

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2023
Estimated average burden	
hours per response. . . . .	12.00

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

**FORM X-17A-5 PART IIA  
(FOCUS Report)**

**GENERAL INSTRUCTIONS**

This FOCUS Report (Form X-17A-5) constitutes the basic financial and operational report required of those brokers or dealers subject to any minimum net capital requirement set forth in Rule 15c3-1. The instructions issued from time-to-time must be used in preparing this report and are considered an integral part of this report.

The report shall be filed with the regulatory organization designated as the Examining Authority for the broker or dealer. The name of the broker or dealer and date of report shall be repeated on each sheet of the report submitted. If no response is made to an item or subdivision on thereof it shall constitute a representation that the broker or dealer has nothing to report.

The designated Examining Authority may at any time or from time-to-time in the case of a particular broker or dealer, subject to applicable rules or regulations, prescribe more frequent filing requirements than those prescribed herein.

Foreign currency may be expressed in terms of United States dollars at the current rate of exchange and where carried in conjunction with the United States dollar balances for the same customer may be consolidated with United States 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. If the foreign currency position so treated is substantial, some indication of its size shall be given.

Aggregate Indebtedness and Net Capital are defined terms, which must be referred to in the applicable capital requirements rule. Accompanying the FOCUS Report are instructions relating to specific items which must be followed. Any deviations from these specific instructions must be clearly explained in footnotes to the report.

If the broker or dealer is a sole proprietor, all securities owned and all accounts carried for it by other brokers, dealers, or others which contain money balances and/or securities shall be reported, as appropriate.

“Exempted Securities” are those securities defined as such under the provisions of Section 3(a)(12) of the Securities Exchange Act of 1934 other than securities designated for exemption by action of the Commission.

The term “contractual commitments” shall include underwriting, when issued, when-distributed and delayed delivery contracts, the writing or endorsement of puts and calls and combinations thereof, commitments in foreign currencies and spot (cash) commodity contracts, but shall not include future commodity contracts and un-cleared “regular way” purchases and sales of securities. A series of contracts of purchase or sale of the same security conditioned, if at all, only upon issuance may be treated as an individual commitment.

“Securities which are not readily marketable” shall be so designated. The term “securities not readily marketable” includes, but is not limited to: (a) securities for which there is no “ready market”; (b) securities, except “exempted securities,” for which there is no market on a securities exchange or no independent publicly quoted market; (c) securities which cannot be publicly offered or sold because of statutory, regulatory or contractual arrangement or other restrictions.

The term “ready market” shall include a recognized established securities market in which there exists independent bona-fide offers to buy and sell so that a price reasonably related to the last sales price or current bona-fide competitive bid and offer quotations can be determined for a particular security almost instantaneously and where payment will be received in settlement of a sale at such price within a relatively short time conforming to trade custom.

A “ready market” shall also be deemed to exist where such securities have been accepted as collateral for a loan by a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934 and where the broker or dealer demonstrates to its Examining Authority that such securities adequately secure such loans.

Indebtedness shall be deemed to be adequately collateralized or secured when the excess of the market value of the collateral over the amount of indebtedness is sufficient to make the loan acceptable as a fully secured loan to banks regularly making secured loans to brokers or dealers.

The term “Examining Authority” of a broker or dealer shall mean the national securities exchange or national securities association of which the broker or dealer is a member or, if the broker or dealer is a member of more than one such self-regulatory organization, the organization designated by the Commission as the Examining Authority for such broker or dealer, or if the broker or dealer is not a member of any such self-regulatory organization, the Regional Office of the Commission where such broker or dealer has its principal place of business.

The term “non-customer” is defined as set forth in Rule 15c3-1(c)(7).

**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.**

In order to expedite the preparation of the financial data called for in the report, fractions *may be* dropped from the prices in determining *any* or *all-long* valuations. (No price should be used which is higher than the actual market price, i.e., 17 7/8 use 17 but not 18. However, if fractions are not used for *any* or *all short* valuations use the higher price, i.e., 18 1/8 use 18 but not 17. Money amounts should be expressed in whole dollars.

Financial statements shall be prepared in conformity with generally accepted accounting principles (except where otherwise requested) applied on a basis consistent with that of the preceding report and shall 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 broker or dealer 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 shall be disclosed, if significant, in notes to the financial statements.

Retain for at least 3 years a copy of each FOCUS Report filed, along with all the working papers and memoranda used in the preparation of each FOCUS Report. (Refer to Rule 17a-4.) Working papers, etc. must be made available for review by a representative of the designated Examining Authority.

