company utilizes a consolidated approach to the allocation of current taxes, whereby, the tax benefits resulting from any losses by the Company, which would be realized by Minnesota Mutual Companies, Inc. on a consolidated return, go to the benefit of the Company. The Company is included in the federal tax sharing agreement with Minnesota Mutual Companies, Inc. Intercompany tax balances are settled annually when the tax return is filed with the Internal Revenue Service (IRS).

Inherent in the provision for federal income taxes are estimates regarding the deductibility of certain items and the realization of certain tax credits. In the event the ultimate deductibility of certain items or the realization of certain tax credits differs from estimates, the Company may be required to significantly change the provision for federal income taxes recorded on the financial statements. Any such change could significantly affect the amounts reported on the statement of operations. Management has used best estimates to establish reserves based on current facts and circumstances regarding tax exposure items where the ultimate deductibility is open to interpretation. Management evaluates the appropriateness of such reserves based on any new developments specific to their fact patterns. Information considered includes results of completed tax examinations, Technical Advice Memorandums and other rulings issued by the IRS or the tax courts.

(Continued)

## SECURIAN FINANCIAL SERVICES, INC.

### Notes to Financial Statements (Continued) (in thousands)

#### **(2) Summary of Significant Accounting Policies (Continued)**

##### Income Taxes (Continued)

The Company utilizes the asset and liability method of accounting for income tax. Under this 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 and tax credit 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. Under this method, 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 dates. Valuation allowances are established when it is determined that it is more likely than not that the deferred tax asset will not be fully realized. Current income taxes are charged to operations based upon amounts estimated to be payable or receivable as a result of taxable operations for the current year.

##### Software Capitalization

Computer software costs incurred for internal use are capitalized and amortized over a three or five-year period. Computer software costs include application software, purchased software packages and significant upgrades to software. At December 31, 2016, the Company had unamortized software costs of \$1,252.

#### **(3) Risks**

The following is a description of the significant risks facing the Company:

##### *Off-Balance-Sheet Risk:*

In the normal course of business, the Company executes and enters into securities transactions that are carried and cleared by other broker-dealers on a fully disclosed basis. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. Amounts due from broker-dealers represent a concentration of credit risk. The risk of default depends on the creditworthiness of the counterparty. The Company does not anticipate nonperformance by its clearing brokers. In addition, the Company has a policy of reviewing, as necessary, the credit standing of each counterparty with which it conducts business.

The agreement between the Company and its clearing agents provide that the Company is obligated to assume any exposure related to nonperformance by its customers. The Company seeks to minimize the risk of loss through procedures designed to monitor the creditworthiness of its customers and that transactions are executed properly by the clearing agents.

(Continued)

## SECURIAN FINANCIAL SERVICES, INC.

### Notes to Financial Statements (Continued) (in thousands)

#### **(3) Risks (Continued)**

##### *Credit Risk:*

Certain financial instruments, consisting of cash and cash equivalents, potentially subject the Company to concentration of credit risk. The Company places its cash and cash equivalents with high quality financial institutions and, at times, these balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Company has not experienced any losses in such accounts for the year ended December 31, 2016.

##### *Equity Market Risk:*

Equity market risk is the risk that significant adverse fluctuations in the equity market can affect financial results. Risks include losses in equity securities holdings.

##### *Legal/Regulatory Risk:*

The risk that changes in the legal or regulatory environment in which the Company operates could result in increased competition, reduced demand for the Company's products or services, or additional unanticipated expenses incurred. The Company employs compliance and operating practices that identify and minimize the adverse impact of this risk. The Company additionally attempts to minimize adverse impact of this risk through a varied offering of products and services.

##### *Information Systems Risk:*

Information systems risk includes the risk that the Company's information technology, telecommunications, or other technological systems fail to function properly, become disabled, or are breached as a result of events or circumstances wholly or partially beyond the Company's control. The Company utilizes a variety of security measures and incident response procedures in its efforts to minimize the adverse impact of the risk.

#### **(4) New Accounting Pronouncements**

##### Future Adoption of New Accounting Pronouncements

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which clarifies how certain transactions are to be presented on the statement of cash flows. ASU 2016-15 is effective for the annual reporting period beginning January 1, 2018 and is required to be applied on a retrospective basis. The Company is currently evaluating the impact of this new guidance on its financial statements.

