

OMB APPROVAL

OMB Number: 3235-0123, 3235-0749  
Expires: 10/31/2023 (3235-0123),  
7/31/2024 (3235-0749)  
Estimated average burden hours per  
response: 12.00 (3235-0123), 16.00  
(3235-0749)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FOCUS REPORT PART II INSTRUCTIONS

**GENERAL INSTRUCTIONS**

Who Must File  
Filing Requirements  
Consolidated Reporting  
Currency  
Rounding  
U.S. Generally Accepted Accounting Principles  
Definitions

**SPECIFIC INSTRUCTIONS**

Cover Page  
Statement of Financial Condition  
Computation of Net Capital (Filer Authorized to Use Models)  
Computation of Net Capital (Filer Not Authorized to Use Models)  
Computation of Minimum Regulatory Capital Requirements (Broker-Dealer)  
Computation of Minimum Regulatory Capital Requirements (Non-Broker-Dealer SBSD)  
Computation of Tangible Net Worth  
Statement of Income (Loss) or Statement of Comprehensive Income  
Capital Withdrawals  
Capital Withdrawals – Recap  
Financial and Operational Data  
Computation for Determination of Customer Reserve Requirements  
Possession or Control for Customers  
Computation for Determination of PAB Requirements  
Claiming an Exemption from Rule 15c3-3  
Computation for Determination of Security-Based Swap Customer Reserve Requirements  
Possession or Control for Security-Based Swap Customers  
Computation of CFTC Minimum Capital Requirements  
Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges  
Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act  
Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts  
Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7  
Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions  
Schedule 2 – Credit Concentration Report for Fifteen Largest Exposures in Derivatives  
Schedule 3 – Portfolio Summary of Derivatives Exposures by Internal Credit Rating  
Schedule 4 – Geographic Distribution of Derivatives Exposures for Ten Largest Countries

**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**

## **GENERAL INSTRUCTIONS**

FOCUS Report Part II (“Part II”) is a report of the U.S. Securities and Exchange Commission (“Commission” or “SEC”) that is required to be filed by the following:

- Brokers or dealers (“broker-dealers”) registered with the Commission under section 15 of the Securities Exchange Act of 1934 (“Exchange Act”) that are subject to paragraph (a)(1)(ii) of Exchange Act Rule 17a-5 or otherwise required to file Part II by their designated examining authority (“DEA”) and OTC derivatives dealers subject to paragraph (a)(1)(i) of Exchange Act Rule 17a-12, that are not also registered with the Commission as security-based swap dealers (“SBSDs”) or major security-based swap participants (“MSBSPs”) under section 15F of the Exchange Act (“stand-alone broker-dealers”);
- Broker-dealers that are also registered as SBSBs (“broker-dealer SBSBs”);
- Broker-dealers that are also registered as MSBSPs (“broker-dealer MSBSPs”);
- SBSBs not also registered with the Commission as broker-dealers or regulated by a prudential regulator (“stand-alone SBSBs”);
- MSBSPs not also registered with the Commission as broker-dealers or regulated by a prudential regulator (“stand-alone MSBSPs”);
- Futures Commission Merchants

The instructions issued from time to time must be used in preparing Part II and are considered an integral part of this report.

### **Filing Requirements**

Part II must be filed within 17 business days after the end of each calendar quarter, within 17 business days after the end of the fiscal year where that date is not the end of a calendar quarter, and/or monthly, in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.

Part II generally must be filed with the firm’s DEA, or if none, then with the Commission or its designee. The name of the firm and the report’s effective date must be repeated on each sheet of the report submitted. If no response is made to a line item or subdivision of that item, it constitutes a representation that the firm has nothing to report.

### **Consolidated Reporting**

In computing net capital, firms should consolidate their assets and liabilities in accordance with 17 CFR 240.5c3-1c or 18a-1c, as applicable.

### **Currency**

Foreign currency may be expressed in terms of U.S. dollars at the rate of exchange as of the report’s effective date and, where carried in conjunction with the U.S. dollar, balances for the same accountholder may be consolidated with U.S. dollar balances and the gross or net position reported in its proper classification, provided the foreign currency is not subject to any restriction as to conversion.

### **Rounding**

As a general rule, money amounts should be expressed in whole dollars. No valuation should be used which is higher than the actual valuation; for example, for \$170,000.85, use \$170,000 but not \$170,001. However, *for any or all-short valuations*, round the valuation *up* to the nearest dollar; for example, for \$180,000.17, use \$180,001 but not \$180,000.

### **U.S. Generally Accepted Accounting Principles**

Financial statements must be prepared in conformity with U.S. generally accepted accounting principles, applied on a basis consistent with that of the preceding report and must include, in the basic statement or accompanying footnotes, all informative disclosures necessary to make the statement a clear expression of the organization’s financial and operational condition. The firm must report all data after proper accruals have been made for income and expense

not recorded in the books of account and adequate reserves have been provided for deficits in customer or broker accounts, unrecorded liabilities, security differences, dividends and similar items.

The amount of terms (including commitment fees and the conditions under which lines may be withdrawn) of unused lines of credit for short-term financing must be disclosed, if significant, in notes to the financial statements.

### **Definitions**

“Alternative standard” refers to the alternative standard for computing net capital based on aggregate debit items, in accordance with 17 CFR 240.15c3-1.

“Aggregate indebtedness” is defined in 17 CFR 240.15c3-1.

“Bona fide arbitrage” is defined in 17 CFR 240.15c3-1.

“Open contractual commitment” is defined in 17 CFR 240.15c3-1.

“Current net exposure” is defined as the net replacement value minus the fair market value of collateral collected that may be applied under applicable rules (e.g., taking into account haircuts to the fair market value of the collateral required under applicable rules).

