

MEMORANDUM

TO: File Number S7-05-14

FROM: Valentina Minak Deng
Special Counsel
Office of Financial Responsibility, Division of Trading and Markets
U.S. Securities and Exchange Commission

DATE: May 10, 2018

RE: Meeting with SIFMA Representatives

On May 3, 2018, Commission staff met telephonically with representatives of the Securities Industry and Financial Markets Association (“SIFMA”) to discuss the proposed rules and rule amendments on recordkeeping and reporting requirements for security-based swap dealers, major security-based swap participants, and broker-dealers, and the capital rule for certain security-based swap dealers (release number 34-71958).

Commission staff included Michelle Danis, Valentina Deng, Timothy Fox, Joseph Levinson, Raymond Lombardo, and Randall Roy.

SIFMA representatives at the meeting included Wesley Althoff (SIFMA), Thomas Favia (Goldman Sachs), Larry Lubin (Goldman Sachs), and Mary Kay Scucci (SIFMA).

FOCUS SUMMARY

Assets		ALLOWABLE	NONALLOWABLE	TOTAL	
1.	Cash	200		750	
2.	Cash segregated in compliance with federal and other regulations	210		760	
3.	Receivables from brokers or dealers and clearing organizations				
A1.	FTD - Includable in Formula for Reserve Requirements	220			
A2.	FTD - Other	230		770	
B1.	Securities Borrowed - Includable in Formula for Reserve Requirements	240			
B2.	Securities Borrowed - Other	250		780	
C1.	Omnibus accounts - Includable in Formula for Reserve Requirements	260			
C2.	Omnibus accounts - Other	270		790	
D1.	Clearing organizations - Includable in Formula for Reserve Requirements	280			
D2.	Clearing organizations - Other	290		800	
E.	Other	300	550	810	
4.	Receivables from customers:				
A1.	Securities Accounts - Cash and fully secured accounts	310			
A2.	Securities Accounts - Partly secured accounts	320	560		
A3.	Securities Accounts - Unsecured accounts		570		
B.	Commodity accounts	330	580		
C.	Allowance for doubtful accounts	335	590	820	
5.	Receivables from non-customers				
A.	Cash and fully secured accounts	340			
B.	Partly secured and unsecured accounts	350	600	830	
6.	Securities purchased under agreements to resell	360	605	840	
7.	Derivative Receivables			801	retain old presentation
8.	Securities and spot commodities owned, at market value: Includes encumbered securities of.....	120		850	retain old presentation
9.	Trade Date Receivables			802	
10.	Securities owned not readily marketable:				
A.	At Cost	130	440	610	860
11.	Other investments not readily marketable:				
A.	At Cost	140			
B.	At estimated fair value.....		450	620	870
12.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A.	Exempted securities	150			
B.	Other	160	460	630	880
13.	Secured demand notes-market value of collateral:				
A.	Exempted securities	170			
B.	Other	180	470	640	890
14.	Memberships in exchanges:				
A.	Owned, at market value	190			
B.	Owned at cost.....			650	
C.	Contributed for use of company, at market value			660	900
15.	Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670	910
16.	Property, furniture, equipment, leasehold improvements and rights under lease agreements:				
At cost (net of accumulated depreciation and amortization)		490	680	920	
17.	Other Assets:				
A.	Dividends and interest receivable		500	690	
B.	Free shipments		510	700	
C.	Loans and advances		520	710	
D.	Miscellaneous		530	720	
E.	Collateral accepted under SFAS 140		536		
F.	SPE Assets		537		930
18.	TOTAL ASSETS		740	940	