(Continued)

## SECURIAN FINANCIAL SERVICES, INC.

### Notes to Financial Statements (Continued) (in thousands)

#### **(4) New Accounting Pronouncements (Continued)**

##### Future Adoption of New Accounting Pronouncements (Continued)

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which is intended to make targeted improvements to the reporting model for financial instruments. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income along with certain other measurement and disclosure enhancements. ASU 2016-01 is effective for annual reporting periods beginning on January 1, 2018. Prospective application is required with a cumulative-effect adjustment as of the beginning of the period of adoption. The Company is currently evaluating the impact of this guidance on its financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance. The guidance requires an entity to recognize revenue reflecting the transfer of a promised good or service to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for that good and service. The guidance also requires additional disclosures. An entity may apply the new guidance using one of the following two methods: (1) retrospectively to each prior period presented, or (2) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. In July 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which defers the effective date of ASU 2014-09 to the annual reporting period beginning January 1, 2018. The Company is currently evaluating the impact of this new guidance on its financial statements.

#### **(5) Investments**

##### Fair Value of Financial Instruments

The fair value of the Company's financial assets have been determined using available market information as of December 31, 2016. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In determining fair value, the Company primarily uses the market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets maximizing the use of observable inputs. Observable inputs reflect the assumptions market participants would use in valuing a financial instrument based on market data obtained from sourced independent of the Company.

(Continued)

**SECURIAN FINANCIAL SERVICES, INC.**

**Notes to Financial Statements (Continued)**  
(in thousands)

**(5) Investments (Continued)**

Fair Value of Financial Instruments (Continued)

The Company is required to categorize its financial assets and liabilities recorded on the statement of financial position accordingly to a hierarchy. All of the investments reported by the Company are based on Level 1 of this hierarchy. The fair value is based on unadjusted quoted prices for identical assets in an active market.

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Securities owned				
Equities	\$ 12,494	\$ -	\$ -	\$ 12,494
Total investments	12,494	-	-	12,494
Cash equivalents	496	-	-	496
Total financial assets	\$ 12,990	\$ -	\$ -	\$ 12,990

The Company did not hold any Level 2 or Level 3 financial instruments during the year ended December 31, 2016. There were no transfers between Levels for the year ended December 31, 2016.

The portion of net trading and investment gains that relates to trading securities still held at December 31, 2016 was \$202.

Net Investment Income

Securities owned	\$	105
Cash equivalents		3
Gross investment income		108
Investment expenses		(2)
Total	\$	106

**(6) Related Party Transactions**

The Company is the distributor of Minnesota Life's variable annuity, variable life and certain equity indexed products and is the distributor of Securian Life's variable life and certain equity indexed products. The Company received compliance fees of \$1,157 during 2016, which is included in fee income received from affiliates in the statement of operations, from Minnesota Life and Securian Life for performing compliance functions for these variable and certain equity indexed products. The Company also recognized commission income, which is included in commissions and distribution and service fee income: affiliated variable life, variable annuities and other products in the statement of operations of \$104,631 in 2016 related to distribution activities, of which \$2,561 was included in commissions receivable in the statement of financial condition at December 31, 2016.

(Continued)

## SECURIAN FINANCIAL SERVICES, INC.

### Notes to Financial Statements (Continued) (in thousands)

#### **(6) Related Party Transactions (Continued)**

The Company also has an agreement with an affiliate, Securian Trust Company, N.A. (STC), an affiliated national bank. Under this agreement, the Company receives referral fees for clients who name STC trustee of a trust. The Company received fees of \$888 for the year ended December 31, 2016, which is included in commissions and distribution and service fee income: variable life, variable annuities, mutual funds and other products in the statement of operations, of which \$183 was included in due from affiliates in the statement of financial condition at December 31, 2016.

Under management services agreements with Minnesota Life, H. Beck, Inc. (H. Beck), Securian Life and STC, the Company charges or is charged expenses including allocations for occupancy costs, data processing, compensation, advertising, and promotion and other administrative expenses. The Company either incurs these expenses on behalf of Minnesota Life, H. Beck, Securian Life or STC or these expenses are incurred on behalf of the Company by Minnesota Life, H. Beck, Securian Life or STC. For the year ended December 31, 2016, the Company was charged net expenses totaling \$9,458, of which \$1,260 was included in due to affiliates in the statement of financial condition and \$180 was included in due from affiliates in the statement of financial condition at December 31, 2016.

Under an assignment agreement with Minnesota Life, 12b-1 fees from affiliated Securian Funds Trust, the Waddell and Reed Target portfolios and other mutual funds, are transferred to Minnesota Life. During 2016, \$14,404 was received and \$13,985 was transferred. \$14,404 was included in commissions and distribution and service fee income: 12b-1 fees from insurance products and commissions and distribution and service fee expense: 12b-1 fees from insurance products in the statement of operations. At December 31, 2016, \$419 was payable to Minnesota Life and included in due to affiliates in the statement of financial condition.