“Current net and potential exposure” is defined as the sum of the following:

- The current net exposure,
- The amount of initial margin for cleared security-based swaps and swaps required by a clearing agency or derivatives clearing organization (regardless of whether the margin has been collected),
- The “margin amount” for non-cleared security-based swaps calculated under 17 CFR 240.18a-3,
- The “initial margin for non-cleared swaps” calculated under the rules of the Commodity Futures Trading Commission (“CFTC”)(regardless of whether the margin has been collected), and
- The “maximum potential exposure” as defined in 17 CFR 240.15c3-1 or 18a-1, as applicable, for any over-the-counter derivatives not included above.

“Customer” and “non-customer” are defined in 17 CFR 240.15c3-1.

“Exempted securities” is defined in section 3 of the Exchange Act.

“Gross replacement value” and “Gross replacement value – receivable” are defined as the amount that would need to be paid to enter into identical contracts with respect to derivatives positions that have a positive mark-to-market value to the firm (i.e., are receivable positions of the firm), without applying any netting or collateral.

“Gross replacement value – payable” is defined as the amount that would need to be paid to enter into identical contracts with respect to derivatives positions that have a negative mark-to-market value to the firm (i.e., are payable positions of the firm), without applying any netting or collateral.

“Margin collected” is defined as the amount of margin collateral collected that can be applied against the firm’s current net and potential exposure under applicable rules.

“Mixed swap” is defined in section 3(a)(68)(D) of the Exchange Act.

“Net capital” is defined in 17 CFR 240.15c3-1 or 18a-1, as applicable.

“Net replacement value” is defined as the amount of the “gross replacement value – receivable” minus the amount of the “gross replacement value – payable” that may be netted for each counterparty in accordance with applicable rules.

“Omnibus” refers to an arrangement whereby one firm settles transactions and holds securities in an account on behalf of another firm and its customers. The clearing firm only knows the other firm and does not know the customers of the carrying firm.

“Prudential regulator” is defined in section 3 of the Exchange Act.

“Ready market” is defined in 17 CFR 240.15c3-1 or 18a-1, as applicable.

“Secured demand note” (“SDN”) is defined in 17 CFR 240.15c3-1d.

“Securities not readily marketable” is defined in 17 CFR 240.15c3-1 or 18a-1, as applicable.

“Security-based swap” is defined in section 3(a)(68) of the Exchange Act.

“Security-based swap customer” is defined in 17 CFR 240.15c3-3 or 240.18a-4, as applicable.

“Swap” is defined in section 3(a)(69) of the Exchange Act.

## SPECIFIC INSTRUCTIONS

### **Cover Page**

The cover page must be completed in its entirety. If a line does not apply, the firm should write “None” or “N/A” on the line, as applicable.

13 Name of reporting entity. Provide the name of the firm filing Part II, as it is registered with the Commission. Do not use DBAs or divisional names. Do not abbreviate.

20-23, Address of principal place of business. Provide the physical address (not a post office box) of the firm’s principal place of business.  
12008

30 Name of person to contact in regard to this report. The identified person need not be an officer or partner of the firm, but should be a person who can answer any questions concerning this report.

31 (Area code) Telephone no. Provide the direct telephone number of the contact person whose name appears on Line Item 30.

32, Name(s) of subsidiaries or affiliates consolidated in this report. Provide the name of the subsidiaries or  
34, affiliate firms whose financial and operational data are combined in Part II with that of the firm filing Part II.  
36, 38

33, Official use. This item is for use by regulatory staff only (leave it blank).

35,  
37, 39

### **Statement of Financial Condition**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSDs, broker-dealer SBSDs, stand-alone MSBSPs, and broker-dealer MSBSPs. Firms should report their assets as allowable or non-allowable in accordance with 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable. (Stand-alone MSBSPs should only complete the Allowable and Total columns.) With respect to liabilities, the columns titled “A.I. Liabilities” and “Non-A.I. Liabilities” should only be completed by broker-dealers electing to comply with the aggregate indebtedness standard under 17 CFR 240.15c3-1.

200 Allowable – cash. Report unrestricted cash balances. Do not report:

- Bank-negotiable certificates of deposits or similar bank money market instruments.
- Petty cash.
- Cash used to collateralize bank loans or other similar liabilities (compensating balances).
- Overdrafts in unrelated banks.

210 Allowable – cash segregated in compliance with federal and other regulations. Report cash segregated pursuant to federal or state statutes or regulations, or the requirements of any foreign government or instrumentality of that government.

- 220 Allowable – receivables from brokers/dealers and clearing organizations – failed to deliver – includible in segregation requirement under 17 CFR 240.15c3-3 and its appendices or 17 CFR 240.18a-4 and 18a-4a. Do not report continuous net settlement (“CNS”) fails to deliver here. Report them on Line Item 280.
- 230 Allowable – receivables from brokers/dealers and clearing organizations – failed to deliver – other. Do not report CNS fails to deliver here. Report them on Line Item 290.
- 260 Allowable – receivables from brokers/dealers and clearing organizations – omnibus accounts – includible in segregation requirement under 17 CFR 240.15c3-3 and its appendices or 17 CFR 240.18a-4 and 18a-4a or the Commodity Exchange Act (“CEA”). If applicable, report here net ledger balances and losses and gains on commodities future contracts.
- 270 Allowable – receivables from brokers/dealers and clearing organizations – omnibus accounts – other. If applicable, report here net ledger balances and losses and gains on commodities future contracts.
- 280 Allowable – receivables from brokers/dealers and clearing organizations – clearing organizations – includible in segregation requirement under 17 CFR 240.15c3-3 and its appendices or 17 CFR 240.18a-4 and 18a-4a or the CEA. Report CNS fails to deliver allocating to customers here. CNS balances may be reported on a net basis by category (i.e., customer, non-customer).
- 290 Allowable – receivables from brokers/dealers and clearing organizations – clearing organizations – other. Report CNS fails to deliver here. CNS balances may be reported on a net basis by category (i.e., customer, non-customer). Report deposits of cash with clearing organizations.
- 292 Allowable – trade date receivable. Report pending or unsettled trades that net to a receivable balance, as of trade date, across all counterparties.
- 300 Allowable – receivables from brokers/dealers and clearing organizations – other. Report other allowable receivables from brokers/dealers and clearing organizations, including floor brokerage, commissions, trade date adjustment, and all other allowable gross receivables from brokers/dealers and clearing organizations not already reported.
- 320 Allowable – receivables from customers – securities accounts – partly secured accounts. Report those portions of partly secured customer accounts that have been secured by securities deemed to have a ready market. The remaining portion of the ledger debit balance is considered nonallowable; report it as partly secured customer receivables (Line Item 560).
- 360 Allowable – securities purchased under agreements to resell. Report the gross contract value receivable (contract price) of reverse repurchase agreements that are deemed to be adequately secured. Contract price includes accrued interest on the contract at the repurchase agreement’s rate (not the underlying securities). Buy-sell agreements are considered financing transactions and are reported on this line item. If a firm does not take possession of the collateral securing a reverse repurchase agreement, it will be treated as a nonallowable asset and reported on Line Item 605. Reverse repurchase deficits (including buy-sell deficits) should be reported on Line Item 3610.
- 480 Allowable – investment in and receivables from affiliates, subsidiaries and associated partnerships. This amount should not be netted against a payable from different affiliates, subsidiaries, and associated partnerships.
- 500 Allowable – other assets – dividends and interest receivable. Dividends receivable and payable should not be netted; they should be recorded in separate accounts.
- 520 Allowable – other assets – loans and advances. Report amounts related to loans and advances made to employees and others that are secured by readily marketable securities, and meet the margin requirements of Regulation T (12 CFR 220), 17 CFR 240.18a-3, and/or the firm’s DEA, as applicable. Do not report loans and advances to partners, directors, and officers. Report them in the appropriate category under "Receivable from non-customers", on either Line Item 340 or Line Item 350.