FOCUS SUMMARY

January 0, 1900

					TOTAL
Liabilities					
19.	Bank loans payable				1460
	A. Includable in Formula for Reserve Requirements				1470
	B. Other				1480
20	Securities sold under repurchase agreements				
21	Payable to brokers or dealers and clearing organizations				
	A1. FTR - Includable in Formula for Reserve Requirements				1490
	A2. FTR - Other				1500
	B1. Securities Loaned - Includable in Formula for Reserve Requirements				1510
	B2. Securities Loaned - Other				1520
	C1. Omnibus Accounts - Includable in Formula for Reserve Requirements				1530
	C2. Omnibus Accounts - Other				1540
	D1. Clearing organizations - Includable in Formula for Reserve Requirements				1550
	D2. Clearing organizations - Other				1560
	E. Other				1570
22	Payable to customers				
	A. Securities accounts - including free credits of\$ _____	950			1580
	B. Commodities accounts				1590
23	Payable to non-customers				
	A. Securities accounts				1600
	B. Commodities accounts				1610
24	Derivatives Payables				1561
25	Trade Date Payable				1562
26	Securities sold not yet purchased at market value - including arbitrage of\$ _____	960			1620
27	Accounts payable and accrued liabilities and expenses:				
	A. Drafts payable				1630
	B. Accounts payable				1640
	C. Income taxes payable				1650
	D. Deferred income taxes				1660
	E. Accrued expenses and other liabilities				1670
	F. Other				1680
	G. Obligation to return securities				1686
	H. SPE Liabilities				1687
28.	Notes and mortgages payable:				
	A. Unsecured				1690
	B. Secured				1700
29	Liabilities subordinated to claims of general creditors				
	A1. Cash borrowings from outsiders \$ _____	970			
	A2. Cash borrowings - Includes equity subordination (15c3-1(d)) of\$ _____	980			1710
	B. Securities borrowings, at market value.....from outsiders \$ _____	990			1720
	C1. Pursuant to secured demand note collateral agreements from outsiders _____	1000			
	C2. Includes equity subordination (15c3-1(d)) of\$ _____	1010			1730
	D. Exchange memberships contributed for use of company, at market value.....				1740
	E. Accounts and other borrowings not qualified for net capital purposes.....				1750
30	TOTAL LIABILITIES				1760
Ownership Equity					
31	Sole proprietorship				
32	Partnership - limited partners				1770
33	Corporation				1780
	Partners' Capital, Beginning of Period				1791
	Net Income/(Loss)				1792
	Additions				1793
	Deductions				1794
	Partners' Capital, End of Period				1795
					1796
34	TOTAL OWNERSHIP EQUITY				1800
35	TOTAL LIABILITIES AND OWNERSHIP EQUITY				1810

PART II -- FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

BROKER OR DEALER

AGGREGATE SECURITIES, COMMODITIES and SWAPS POSITIONS

Aggregate Securities, Commodities and Swaps Positions	LONG	SHORT
1. U.S. Treasury securities	\$ 8200	\$ 8201
2. U.S. Government agency and government sponsored entities	\$ 8210	\$ 8211
A. Mortgage-backed securities issued by U.S. government agency and U.S. government-sponsored enterprises	\$ 12104	\$ 12117
B. Debt securities issued by U.S. government agency and U.S. government-sponsored enterprises	\$ 12105	\$ 12118
3. Securities issued by states and political subdivisions in the U.S.	\$ 8220	\$ 8221
4. Foreign Securities:	\$	\$
A. Debt Securities	\$ 8230	\$ 8231
B. Equity Securities	\$ 8235	\$ 8236
5. Money Market Instruments	\$ 8240	\$ 8241
6. Private Label Mortgage Backed Securities	\$ 8250	\$ 8251
7. Other Asset Back Securities	\$ 8260	\$ 8261
8. Corporate Obligations	\$ 8270	\$ 8271
9. Stocks and Warrants (other than arbitrage positions)	\$ 8280	\$ 8281
10. Arbitrage	\$ 8290	\$ 8291
11. Spot Commodities	\$ 8330	\$ 8331
12. Aggregate Securities	\$ 12106	\$ 12119
13. Security-based swaps		
A. Cleared	\$ 12107	\$ 12120
B. Non-cleared	\$ 12108	\$ 12121
14. Mixed swaps		
A. Cleared	\$ 12109	\$ 12122
B. Non-cleared	\$ 12110	\$ 12123
15. Swaps		

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AGGREGATE SECURITIES, COMMODITIES and SWAPS POSITIONS