## **Filing Requirements for Part IIA**

Part IIA shall be filed quarterly by firms not clearing or carrying customer accounts, and those firms which are subject to the requirements of Rule 15c3-1(a)(2) and (3). Part IIA shall be filed monthly by such of these firms which receive written notice pursuant to Rule 17a-5(a)(2)(iv) that they have exceeded parameters set by the self-regulators.

## **STATEMENT OF FINANCIAL CONDITION**

### **Cash**

Cash in banks subject to withdrawal restrictions such as time deposits not subject to Regulation Q of the Federal Reserve System and deposits of foreign currency with exchange or transfer restrictions of funds held in escrow shall be shown as "Other assets – Non-Allowable."

State separately (a) restricted deposits held as compensating balances against borrowing arrangements; (b) funds subject to repayment on call or immediately after the date of the balance sheet required to be filed; and (c) other funds, the amounts of which are known to be subject to withdrawal or usage restrictions, e.g., special purpose funds. The general terms and nature of such repayment provisions in (b) and withdrawal or usage restrictions in (c) shall be described in a note referred to herein. In cases where compensating balance arrangements exist but are not agreements which restrict the use of cash amounts shown on the balance sheet, describe these arrangements and the amounts involved, if determinable, in the notes to the financial statements. Compensating balances that are maintained under an agreement to assure future credit availability shall be separately disclosed in the notes to the financial statements along with the amount and terms of such agreement.

Bank overdrafts are not to be netted against balances in unrelated bank depositories. They shall be included in "Bank loans payable" as "A. I. Liabilities."

### **Receivable from brokers or dealers**

Other receivables from brokers or dealers (floor brokerage, commissions, etc.) shall be included in the category – "Other" and classified as allowable or non-allowable pursuant to 15c3(c)(2) (iv)(C).

### **Receivables from non-customers**

The amount reported as an allowable asset represents those portions of partly secured accounts which are deemed to be fully secured. The remaining portion of the ledger debit balance shall be considered as non-allowable. The haircuts on the long and/or short securities in partly secured accounts are included in the Computation of Net Capital below "Haircuts on securities."

### **Securities and spot commodities owned, at market value**

Security and spot (cash) commodity valuations as well as losses and gains in future commodity contracts shall be based upon market prices as at the date of the statement of financial condition; fractions and accrued interest with respect to securities may be omitted except where such procedure in the case of short positions would have a material effect on Net Capital.

For the purpose of this report securities sold as principal: under a repurchase agreement shall be deemed to be securities owned by the broker or dealer and the market value shall be included in this section. The proceeds of sale shall be included as a credit in the statement of financial condition under bank loans payable – Non-A. I. Liabilities.

Joint trading and investment accounts in which the reporting broker or dealer has an interest shall be reported as follows:

- a) Accounts carried by the reporting broker or dealer – For those accounts carried by the reporting broker or dealer include its applicable portion of the market value or marketable securities and spot commodities, in the appropriate item. The reporting broker or dealer’s related portion of unrealized gain or loss shall be reflected in the appropriate statements. The other participant(s)’ interest in the joint account shall be treated as a non-customer’s account and included as a receivable from or payable to non-customer as applicable. A margin deposit by the other participant shall be included when determining the other participant(s)’ interest. If the other participant(s)’ interest is in deficit, then the same treatment given to all partly secured or unsecured non-customer accounts in the Computation of Net Capital shall apply. If the other participant(s)’ equity is not sufficient to meet margin requirements and no exemption has been granted by the designated Examining Authority, the amount of the cash margin deficiency shall be included as a charge in the determination of Net Capital. The other participant(s)’ interest in realized gains and losses and miscellaneous income and expense items related to the joint account are not to be reflected in the reporting broker or dealer’s profit and loss accounts but should be reflected as due to or due from the other participant(s).
- b) Accounts carried by others – For those accounts carried by others, the reporting broker or dealer will include his portion of the market value of marketable securities and spot commodities in the appropriate item. A margin deposit by the reporting broker or dealer is an allowable asset in the computation of Net Capital. The reporting broker or dealer’s portion of all realized gains and losses and miscellaneous income and expense items, related to the joint account shall be reflected in the appropriate statement with the contra being due to or due from the other participant(s). The interest of other participant(s) should not be included in this report.
- c) Joint foreign and domestic arbitrage accounts in which the reporting broker or dealer has an interest – Money balances and securities positions carried by the reporting broker or dealer and by a participant shall be combined and considered on a net basis (offsetting positions in the same security shall be netted). Adjustments may be made where different clearance dates apply to transactions made on the same day in the same security. The reporting broker’s or dealer’s portion of any net debit or credit balance shall be considered in determining losses or gains and in marking positions to the market. The reporting broker or dealer’s interest in any long and/or short security positions should be at market value. However, consideration should be given to setting up an appropriate reserve for any deficit in the participant’s interest. The participant’s share of any credit balances carried on the respondent’s books for these accounts is to be included in Aggregate Indebtedness.
- d) If the joint account nets a credit balance or is a free credit balance, include in “Payable to non-customers” (A. I. Liabilities) the amount of such balance multiplied by the participant’s percentage of the account. Any margin deposits received regarding the above would be included in “Payable to brokers or dealers – Other” (A. I. Liabilities).
- e) If the joint accounts nets to a secured debit balance and the participant’s percentage times such balance equals an amount less than the participant’s margin deposit, then the difference (amount) between the two shall be included in “Payable to brokers or dealers – Other” (A. I. Liabilities) and the remainder of the deposit shall be included as a non-A. I. Liabilities. The participant’s portion of the net debit balance in the joint account shall be included in “Receivables non-customers.”