530 Allowable – other assets – miscellaneous. Report allowable assets not readily classifiable into other previously identified categories. Examples of assets reported on this line item include: future income tax benefits arising as a result of unrealized losses; good faith deposits; and deferred organization expenses, prepaid expenses, and deferred charges.

536 Allowable – other assets – collateral accepted under ASC 860. Report here the market value of securities received that are required to be reported under ASC 860.

Securities held as collateral for stock loan transactions are recognized as both an asset (Securities accepted under ASC 860 (Line Item 536)) and as a liability (Obligation to return securities (Line Item 1686)).

Example: A firm loans 100 shares of stock valued at \$1050 and receives stock collateral valued at \$1000. The market value of the collateral received should be reported on the FOCUS as follows:

Debit	FOCUS Item 536	Securities accepted under ASC 860	\$1000
Credit	FOCUS Item 1686	Obligation to return securities	\$1000

537 Allowable – other assets – SPE assets. Report here financial assets that were previously transferred to a special purpose entity (“SPE”) that do not qualify for sale treatment under ASC 860. Financial assets that have been transferred to a qualifying SPE do not need to be reported on Part II. Financial assets that have been transferred to a SPE that is not a qualifying SPE fail to qualify for sale treatment generally because effective control over the assets is still maintained.

550 Nonallowable – receivables from brokers/dealers and clearing organizations – other. Report nonallowable or aged receivables from brokers/dealers and clearing organizations including floor brokerage, commissions, trade date adjustment, and all other nonallowable gross receivables from brokers/dealers and clearing organizations not already reported. Do not net unrelated receivables versus payables.

560 Nonallowable – receivables from customers – securities accounts – partly secured accounts. Report those portions of partly secured customer accounts that have not been secured by securities deemed to have a ready market. See 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable. Report deficits in partly secured accounts of the introducing firm. Both the carrying broker and the introducing broker must report this if their clearing agreement states that such deficits are the liability of the introducing broker.

605 Nonallowable – securities purchased under agreements to resell. Report the gross contract value receivable (contract price) of reverse repurchase agreements that are not deemed to be adequately secured. If collateral that secures a reverse repurchase receivable is non-marketable or illiquid, then the amount receivable is nonallowable and should be reported here. Contract price includes accrued interest on the contract at the repurchase agreement’s rate (not the underlying securities).

670 Nonallowable – investment in and receivables from affiliates, subsidiaries and associated partnerships. This amount should not be netted against payables from different affiliates or subsidiaries.

690 Nonallowable – other assets – dividends and interest receivable. Dividends receivable and payable are not to be netted; they should be recorded in separate accounts.

710 Nonallowable – other assets – loans and advances. Do not report unsecured loans and advances to partners, directors, and officers. Report them on Line Item 600.

750 Total – cash. This line item is equal to Line Item 200.

760 Total – cash segregated in compliance with federal and other regulations. This line item is equal to Line Item 210.

770 Total – receivables from brokers/dealers and clearing organizations – failed to deliver. This line item is the sum of Line Items 220 and 230.

780 Total – receivables from brokers/dealers and clearing organizations – securities borrowed. This line item is the sum of Line Items 240 and 250.