For the year ended December 31, 2016, included in the \$14,404 commissions and distribution and service fee income: 12b-1 fees from insurance products in the statement of operations is \$6,915 of distribution and service fee income related to agreements with certain investment companies managed by an affiliate, Advantus Capital Management, Inc. Such fees are used to pay certain expenses incurred in the distribution of shares of associated mutual funds which have adopted Plans of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940 (as amended).

The Company has an agreement with an affiliated registered broker/dealer in securities. Under this agreement, the Company assists the affiliated broker/dealer in compliance, training and marketing and provides services such as accounting and auditing. The Company charges expenses related to these activities to the affiliated party and receives reimbursement. For the year ended December 31, 2016, the Company charged expenses totaling \$2,370, and \$313 was included in due from affiliates in the statement of financial condition at December 31, 2016 for such expenses.

Under a marketing services agreement with CRI Securities, LLC (CRI), the Company pays commissions for the sale of certain insurance products. For the year ended December 31, 2016, the Company paid commissions of \$3,966 included in commissions and distribution and service fee expense: variable life, variable annuities, mutual funds and other products on the statement of operations.

(Continued)

**SECURIAN FINANCIAL SERVICES, INC.**

**Notes to Financial Statements (Continued)**  
(in thousands)

**(6) Related Party Transactions (Continued)**

The Company has an investment advisory agreement with an affiliate, Advantus Capital Management, Inc. (Advantus). Under this agreement, the Company pays quarterly investment management fees based on total assets managed. Investment management fees incurred by the Company during 2016 were \$2. At December 31, 2016, there was no amount due to Advantus under this agreement.

**(7) Transactions with Clearing Agents**

The agreements with the Company's clearing agents provides for clearing charges at a fixed rate multiplied by the number of trades processed by the Company. The clearing agreements also require the Company to maintain a minimum deposit of \$120.

**(8) Income Taxes**

The difference between the income tax expense and income taxes computed using the U.S. federal income tax rate of 35% is as follows:

Amount computed using the statutory rate	\$	2,251
State taxes, net of federal benefit		211
Other		19
		\$ 2,481

The income tax expense for the year ended December 31, 2016 consisted of the following:

	Current	Deferred	Total
Federal	\$ 2,235	\$ 35	\$ 2,270
State	159	52	211
	\$ 2,394	\$ 87	\$ 2,481

(Continued)

SECURIAN FINANCIAL SERVICES, INC.

Notes to Financial Statements (Continued)  
(in thousands)

**(8) Income Taxes (Continued)**

The tax effects of temporary differences that gave rise to the Company's net deferred tax asset at December 31, 2016 are as follows:

Deferred tax asset:		
Net operating losses	\$	482
Unearned income		433
Intangible assets		2
Bonus accrual		359
Gross deferred tax assets		<u>1,276</u>
Deferred tax liabilities:		
Prepaid expenses		405
Basis difference on investments		76
Capitalized software		470
Gross deferred tax liabilities		<u>951</u>
Net deferred tax asset	\$	<u>325</u>

As of December 31, 2016, management determined that no valuation allowance was needed related to benefits of certain state operating loss carryforwards or for other deferred tax items based on management's assessment that it is more likely than not that these deferred tax assets will be realized.

The gross net operating loss carryforwards, which were generated in various states, amount to \$12,613 at December 31, 2016, with the majority expiring beginning in 2020.

Income taxes paid for the year ended December 31, 2016 were \$2,951.

As of January 1, 2016 and December 31, 2016, the balance of unrecognized tax benefits was zero.

As of December 31, 2016, the Company did not have any amounts accrued for interest and penalties.

At December 31, 2016, there are no positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date.

The IRS informed Minnesota Mutual Companies, Inc. (MMC) that it did not intend to audit the consolidated tax return for year 2014. MMC is now in the process of completing and filing an amended return for 2014. The Company believes that any additional taxes assessed or refunded as a result of a potential examination of the consolidated amended return will not have a material impact on its financial position.

(Continued)

## SECURIAN FINANCIAL SERVICES, INC.

### Notes to Financial Statements (Continued) (in thousands)

#### (9) Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Commission, the Company is required to maintain minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2016, the Company had net capital of \$13,381, which was \$12,650 in excess of its required net capital of \$731. The Company's net capital ratio (ratio of aggregate indebtedness to net capital) was 0.82 to 1 at December 31, 2016.