Include in the “Options” category the market value of all long listed options. The market value of all short listed options shall be included in the liability section in “Securities sold not yet purchased at market value.” Unrealized gains and/or losses shall be reflected in the appropriate statement since all such positions shall be marked-to-the- market.

Regarding unlisted options, the following treatment for financial statement purposes is to be followed:

*Unlisted call options* – regarding such long options include unrealized profits where the market value of the underlying security exceeds the exercise value of the respective option. For such short options, include unrealized losses where the market value of the underlying security exceeds the exercise value of the respective option.

*Unlisted put options* – regarding such long options include unrealized profits where the market value of the underlying security is less than the exercise value of the respective option. For such short options, include unrealized losses where the market value of the underlying security is less than the exercise value of the respective option.

Unrealized profits and/or losses included in net worth on unlisted options shall be increased or decreased by the write-off of any un-amortized cost of the long options or recognition of any un-amortized proceeds from the writing or sale of such options.

See Rule 15c3-1, Appendix A, paragraph (a) for the definition of listed and unlisted options.

Positions in a broker or dealer’s (trading) error account should be marked-to-the-market and the value of the security positions reported in the appropriate item. Positions long in suspense or difference accounts without a related money balance should not be included herein.

Accrued interest receivable and payable in the broker or dealer's readily marketable securities in its accounts may be added to the market value of the respective securities. The interest is subject to the same haircut as the security to which it pertains.

### **Securities and/or other investments not readily marketable, at estimated fair value**

See the general instructions and Rule 15c3-1(c)(2)(iv) (K-L), (c)(2)(vii) and (c)(11).

The amount reported as an allowable asset represents that portion which would otherwise be considered non-allowable except for the fact that it adequately secures indebtedness. (See Rule 15c3-1(c)(2)(iv) and (c)(2)(viii)).

### **Secured demand notes – satisfactory subordination agreements**

Subordination agreements must conform with the minimum requirements of Rule 15c3-1 Appendix D in order that the respective amounts may be included in Net Capital (satisfactory subordination agreements). See Appendix D, (c)(7) regarding subordination agreements in effect prior to adoption of Rule 15c3-1. Subordinations which are not covered by satisfactory subordination agreements will be included as non-allowable assets.

The collateral contained in each secured demand note collateral account shall relate only to the specific demand note that it collateralizes. The excess collateral value in one account shall not be applied to the deficiency in another account.

No collateral value shall be given for secured demand note collateral which has no ready market.

### **Investment in and receivables from affiliates, subsidiaries and associated partnerships**

Bona-fide transactions between brokers or dealers and guaranteed subsidiaries – un-subordinated amounts due from a guaranteed subsidiary, provided that the books and records of the guaranteed subsidiary reflect the same exact liability to the parent, shall be allowable assets. This applies when there is no consolidation of assets and liabilities for Net Capital purposes as stipulated in Rule 15d3-1 Appendix C.

### **Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost**

Report as allowable amounts of fixed assets and assets which cannot readily be converted into cash, equal to any indebtedness adequately secured thereby. Such allowability is for those assets acquired for use in the ordinary course of the trade or business of a broker or dealer. Also report as allowable in the amount of the liability, those assets not readily convertible into cash wherein such assets are the sole recourse of the creditor for the non-payment of the related liability. Report as non-allowable any remainder and/or asset which do not conform with the above provisions. See Rule 15c3-1(c)(2)(iv) and (c)(2)(viii).