- 790 Total – receivables from brokers/dealers and clearing organizations – omnibus accounts. This line item is the sum of Line Items 260 and 270.
- 800 Total – receivables from brokers/dealers and clearing organizations – clearing organizations. This line item is the sum of Line Items 280 and 290.
- 802 Total – trade date receivable. This line item is equal to Line Item 292.
- 810 Total – receivables from brokers/dealers and clearing organizations – other. This line item is the sum of Line Items 300 and 550.
- 820 Total – receivables from customers. This line item is the sum of Line Items 310, 320, 330, 335, 560, 570, 580, and 590.
- 830 Total – receivables from non-customers. This line item is the sum of Line Items 340, 350, and 600.
- 840 Total – securities purchased under agreements to resell. This line item is the sum of Line Items 360 and 605.
- 880 Total – securities borrowed under subordination agreements and partners' individual and capital securities accounts. This line item is the sum of Line Items 460 and 630.
- 890 Total – secured demand notes. This line item is the sum of Line Items 470 and 640.
- 900 Total – memberships in exchanges. This line item is the sum of Line Items 650 and 660.
- 910 Total – investment in and receivables from affiliates, subsidiaries and associated partnerships. This line item is the sum of Line Items 480 and 670.
- 920 Total – property, furniture, equipment, leasehold improvements, and rights under lease agreements. This line item is the sum of Line Items 490 and 680.
- 930 Total – other assets. This line item is the sum of Line Items 500, 510, 520, 530, 536, 537, 690, 700, 710, and 720.
- 940 Total – assets. This line item is the sum of Line Items 540 and 740.
- 950 Payable to customers – securities accounts – including free credits. Do not report here funds in commodity accounts segregated in accordance with the Commodity Exchange Act. Do not report credits related to short sales of securities.
- 970 Liabilities subordinated to claims of creditors – cash borrowings – from outsiders. Report that portion of subordinated liabilities (cash borrowings) reported on Line Item 1710 that are owed to the firm's non-partners, non-members, or non-stockholders (outsiders).
- 980 Liabilities subordinated to claims of creditors – cash borrowings – includes equity subordination. Report that portion of subordinated liabilities (cash borrowings) reported on Line Item 1710 that are considered equity pursuant to 17 CFR 240.15c3-1 or 17CFR 240.18a-1, as applicable, for debt to debt-equity requirements. See also 17 CFR 240.15c3-1d and 17 CFR 240.18a-1d regarding events of acceleration and default.
- 990 Liabilities subordinated to claims of creditors – securities borrowings – from outsiders. This amount represents that portion of Line Item 1720 that is securities borrowing from the firm's non-partners, non-members, or non-stockholders (outsiders).
- 1000 Liabilities subordinated to claims of creditors – pursuant to secured demand note collateral agreements – from outsiders. Report that portion of liabilities subordinated pursuant to SDN collateral agreements (Line Item 1730) that are owed to the firm's non-partners, non-members, or non-stockholders (outsiders).
- 1010 Liabilities subordinated to claims of creditors – pursuant to secured demand note collateral agreements – includes equity subordination. Report that portion of liabilities subordinated pursuant to SDN collateral agreements (Line Item 1730) that are considered equity pursuant to 17CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable, for debt to debt-equity requirements.

See also 17 CFR 240.15c3-1d and 17 CFR 240.18a-1d regarding events of acceleration and default.

- 1020 Partnership and LLC – including limited partners/members. Report that portion of Line Item 1780 that represents the capital contributions of limited partners/members to the limited partnership/limited liability company.
- 1480 Securities sold under repurchase agreements. Report here the gross contract value (contract price) of securities sold under repurchase agreements. Contract price includes accrued interest on the contract at the repurchase agreement's rate (not the underlying securities). Buy-sell agreements resembling repurchase agreements are also reported here.
- 1490 Payable to brokers/dealers and clearing organizations – failed to receive – includible in segregation requirement under 17 CFR 240.15c3-3 and its appendices or 17 CFR 240.18a-4 and 18a-4a. Do not report here CNS failed to receive relating to customers. Report them on Line Item 1550.
- 1500 Payable to brokers/dealers and clearing organizations – failed to receive – other. Do not report here CNS failed to receive relating to non-customers. Report them on Line Item 1560.
- 1530 Payable to brokers/dealers and clearing organizations – omnibus accounts – includible in segregation requirement under 17 CFR 240.15c3-3 and its appendices or 17 CFR 240.18a-4 and 18a-4a, or the CEA. Report here customer-related credit balances in accounts carried by other firms pursuant to omnibus agreements.
- 1540 Payable to brokers/dealers and clearing organizations – omnibus accounts – other. Report here non-customer and proprietary-related credit balances in accounts carried by other firms pursuant to omnibus agreements. FCMs should also report on this line item omnibus accounts used to clear proprietary and non-customer accounts that liquidate to a deficit (payable to the other FCM). An omnibus account that the reporting FCM carries at another FCM liquidating to a deficit should not be netted against omnibus accounts that liquidate to an equity.
- 1550 Payable to brokers/dealers and clearing organizations – clearing organizations – includible in segregation requirement under 17 CFR 240.15c3-3 and its appendices or 17 CFR 240.18a-4 and 18a-4a, or the CEA. CNS fails to receive allocating to customers are also included on this line item. CNS balances may be reported on a net basis by category (customers or non-customers); however, they should be allocated broadly for purposes of the formulas under 17 CFR 240.15c3-3a, 17 CFR 240.18a-4a, and the Commodity Exchange Act.
- 1560 Payable to brokers/dealers and clearing organizations – clearing organizations – other. CNS balances may be reported on a net basis by category (customers or non-customers).
- 1562 Trade date payable. Report here pending or unsettled trades that net to a payable balance as of trade date, across all counterparties.
- 1570 Payable to brokers/dealers and clearing organizations – other. Report here all other payables to broker/dealers including commissions, floor brokerage, and trade date or settlement date adjustments. When a firm is required to prepare its net capital computation on a trade date basis, any net receivables (or payables) resulting from adjusting proprietary positions to reflect the trade date basis of accounting should be reported here. Do not net payables and receivables with unrelated entities.
- 1686 Accounts payable and accrued liabilities and expenses – obligation to return securities. Report here the market value of securities that are required to be reported pursuant to ASC 860. Report here the market value of securities received in a stock loan transaction in which the firm lent out one security and received another security in lieu of cash.
- 1687 Accounts payable and accrued liabilities and expenses – SPE liabilities. Report here liabilities of SPEs that offset financial assets previously transferred to the SPE that do not qualify for sale treatment under ASC 860. Liabilities reported here contrast with the assets reported on Line Item 537.



1710 Liabilities subordinated to claims of creditors – cash borrowings. SBSBs should report here cash borrowings that are subordinated to the claims of creditors, and meet the minimum requirements of 17 CFR 240.15c3-1d or 17 CFR 240.18a-1d, if applicable. These liabilities are added to net worth in the computation of net capital (see Line Item 3520).