#### (10) Rule 15c3-3

The Company clears all customer transactions on a fully disclosed basis with clearing broker/dealers. The Company does not hold customer funds or safekeep customer securities and is therefore, exempt from Rule 15c3-3 of the Securities and Exchange Commission under subsection (k)(2)(ii). Under this exemption, the "Computation for Determination of Reserve Requirements" and "Information Relating to the Possession or Control Requirements" are not required.

#### (11) Contingencies

The Company is involved in various pending or threatened legal proceedings arising out of the normal course of business. In the opinion of management, the ultimate resolution of such litigation will not have a material adverse effect on operations or the financial position of the Company.

#### (12) Subsequent Events

The Company evaluated subsequent events through February 27, 2017, the date these financial statements were issued. There were no material subsequent events that required recognition or further disclosure in the Company's financial statements.

**Schedule I**

**SECURIAN FINANCIAL SERVICES, INC.  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
as of December 31, 2016  
(in thousands)**

Stockholder's equity	\$	19,849
Deductions - nonallowable assets:		
Due from affiliates		676
Other receivables		856
Software, net		1,252
State income tax receivable		1,115
Prepaid expenses		<u>672</u>
		<u>4,571</u>
Net capital before haircuts on securities		15,278
Haircuts on securities		<u>1,897</u>
Net capital	\$	<u><u>13,381</u></u>
Total aggregate indebtedness	\$	<u><u>10,966</u></u>
Net capital	\$	13,381
Minimum capital required to be maintained (the greater of \$50 or 6-2/3% of aggregate indebtedness of \$10,966)		<u>731</u>
Net capital in excess of requirements	\$	<u><u>12,650</u></u>
Ratio of aggregate indebtedness to net capital		<u><u>0.82 to 1</u></u>

There were no material differences in the computation of net capital or aggregate indebtedness between the amounts included in the Company's unaudited December 31, 2016 Part IIA of FOCUS Form X-17A-5 (as amended on February 24, 2017) and the above computations.

See accompanying report of independent registered public accounting firm.

Schedule II

**SECURIAN FINANCIAL SERVICES, INC.**  
**Computation for the Determination of the Customer Account Reserve**  
**Requirements under SEC Rule 15c3-3**  
**December 31, 2016**

None, the Company is exempt from Rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) thereof.

See accompanying report of independent registered public accounting firm.

**Schedule III**

**SECURIAN FINANCIAL SERVICES, INC.  
Information Relating to Possession or Control  
Requirements under SEC Rule 15c3-3  
December 31, 2016**

None, the Company is exempt from Rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) thereof.

See accompanying report of independent registered public accounting firm.



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

### Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder  
Securian Financial Services, Inc.:

We have reviewed management's statements, included in the accompanying Securian Financial Services, Inc.'s Exemption Report (the Exemption Report), in which (1) Securian Financial Services, Inc. (the Company) identified the following provisions of 17 C.F.R. § 240.15c3-3 (k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 (k)(2)(ii) (the exemption provisions); and (2) the Company stated that it met the identified exemption provisions throughout the year ended December 31, 2016 except as described in its Exemption Report. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Our review was conducted for the purpose of expressing a conclusion that there are no material modifications that should be made to the statements made by the Company referred to above for them to be fairly stated in all material respects. Management's last paragraph in their report is not a required part of the Exemption Report pursuant to 17 C.F.R. § 240.17a-5. We have not reviewed such information and, accordingly we do not provide any other form of assurance on the information referred to herein.

**KPMG LLP**

Minneapolis, Minnesota  
February 27, 2017

## Securian Financial Services, Inc.'s Exemption Report

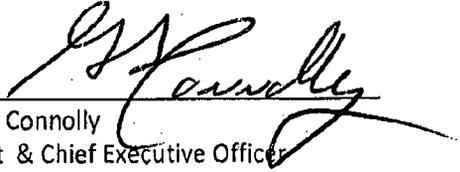
Securian Financial Services, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (the "SEC") (17 C.F.R. § 240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provision of 17 C.F.R. § 240.15c3-3 (k)(2)(ii).
- (2) The Company met the identified exemption provision in 17 C.F.R. 240.15c3-3(k)(2)(ii) throughout the year ended December 31, 2016, except as described below.

The Company identified 28,543 exceptions, 1,484 of which related to checks transmitted from branch offices to the requisite third parties, 409 of which related to checks for variable annuities and the remaining 26,650 related to checks that were forwarded by the home office to the requisite third parties outside of the timeframes prescribed by 17 C.F.R. 240.15c3-3(k)(2)(ii). The 26,650 that were forwarded by the home office were checks made payable to third parties (such as the Company's clearing firm, insurance company issuers of variable life products, mutual fund distributors and sponsors of unaffiliated investment advisory programs), originally received by branch offices and were forwarded, as required, to the Company's Home Office for processing. Each of these checks were held by the Company past noon of the next business day following receipt by the Company.