### **Other Assets – Loans and Advances**

Report amounts related to employees as allowable assets if secured by readily marketable securities and meet the margin requirements of the designated Examining Authority. Loans and advances to partners, directors, officers and subordinated lenders are to be included in the "Receivables from non-customers."

### **Other Assets – Miscellaneous**

Insurance claims receivable – report as non-allowable asset if (1) after 7 business days from date of discovery not covered by opinion of outside counsel that claim is valid and covered by insurance policies presently in effect; (2) after 20 business days from date of discovery claim is not acknowledged in writing as due and payable by the insurance carrier; or (3) claim is not paid within 20 business days following date of such acknowledgement by the carrier. See Rule 15c3-1(c)(2)(iv)(D).

Mutual fund concessions receivable and management fees receivable from registered investment companies – report as non-allowable assets if outstanding for more than 30 days from the date they arise. See Rule 15c3-1(c)(2)(iv)(C).

Future income tax benefits arising as a result of unrealized losses may be recognized only to the extent such benefits do not exceed the amount of income tax liabilities accrued on the books and records of the broker or dealer and only to the extent such benefits could have been applied to reduce accrued tax liabilities on the date of the capital computation had the related unrealized losses been realized on that date. Any other benefits of this type recorded on the books which do not conform with the above shall be included as a non-allowable asset. See Rule 15c3-1(c)(2)(iv)(D).

Cash Surrender Value of Life Insurance Policies – report as an allowable asset if the cash surrender value and face value are payable (1) to the estate of the sole proprietor – broker or dealer or (2) to the broker or dealer if a partnership or corporation.

Syndicate profits receivable shall be considered as unsecured receivables and therefore included as non-allowable. See Rule 15c3-1(c)(2)(iv)(C).

Funds on deposit in a "Segregated Trust Account" in accordance with Rule 27d-1 under the Investment Company Act of 1940 shall be considered as non-allowable to the extent that the amount of deposit in such Segregated Trust Account exceeds the amount of liability reserves established and maintained for refunds of charges required by Section 27(d) and 27(f) of The Investment Company Act of 1940. See Rule 15c3-1(c)(2)(iv)(E).

Good faith deposits are to be reported as non-allowable assets if outstanding longer than 11 business days from the settlement of the respective underwriting. See Rule 15c3-1(c)(2)(iv)(C).

Rent, airline and utility deposits are to be reported as non-allowable assets.

Other miscellaneous assets such as deferred organization expense, prepaid expenses, deferred charges, goodwill, service fee receivable, accrued income receivable, intangible assets and postage inventory shall be included as non-allowable. Subscriptions receivable for capital stock shall be included as a deduction in computing net worth.

Unsecured advances to municipalities for public improvements are to be reported as non-allowable assets.

### **Payable to brokers or dealers**

Payables to brokers or dealers for floor brokerage, commissions, etc. shall be included in the category “Other – A.I. Liabilities.”

### **Payables to non-customers**

See Rule 15c3-1(c)(1), (c)(1)(v) and (c)(1)(xii) to determine classification of amounts included and excluded from Aggregate Indebtedness.

### **Notes and mortgages payable – secured**

See instructions under “Property, furniture, equipment, leasehold improvements and rights under lease agreements.” Include in A.I. Liabilities, in the subsection “Unsecured,” any fixed liabilities which do not conform with the exclusions stated in the instructions.

### **Accounts and other borrowings not qualified for Net Capital purposes**

Include herein liabilities which are subordinated to the claims of creditors but which are not covered by satisfactory subordination agreements as defined in Appendix D of Rule 15c3-1. See Rule 15c3-1(c)(1)(xi) as to which subordinated liabilities may be excluded from Aggregate Indebtedness.

### **Liabilities subordinated to claims of general creditors**

Indicate separately those satisfactory subordination agreements which are considered as equity capital for purposes of debt-equity requirements. Such are reported in the subordinated liability section of the Statement of Financial Condition. See Rule 15c3-1(d) for the various requirements for such agreements.