### **Computation of Net Capital (Filer Authorized to Use Models)**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, broker-dealer SBSBs, and broker-dealer MSBs that are authorized by the Commission to calculate net capital using internal models in accordance with 17 CFR 240.15c3-1e and 240.18a-1(d), as applicable. Firms using the value at risk (VaR) model to compute market risk exposure should complete Line 9, while firms using Basel 2.5's standards to compute market risk exposure should complete Line 10.

3490 Deduct ownership equity not allowable for net capital. Report as a deduction any capital accounts, included as part of ownership equity on the Statement of Financial Condition, that are not allowable in the determination of net capital (i.e., partners' securities contributed to the firm through their individual and capital accounts).

3525 Other (deductions) or allowable credits. Report deductions or addbacks that are net of any related tax benefit. Reported amounts must also be reported on the section titled "Capital Withdrawals."

Do not deduct from net worth or include in aggregate indebtedness any net receivables or payables resulting from the recording of proprietary positions on a trade date basis.

3610 Other deductions and/or charges. These charges include the following:

- Securities borrowed deficits,
- Stock loan deficits,
- Repurchase and reverse repurchase deficits,
- Aged fail-to-receive,
- The 1% deduction for fails to deliver and stock borrows allocating to fails to receive that have been excluded from the customer reserve or deposit requirement formula, as applicable,
- Other operational charges not comprehended elsewhere, and
- The 1% deduction for stock borrows collateralized by an irrevocable letter of credit.

3630 Other additions and/or allowable credits. Report adjustments to ownership equity related to unrealized profit or loss and to deferred tax provisions, pursuant to 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable. Report also any flow-through capital that has been approved by the Commission pursuant to 17 CFR 240.15c3-1c, if applicable.

Unrealized losses on open contractual commitments are treated as charges when computing the net worth and the debt/equity total. See 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable. Unrealized profits on open contractual commitments are allowed to reduce haircuts, but not to otherwise increase net worth or net capital.

3665 Residual marketable securities. This line item should include contractual securities commitments not accounted for in the firm's VaR model.

### **Computation of Net Capital (Filer Not Authorized to Use Models)**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, broker-dealer SBSBs, and broker-dealer MSBs that are not authorized by the Commission to calculate net capital using internal models in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.18a-1(d), as applicable.

Follow the instructions in the immediately preceding section titled "Computation of Net Capital (Filer Authorized to Use Models)" to the extent it contains instructions corresponding with the applicable line item number (unless contrary instructions are provided below).

- 3732 Haircuts on securities – arbitrage. Report the deduction applied to securities considered part of a bona fide arbitrage, pursuant to 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- 3734 Haircuts on securities – other securities. This line item should include deductions applied to securities of an investment company registered under the Investment Company Act of 1940.
- 3736 Haircuts on securities – other. The deductions reported here should include charges related to foreign currency exposure or charges related to swaps that are not computed under 17 CFR 240.15c3-1a or 17 CFR 240.18a-1a. Haircuts on swaps computed under 17 CFR 240.15c3-1a or 17 CFR 240.18a-1a should be reported on Line Item 12028.

#### **Computation of Minimum Regulatory Capital Requirements (Broker-Dealer)**

This section must be prepared by stand-alone broker-dealers, broker-dealer SBSBs, and broker-dealer MSBSPs. The calculation of excess tentative net capital should only be completed by broker-dealers that are authorized to calculate net capital using internal models.

- 3870 Ratio requirement – 2% of aggregate debit items. FCMs must report here the greater of:
- 2% of aggregate debit items, or
  - 8% of funds required to be segregated pursuant to the Commodity Exchange Act.

#### **Computation of Minimum Regulatory Capital Requirements (Non-Broker-Dealer SBSB)**

This section must be prepared by stand-alone SBSBs. The calculation of excess tentative net capital should only be completed by stand-alone SBSBs that are authorized to calculate net capital using internal models.

#### **Computation of Tangible Net Worth**

This section must be prepared by stand-alone MSBSPs.

#### **Statement of Income (Loss) or Statement of Comprehensive Income (as defined in § 210.1-02 of Regulation S-X), as applicable**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, broker-dealer SBSBs, stand-alone MSBSPs, and broker-dealer MSBSPs.

If there are no items of other comprehensive income in the period presented, the firm is not required to report comprehensive income.

Commissions. Commission earned on equity, debt and commodity transactions including non-inventory principal transactions. Commission earned on introduced accounts carried by other broker-dealers and on omnibus accounts carried for other broker-dealers should be reported net.

Underwriting. Gross profit from underwriting transactions shall be determined as the difference between the proceeds of securities sold and their purchase price adjusted for discounts, commissions and allowances received from or given to other broker-dealers.

Any direct expense which can be associated with a specific underwriting may also be considered as a cost in determining gross profit or loss. In determining gross profit or loss any unrealized loss on securities unsold at the time the underwriting account was closed shall be considered as a deduction from the proceeds of securities sold.

In addition, report all fees earned from private placements, mergers and acquisitions and any other underwriting activity.

Interest and dividends. Report interest and dividend income earned on firm trading and investment accounts. Also report gross interest earned on customers' securities and commodities accounts.

Income from sale of investment company shares. Include income from sale of open-end investment company shares as retailer and as an underwriter including sales of periodic payment plans of the installment type and face amount certificates. Exclude income from sale and underwriting of shares of closed-end investment companies.

Other income. Report all other income including sale of investment company securities, investment advisory fees, proxy solicitation fees, service charges (including custodial fees), fees in connection with option transactions not excluded on an exchange, fees for solicitation of tenders on exchanges of securities, income from sale of insurance policies and all other income not specified above.

Employee compensation and benefits. Report all salaries, commissions, bonuses, profit sharing contributions, payroll taxes and benefits paid to or incurred for all employees of the reporting organization.

Commissions and floor brokerage. Include security and commodity commissions paid to others; clearance fees paid to clearing corporations, associations and depositories; fees paid to exchanges and floor brokerage paid to other broker-dealers.

Communications. Include the cost of telephones and leases wires, tickers and quotation equipment, postage, stationery, office supplies and forms.