During the most recent fiscal year (Covered Period), 1,386 of the 1,484 checks transmitted from the Company's branch offices to the requisite third parties were forwarded no later than the end of the next business day following the check's receipt in a branch office. Additionally, during the Covered Period, the Company's policy was to comply with FINRA Rule 2330 (Members' Responsibilities Regarding Deferred Variable Annuities) and the SEC's Order Granting a Conditional Exemption to Broker-Dealers from requirements in Rules 15c3-1 and 15c3-3 under the Securities Exchange Act of 1934 To Promptly Transmit Customer Checks for the Purchase of Deferred Variable Annuity Contracts (avail. at SEC Release No. 34-56376; Sept. 7, 2007), which permit broker-dealers up to seven business days to process a check for the purchase of a variable annuity following receipt of a complete and correct application package in the broker-dealer's office of supervisory jurisdiction. The 409 checks sent to the Home Office for processing were associated with customer applications that are subject to FINRA Rule 2330 and thus holding such checks past noon of the next business day is not an exception to Rule 15c3-3(k)(2)(ii). Of these 409 checks, 408 were forwarded to the requisite third party within 7 business days after receipt by the Company's Home Office. The reason for the delay in processing the remaining 26,650 checks is that the Company requires certain types of business to be forwarded to and processed in the Home Office. Home Office staff must apply certain regulatory requirements to such checks and customer applications – for example, the Company must apply suitability guidelines and anti-money laundering rules to these materials. As a result, the Company forwarded 26,648 of the 26,650 checks to the requisite third party within 1 business day after receipt by the Company's Home Office.

I, George I. Connolly, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.



George I. Connolly  
President & Chief Executive Officer  
Securian Financial Services, Inc.

2-27-17

Date



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

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

The Board of Directors and Stockholder  
Securian Financial Services, Inc.:

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the Securities Investor Protection Corporation (SIPC) Series 600 Rules, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to SIPC for the year ended December 31, 2016, which were agreed to by Securian Financial Services, Inc. (the Company) and SIPC, solely to assist you and SIPC 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 the standards of the Public Company Accounting Oversight Board (United States) and 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 and the associated findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries and noted no differences;
2. Compared the Total Revenue amount reported on the Annual Audited Form X-17A-5 for the year ended December 31, 2016, with the Total Revenue amount reported in Form SIPC-7 for the year ended December 31, 2016, and noted no difference;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers and noted no differences;
4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related supporting schedules and working papers supporting the adjustments, and noted no differences; and
5. Compared the amount of any overpayment applied to the current assessment with Form SIPC-7 on which it was originally computed, and noted no difference.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). 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 referred to in the first paragraph of this report, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Minneapolis, Minnesota  
February 27, 2017

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 12/31/2016

(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:

18\*18\*\*\*\*\*2346\*\*\*\*\*MIXED AADC 220
31955 FINRA DEC
SECURIAN FINANCIAL SERVICES INC
ATTN:LISA CARRIERE 400 ROBERT ST NORTH STE N
SAINT PAUL MN 55101

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.

LISA CARRIERE, 651-665-3045

- 2. A. General Assessment (Item 2e from page 2) \$ 122,452
B. Less payment made with SIPC-6 filed (exclude Interest) ( 58,354 )
Date Paid 7/25/16
C. Less prior overpayment applied ( )
D. Assessment balance due or (overpayment)
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) \$ 64,098
G. PAYMENT: [x] the box
Check mailed to P.O. Box [x] Funds Wired [ ]
Total (must be same as F above) \$ 64,098
H. Overpayment carried forward \$( )

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

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.

SECURIAN FINANCIAL SERVICES, INC.

(Name of Corporation, Partnership or other organization)

Lisa Carriere

(Authorized Signature)

Dated the 22nd day of FEBRUARY, 20 17.

SR. ASSOCIATE ACTUARY

(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 1/1/2016  
and ending 12/31/2016

Item No.

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

Eliminate cents  
\$ 297,799,232

2b. Additions:

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
2,411  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (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.
- (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).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

\_\_\_\_\_  
(248,351,196)  
\_\_\_\_\_  
(267,744)  
\_\_\_\_\_  
(202,047)  
\_\_\_\_\_  
\_\_\_\_\_

(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 3950). \$ \_\_\_\_\_

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

Total deductions

\_\_\_\_\_  
(248,820,987)  
48,980,656  
\$ \_\_\_\_\_  
122,452

2d. SIPC Net Operating Revenues

2e. General Assessment @ .0025

(to page 1, line 2.A.)