### **Special Requirements as to Consolidated Financial Statements and Statements of 50 Percent or Less Owned Persons and Certain Other Persons**

The inclusion or exclusion of subsidiaries in consolidated financial statements shall be in accordance with the following requirements:

- (a) Consolidated financial statements of registrant shall include the statements of any subsidiary whose obligations or liabilities are guaranteed, endorsed or assumed directly or indirectly by registrant.
- (b) Consolidated financial statements of registrant may include the statements of any other subsidiary.
- (c) If the effect of the consolidation provided for in paragraph (a) or (b) above results in the increase of the registrant’s net capital and/or decrease in the registrant’s ratio of aggregate indebtedness to net capital or increases registrant’s net capital and/or decreases the minimum net capital requirement called for by the subparagraph (f)(2) of Rule 15c3-3, then such benefits shall not be recognized unless an opinion of counsel is obtained containing the representations as to the availability of the portion of net assets related to registrant’s interest prescribed in Rule 15c3-1, Appendix C, subparagraph (b)(2).
- (d) Subsidiaries which do not meet the requirements of paragraph (c) above shall not be consolidated.
- (e) Financial statements of any 50 percent or less owned person or other affiliate whose obligations or liabilities are not guaranteed, endorsed or assumed directly or indirectly by registrant shall be included in a note.
- (f) Opinions of counsel concerning the availability of net assets to registrant shall be filed with each annual report under Rule 17a-5.

Registrants shall indicate whether the financial statements and schedules are consolidated or unconsolidated by checking the appropriate box at the top of the Statement of Financial Condition.

### **COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS**

## **Ownership equity not allowable for Net Capital**

Deduct any capital accounts included as part of ownership equity on the Statement of Financial Condition which are not allowable in the determination of Net Capital.

## **Liabilities subordinated to claims of general creditors allowable in computation of Net Capital**

Appendix D to Rule 15c3-1 sets forth minimum and nonexclusive requirements for satisfactory subordination agreements. The self-regulatory organization which has been designated as the Examining Authority for the broker or dealer may require, or the broker or dealer may include, such additional provisions as they deem necessary or appropriate to the extent such provisions are not inconsistent with the provisions of Rule 15c3-1.

## **Secured demand note collateral accounts**

Securities contained in collateral not accounts shall be considered to have no value unless in bearer form, or registered in the name of the broker or dealer or the name of its nominee or custodian.

The collateral contained in each secured demand note collateral account shall relate only to the specific demand note that it collateralizes. The excess collateral value in one account shall not be applied to the deficiency in another account.

Two or more demand notes of the same individual should not be combined.

Only cash and securities which are fully paid for and which may be publicly offered or sold without registration under the Securities Act of 1933, and the offer, sale and transfer of which are not otherwise restricted, may be pledged as collateral to secure a secured demand note.

## **Other (deductions) or Credits**

Sole proprietors (individual members) who are not associated with a broker or dealer who is a member of a national exchange shall record here:

1. The total of any liabilities incurred in the course of business which are not reported in the Statement of Financial Condition and which would have a material effect on Net Capital.
2. The excess of liabilities which have not been incurred in the course of business as a broker or dealer over assets not used in the business.

## **Secured demand note deficiency**

If the value of securities and cash collateralizing a secured demand note contributed for purposes of capital under Rule 15c3-1 after application of the deductions specified in subparagraph (c)(2)(vi) of Rule 15c3-1 is less than the unpaid principal amount of the secured demand note, such deficiency shall be deducted.

## **Haircuts**

Undue concentration – Basic Net Capital Computation under Rule 15c3-1.

In the case of money market instruments or securities of a single class or series of an issuer, including any option written, endorsed or held to purchase or sell securities of such a single class or series of an issuer (other than “exempted securities”), which are long or short in the proprietary, or other accounts of a broker or dealer for more than 11 business days, and which have a market value of more than 10% of the “net capital” of a broker or dealer before the application of subparagraph (c)(2)(vi) or Appendix A to Rule 15c3-1, there shall be an additional deduction from net worth equal to 50% of the percentage deductions otherwise provided by subparagraph (c)(2)(vi) or Appendix A to Rule 15c3-1 on that portion of the securities position in excess of 10% of the “Net Capital” of the broker or dealer before the application of subparagraph (c)(2)(vi) or Appendix A to Rule 15c3-1. (See subparagraph (c)(2)(vi)(M) of Rule 15c3-1 for further provisions).