Occupancy and equipment rental. Enter the cost of rent, heat, light and maintenance; depreciation and amortization; EDP equipment, rental and service bureau charges; all other equipment rental and general insurance.

Interest. Include interest paid to banks and on customers' accounts; on all other un-subordinated and subordinated borrowings.

Taxes other than income taxes. Include real estate taxes, personal property taxes, commercial rent and occupancy taxes, etc.

Other operating expenses. Report cost incurred for advertising, sales literature and promotional activities; travel and entertainment; subscriptions to periodicals, dues and assessments, losses in error accounts and bad debt, professional fees and all other expenses not specified above.

Income taxes. Include all unincorporated business taxes, franchise taxes, state and local income taxes and federal income taxes paid, accrued or refunded.

Equity in earnings of unconsolidated subsidiaries. The amount reported shall be stated net of any applicable tax provisions.

Comprehensive income. Comprehensive income is defined in § 210.1-02 of Regulation S-X.

### **Capital Withdrawals**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, broker-dealer SBSBs, and broker-dealer MSBSPs.

Name of lender or contributor. Report the name of the lender or contributor to whom the scheduled liability relates (i.e., name of partner, shareholder or subordinated lender). If an amount reported in this column relates to a discretionary liability or other addback to capital, include a description of the addback (i.e., "discretionary liability").

Amount to be withdrawn. These amounts can include:

- Equity capital that the firm expects to distribute within the next six months;
- Subordinated liabilities that are scheduled to mature within the next six months;
- Accruals and other addbacks to net capital that will not be eligible for inclusion in net capital within the next six months.

## **Capital Withdrawals – Recap**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, broker-dealer SBSBs, and broker-dealer MSBSPs.

With respect to Lines 1 through 4, report equity and subordinated liabilities maturing or proposed to be withdrawn within the next six months and accruals which have not been deducted in the computation of net capital.

## **Financial and Operational Data**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, broker-dealer SBSBs, and broker-dealer MSBSPs. In addition to the specific instructions below, firms should refer to the instructions accompanying Notes A and B of this section on Part II itself.

- 4980 Actual number of tickets executed during the reporting period. For agency transactions, count both street side and customer side as one transaction. Count as one transaction multiple executions at the same price that result in one confirmation. In the case of principal transactions, count separately dealer-to-dealer and retail transactions. Carrying and clearing firms should include in the total ticket count transactions emanating from those firms for whom they clear on a fully disclosed basis. Firms that introduce accounts on a fully disclosed basis should include transactions introduced in their ticket count.
- 4990 Number of corrected customer confirmations sent after settlement date. Include confirmations for which the incorrect original was sent to the customer. Consider individually multiple corrections on confirmations.
- 5374 Customers' and security-based swap customers' accounts under Rules 15c3-3 or 18a-4, as applicable. Report the aggregate market value of specific securities, other than exempted securities, which exceeds 15% of the value of all securities which collateralize all margin receivables pursuant to Note E to 17 CFR 240.15c3-3a or Note E to 17 CFR 240.18a-1a, as applicable.
- 5378 Total of personal capital borrowings due within six months. Report the total borrowed cash and/or securities that, in computing net capital, are included as proprietary capital or subordinated debt.
- 5760 Open transfers and reorganization account items over 40 days not confirmed or verified – number of items. The term "reorganization account items" includes, but is not limited to, transactions in the following: (1) "rights" subscriptions, (2) warrants exercised, (3) stock splits, (4) redemptions, (5) conversions, (6) exchangeable securities, and (7) spin-offs.
- 5820 Security suspense and differences with related money balances – long – debits. When computing net capital, regard short positions and related credits as proprietary commitments if they remain unresolved seven business days after discovery.
- 5825 Security suspense and differences with related money balances – short – debits. When computing net capital, regard long positions and related debits as proprietary commitments if they remain unresolved seven business days after discovery.
- 5830 Market value of short and long security suspense and differences without related money – debits. When computing net capital, regard the market value of short security differences as deductions if they remain unresolved seven business days after discovery. Do not net unrelated differences in the same security or in other securities.
- 5840 Market value of security record breaks – debits. Report the market values of short security record breaks that are unresolved seven business days after discovery.
- 5850 Correspondents, broker-dealers, SBSBs, and MSBSPs – long – debits. Report here the debit amount applicable to all unresolved reconciling items (favorable or unfavorable) with correspondents, broker-dealers, SBSBs, and/or MSBSPs that are long and unresolved within seventeen business days from record date. Do not net these items.

- 5855 Correspondents, broker-dealers, SBSBs, and MSBSPs – short – debits. Report here the debit amount applicable to all unresolved reconciling items (favorable or unfavorable) with correspondents, broker-dealers, SBSBs, and/or MSBSPs that are short and unresolved within seventeen business days from record date. Do not net these items.
- 5860 Depositories – debits. Report here the debit amount or short value applicable to all unresolved reconciling items (favorable or unfavorable) with depositories that are unresolved within seven business days from the date of receipt of the statement of account from the carrying entity. Do not net these items.
- 5870 Clearing organizations – long – debits. Report here the debit amount applicable to all unresolved reconciling items (favorable or unfavorable) with clearing organizations that are long and unresolved within seven business days from the date of receipt of the statement of account from the carrying entity. Do not net these items.
- 5875 Clearing organizations – short – debits. Report here the debit value applicable to all unresolved reconciling items (favorable or unfavorable) with clearing organizations that are short and unresolved within seven business days from the date of receipt of the statement of account from the carrying entity. Do not net these items.
- 6012 Money suspense and balancing differences – deductions. A difference, open at the report date and unresolved for seven business days after discovery, must be deducted regardless of whether the difference is resolved prior to Part II's filing date.
- 6020 Security suspense and differences with related money balances – long – credits. When computing net capital, regard long positions and related credits as proprietary commitments if they remain unresolved seven business days after discovery.
- 6025 Security suspense and differences with related money balances – short – credits. When computing net capital, regard long positions and related credits as proprietary commitments if they remain unresolved seven business days after discovery.
- 6040 Market value of security record breaks – credits. Report the market values of long security record breaks that are unresolved seven business days after discovery.
- 6042 Market value of security record breaks – deductions. The market values of short security record breaks are deductions to net capital only if they remain unresolved seven business days after discovery.
- 6050 Correspondents, broker-dealers, SBSBs, and MSBSPs – long – credits. Report here the credit amount applicable to all unresolved reconciling items (favorable or unfavorable) with correspondents, broker-dealers, SBSBs, and/or MSBSPs that are long and unresolved within seventeen business days from record date.
- 6055 Correspondents, broker-dealers, SBSBs, and MSBSPs – short – credits. Report here the credit amount applicable to all unresolved reconciling items (favorable or unfavorable) with correspondents, broker-dealers, SBSBs, and/or MSBSPs that are short and unresolved within seventeen business days from record date. Do not net these items.
- 6060 Depositories – credits. Report here the credit amount or long value applicable to all unresolved reconciling items (favorable or unfavorable) with depositories that are unresolved within seven business days from the date of receipt of the statement of account from the carrying entity. Do not net these items.
- 6070 Clearing organizations – long – credits. Report here the credit amount applicable to all unresolved reconciling items (favorable or unfavorable) with clearing organizations that are long and unresolved within seven business days from the date of receipt of the statement of account from the carrying entity. Do not net these items.
- 6075 Clearing organizations – short – credits. Report here the credit value applicable to all unresolved reconciling items (favorable or unfavorable) with clearing organizations that are short and unresolved within seven