A.	Cleared	\$	<input type="text" value="12111"/>	\$	<input type="text" value="12124"/>
B.	Non-cleared	\$	<input type="text" value="12112"/>	\$	<input type="text" value="12125"/>
16.	Other derivatives and options	\$	<input type="text" value="8295"/>	\$	<input type="text" value="8296"/>
17.	Counterparty netting	\$	<input type="text" value="12113"/>	\$	<input type="text" value="12126"/>
18.	Cash collateral netting	\$	<input type="text" value="12114"/>	\$	<input type="text" value="12127"/>
19.	Derivative Receivables and Payables	\$	<input type="text" value="12115"/>	\$	<input type="text" value="12128"/>
20.	Investments with no ready market				
A.	Equity	\$	<input type="text" value="8340"/>	\$	<input type="text" value="8341"/>
B.	Debt	\$	<input type="text" value="8345"/>	\$	<input type="text" value="8346"/>
C.	Other	\$	<input type="text" value="8350"/>	\$	<input type="text" value="8351"/>
D.	Total	\$	<input type="text" value="12116"/>	\$	<input type="text" value="12129"/>
21.	Other securities or commodities	\$	<input type="text" value="8360"/>	\$	<input type="text" value="8361"/>
22.	Total	\$	<input type="text" value="8370"/>	\$	<input type="text" value="8371"/>

Line 11 should tie back to Securities and Spot Commodities Owned... on the Assets (Box 850) and Liabilities (Box 1620)

Note - Lines 12-16 would include gross exposures prior to any netting. Also, swaps considered to include other products such as options as defined under Dodd Frank Act

Line 19 should tie back to derivative balances on the Assets (Box 801) and Liabilities (Box 1561)

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3. Securities issued by states and political subdivisions in the U.S.	\$ 8220	\$ 8221
4. Foreign Securities:	\$	\$
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8. Corporate Obligations	\$ 8270	\$ 8271
9. Stocks and Warrants (other than arbitrage positions)	\$ 8280	\$ 8281
10. Arbitrage	\$ 8290	\$ 8291
11. Spot Commodities	\$ 8330	\$ 8331
12. Other securities or commodities	\$ 8360	\$ 8361
13. Investments with no ready market		
A. Equity	\$ 8340	\$ 8341
B. Debt	\$ 8345	\$ 8346
C. Other	\$ 8350	\$ 8351
D. Total investments with no ready market	\$ 12106	\$ 12119
14. Total net securities and spot commodities (Lines 1 through 12 and 13D)	\$ 12107	\$ 12120

PART II -- FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

BROKER OR DEALER

AGGREGATE SECURITIES, COMMODITIES and SWAPS POSITIONS

Aggregate Securities, Commodities and Swaps Positions	LONG	SHORT
15. Security-based swaps		
A. Cleared	\$ <u> 12108</u>	\$ <u> 12121</u>
B. Non-cleared	\$ <u> 12109</u>	\$ <u> 12122</u>
16. Mixed swaps		
A. Cleared	\$ <u> 12110</u>	\$ <u> 12123</u>
B. Non-cleared	\$ <u> 12111</u>	\$ <u> 12124</u>
17. Swaps		
A. Cleared	\$ <u> 12112</u>	\$ <u> 12125</u>
B. Non-cleared	\$ <u> 12113</u>	\$ <u> 12126</u>
18. Other derivatives and options	\$ <u> 8295</u>	\$ <u> 8296</u>
19. Counterparty netting	\$ () <u> 12114</u>	\$ () <u> 12127</u>
20. Cash collateral netting	\$ () <u> 12115</u>	\$ () <u> 12128</u>
21. Total Derivative Receivables and Payables (Lines 15 through 20)	\$ <u> 12116</u>	\$ <u> 12129</u>
22. Total net securities, commodities and swaps positions (Lines 14 and 21)	\$ <u> 8370</u>	\$ <u> 8371</u>

Retain lines 8 and 22 on the proposed statement of financial condition however remove the sub items A, B and C related to gross positions and netting.

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16. Mixed swaps		
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B. Non-cleared	\$ 12111	\$ 12124
17. Swaps		
A. Cleared	\$ 12112	\$ 12125
B. Non-cleared	\$ 12113	\$ 12126
18. Other derivatives and options	\$ 8295	\$ 8296
19. Counterparty netting	\$ () 12114	\$ () 12127
20. Cash collateral netting	\$ () 12115	\$ () 12128
21. Total Derivative Receivables and Payables (Lines 15 through 20)	\$ 12116	\$ 12129
22. Total net securities, commodities and swaps positions (Lines 14 and 21)	\$ 8370	\$ 8371

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