business days from the date of receipt of the statement of account from the carrying entity. Do not net these items.

- 6160 Open transfers and reorganization account items over 40 days not confirmed or verified – credits. Report here credits relating to open transfers and reorganization account items that have not been confirmed or verified for over forty days. See the instructions accompanying Line Item 5760 for a discussion of the term “reorganization account items.”
- 6162 Open transfers and reorganization account items over 40 days not confirmed or verified – deductions. Report here the total deductions relating to open transfers and reorganization account items that have not been confirmed or verified for over forty days. See the instructions accompanying Line Item 5760 for a discussion of the term “reorganization account items.”
- 6182 Aged fails to deliver – deductions. Report deductions for fails to deliver that are five business days or longer (or 21 business days for municipal securities).
- 6187 Aged fails to receive – deductions. Report deductions for fails to receive that are outstanding for more than 30 calendar days.

### **Computation for Determination of Customer Reserve Requirements**

This section must be prepared by stand-alone broker-dealers, broker-dealer SBSBs, and broker-dealer MSBSPs that are subject to Rule 15c3-3. See also the notes accompanying 17 CFR 240.15c3-3a.

Note that broker-dealer SBSBs must also complete the “Computation for Determination of Security-Based Swap Customer Reserve Requirements” with regard to security-based swap customers’ accounts (while limiting this calculation under 17 CFR 240.15c3-3a to customers’ accounts). The term “customer” is defined in 17 CFR 240.15c3-3.

### **Possession or Control for Customers**

This section must be prepared by stand-alone broker-dealers, broker-dealer SBSBs, and broker-dealer MSBSPs.

Note that broker-dealer SBSBs must also complete Possession or Control for Security-Based Swap Customers with regard to security-based swap customers’ security-based swap customers (while limiting this calculation to security customers).

### **Computation for Determination of PAB Requirements**

This section must be prepared by stand-alone broker-dealers, broker-dealer SBSBs, and broker-dealer MSBSPs.

### **Claiming an Exemption from Rule 15c3-3**

This section must be prepared by stand-alone broker-dealers, broker-dealer SBSBs, and broker-dealer MSBSPs that are claiming an exemption from Rule 15c3-3.

### **Computation for Determination of Security-Based Swap Customer Reserve Requirements**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, and broker-dealer SBSBs. Stand-alone SBSBs that are exempt from 17 CFR 240.18a-4 are not required to complete this section. See also the notes accompanying 17 CFR 240.15c3-3a and 17 CFR 240.18a-4a, as applicable.

Note that broker-dealer SBSBs must also complete the “Computation for Determination of Customer Reserve Requirements” with regard to customers’ accounts (while limiting this calculation to security-based swap customers’ accounts).

### **Possession or Control for Security-Based Swap Customers**

This section must be prepared by stand-alone broker-dealers, stand-alone SBSBs, and broker-dealer SBSBs. Stand-alone SBSBs that are exempt from 17 CFR 240.18a-4 are not required to complete this section.

Note that broker-dealer SBSBs must also complete Possession or Control for Customers with regard to customers' security customers (while limiting this calculation under 17 CFR 240.18a-4a to security-based swap customers).

#### **Computation of CFTC Minimum Capital Requirements**

This section must be prepared by nonbank broker-dealers, SBSBs, and MSBSPs registered with the CFTC as futures commission merchants pursuant to section 4d of the Commodity Exchange Act.

This section should be prepared in accordance with the Commodity Futures Trading Commission's Form 1-FR-FCM ("CFTC Instructions").

#### **Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges**

This section must be prepared by nonbank broker-dealers, SBSBs, and MSBSPs registered with the CFTC as futures commission merchants pursuant to section 4d of the Commodity Exchange Act.

This section should be prepared in accordance with the CFTC Instructions.

#### **Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act**

This section must be prepared by nonbank broker-dealers, SBSBs, and MSBSPs registered with the CFTC as futures commission merchants pursuant to section 4d of the Commodity Exchange Act.

This section should be prepared in accordance with the CFTC Instructions.

#### **Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts**

This section must be prepared by nonbank broker-dealers, SBSBs, and MSBSPs registered with the CFTC as futures commission merchants pursuant to section 4d of the Commodity Exchange Act.

This section should be prepared in accordance with the CFTC Instructions.

#### **Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7**

This section must be prepared by nonbank broker-dealers, SBSBs, and MSBSPs registered with the CFTC as futures commission merchants pursuant to section 4d of the Commodity Exchange Act.

This section should be prepared in accordance with the CFTC Instructions.

#### **Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions**

This schedule must be prepared by stand-alone broker-dealers, stand-alone SBSBs, broker-dealer SBSBs, stand-alone MSBSPs, and broker-dealer MSBSPs.

For security-based swaps, mixed swaps, and swaps, report the month-end gross replacement value for cleared and non-cleared receivables in the long/bought column, and report the month-end gross replacement value for cleared and non-cleared payables in the short/sold column. Report totals on the "Total" row. The long/bought total in Schedule 1 (Line Item 8370) should equal total net securities, commodities, and swap positions in the assets section of the Statement of Financial Condition (Line Item 12024). The short/sold total in Schedule 1 (Line Item 8371) should equal total net securities, commodities, and swap positions in the liabilities section of the Statement of Financial Condition (Line Item 12044).

Terms may be defined by reference to other sections of the instructions accompanying Part II.

## **Schedule 2 – Credit Concentration Report for Fifteen Largest Exposures in Derivatives**

This schedule must be prepared by stand-alone broker-dealers that are authorized by the Commission to calculate net capital using internal models in accordance with 17 CFR 240.15c3-1e, and all stand-alone SBSBs, broker-dealer SBSBs, stand-alone MSBSPs, and broker-dealer MSBSPs.

On the next to last row of each table, titled “All other counterparties,” report the requested information for all of the firm’s counterparties except for the fifteen counterparties already listed on the applicable table.

**Counterparty identifier.** In the first table, list the fifteen counterparties to which the firm has the largest current net exposure, beginning with the counterparty to which the firm has the largest current net exposure.

In the second table, list the fifteen counterparties for which the firm has the largest current net and potential exposure, beginning with the counterparty for which the firm has the largest current net and potential exposure.

Identify each counterparty by its unique counterparty identifier.

**Gross replacement value – receivable.** For the applicable counterparty, report here the gross replacement value of the firm’s derivative receivable positions. Report total on the “Totals” row.

**Gross replacement value – payable.** For the applicable counterparty, report here the gross replacement value of the firm’s derivative payable positions. Report total on the “Totals” row.

**Net replacement value.** For the applicable counterparty, report here the net replacement value of the firm’s derivative positions. Report total on the “Totals” row.

**Current net exposure.** For the applicable counterparty, report here the firm’s current net exposure to derivative positions. Report total on the “Totals” row.

**Current net and potential exposure.** For the applicable counterparty, report here the firm’s current and potential exposure to derivative positions. Report total on the “Totals” row.

**Margin collected.** For the applicable counterparty, report here the margin collected to cover the firm’s derivative positions. Report total on the “Totals” row.

## **Schedule 3 – Portfolio Summary of Derivatives Exposures by Internal Credit Rating**

This schedule must be prepared by stand-alone broker-dealers that are authorized by the Commission to calculate net capital using internal models in accordance with 17 CFR 240.15c3-1e, and all stand-alone SBSBs, broker-dealer SBSBs, stand-alone MSBSPs, and broker-dealer MSBSPs.

**Internal credit rating.** Report here the firm’s internal credit rating scale. Each row should contain a separate symbol, number, or score in the firm’s rating scale to denote a credit rating category and notches within a category in descending order from the highest to the lowest notch. For example, the following symbols would each represent a notch in a rating scale in descending order: AAA, AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, BB+, BB, BB-, CCC+, CCC, CCC-, CC, C and D.

**Gross replacement value – receivable.** For the applicable internal credit rating notch, report here the gross replacement value of the firm’s derivatives receivable positions with counterparties rated at that notch. Report total on the “Totals” row.

**Gross replacement value – payable.** For the applicable internal credit rating notch, report here the gross replacement value of the firm’s derivatives payable positions with counterparties rated at that notch. Report total on the “Totals” row.

**Net replacement value.** For the applicable internal credit rating notch, report here the net replacement value of the firm’s derivative positions with counterparties rated at that notch. Report total on the “Totals” row.

**Current net exposure.** For the applicable internal credit rating notch, report here the firm’s current net exposure to derivative positions with counterparties rated at that notch. Report total on the “Totals” row.



Current net and potential exposure. For the applicable internal credit rating notch, report here the firm's current net and potential exposure to derivative positions with counterparties rated at that notch. Report total on the "Totals" row.

Margin collected. For the applicable internal credit rating notch, report here the margin collected to cover the firm's derivative positions with counterparties rated at that notch. Report total on the "Totals" row.

#### **Schedule 4 – Geographic Distribution of Derivatives Exposures for Ten Largest Countries**

This schedule must be prepared by stand-alone broker-dealers that are authorized by the Commission to calculate net capital using internal models in accordance with 17 CFR 240.15c3-1e, and all stand-alone SBSBs, broker-dealer SBSBs, stand-alone MSBSPs, and broker-dealer MSBSPs.

Country. Identify the 10 largest countries according to the firm's current net exposure or current net and potential exposure in derivatives. In the first table, countries should be ordered according to the size of the firm's current net exposure in derivatives to them (beginning with the largest and ending with the smallest). In the second table, countries should be ordered according to the size of the firm's current net and potential exposure in derivatives to them (beginning with the largest and ending with the smallest). A firm's counterparty is deemed to reside in the country where its main operating company is located.

Gross replacement value – receivable. For the applicable country, report here the gross replacement value of the firm's derivatives receivable positions. Report total on the "Totals" row.

Gross replacement value – payable. For the applicable country, report here the gross replacement value of the firm's derivatives payable positions. Report total on the "Totals" row.

Net replacement value. For the applicable country, report here the net replacement value of the firm's derivative positions. Report total on the "Totals" row.

Current net exposure. For the applicable country, report here the firm's current net exposure to derivative positions. Report total on the "Totals" row.

Current net and potential exposure. For the applicable country, report here the firm's current net and potential exposure to derivative positions. Report total on the "Totals" row.

Margin collected. For the applicable country, report here the margin collected to cover the firm's derivative positions. Report total on the "Totals" row.