## **Contractual commitments**

Deduct, in the case of a broker or dealer who has open contractual commitments (other than option positions treated in Appendix A to Rule 15c3-1), the respective deductions as specified in subparagraph (c)(2)(vi) or Appendix B to Rule 15c3-1 (in the case of a broker or dealer electing to operate pursuant to paragraph (f) of Rule 15c3-1, the percentage deduction for contractual commitments in securities described in subparagraph (f)(3)(ii) shall be 30%) from the value (which shall be the market value whenever there is a market) of each net long and each net short position contemplated by any existing contractual commitment in the proprietary and other accounts of the broker or dealer. (See subparagraph (c)(2)(viii) of Rule 15c3-1 for further provisions).

## **Firm security and commodity accounts**

Deduct the percentages specified in subdivisions (A) to (M) of subparagraph (c)(2)(vi) or the deductions prescribed for securities positions set forth in Appendix A to Rule 15c3-1 or, where appropriate, paragraph (f) of Rule 15c3-1 of the market values of all securities, money market instruments or options in the proprietary and other accounts of the broker or dealer. The capital charge (haircut) on future commodity contracts is 30% of the market value of all “long” and all “short” future contracts other than those contracts representing spreads and straddles in the same commodity and those contracts offsetting or hedging any “spot” commodity positions in proprietary or other accounts of the broker or dealer.

### **Straddle or Spread**

These terms mean the same thing, but in practice the grain trade uses the term “spread”, whereas the other commodity interests use the term “straddle.” A spread may be defined as the purchase of one future against the sale of another future of the same commodity or a related commodity in the same or different market. The Commodity Futures Trading Commission Act defines spreading only in terms of the same commodity, whereas exchanges define it to also include different but related commodities.

Deduct 30% of the market value of “spot” commodities long or short in the proprietary and other accounts of the broker or dealer to the extent that such positions are not hedged by future commodity contracts or forward spot commodity contracts in the same . 10% of the market value shall be deducted on fully hedged positions.

## **STATEMENT OF INCOME (LOSS) or STATEMENT OF COMPREHENSIVE INCOME (as defined in §210.1-02 of Regulation S-X), as applicable**

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

**1a,1b,1c,1d** – Report commissions earned on all agency equity and debt transactions including non-inventory principal transactions.

Commission earned on introduced accounts carried by other brokers and on omnibus accounts carried for other brokers should be reported net. Commissions earned on listed options transactions executed on a national securities exchange are to be reported as Item 1b. Commissions earned on over-the-counter option transactions are to be reported as Item 1c.

**2** – Report realized and unrealized gain (loss) on securities held for sale in the ordinary course of business and not identified as held for investment. Dividends and interest income on securities in trading accounts shall be treated as an adjustment to gain (loss). Amounts reported shall *not* be reduced by any allocation of Federal income taxes.

**3**– Report gain (loss) on securities identified as held for investment. Dividends and interest income shall be treated as adjustments to gain or loss. Amounts reported shall *not* be reduced by any allocation of Federal income taxes.

**4** – Report on the gross profit (loss) from management of, or participation in, underwriting syndicates and selling groups. Gross profit (loss) 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 brokers. Any *direct* expense, which can be associated with specific underwriting, may also be considered as a cost in determining gross profit (loss). In determining gross profit (loss), any unrealized loss on securities unsold at the time of the underwriting account was closed shall be considered as a deduction from the proceeds of securities sold.

Employee compensation and employment costs of persons working in an “underwriting department” and other related expenses of such department shall be treated as indicated expenses and *not* deducted in determining gross profit (loss).

Include the profit (loss) from management of, or participation in, underwriting syndicates and selling groups where the security underwritten is a corporate equity security. (“Equity security” shall mean any stock or similar security or any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security.)

**5** – 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.

**6** – Report income from commissions, fees and principal trading of commodities. The term “commodities” includes future commodity contracts and spot (cash) commodity contracts.

**7** – Report fees for services to individual and corporate customers. The amount to be included as administrative services, however, shall be limited to fees charged to investment companies and periodic payment plans and other than investment advisory services.

**8** – Report revenue received from sources related and unrelated to the securities business which are not included in Items 1 through 7.

- 10 – Report the total salaries and employee benefits for voting stockholder officers and general partners (as agreed to in the partnership agreement).
- 11 – Report all salaries, commissions, bonuses, profit-sharing contributions, payroll taxes and benefits paid to or incurred for all employees except general partners, registered representatives and voting shareholder officers.
- 12 – Report all commissions paid to other broker or dealers for transactions executed on or off a national securities exchange. Include payouts to other broker or dealers on commodity transactions. Fees paid to exchanges on commissions are to be excluded from this Item and reported in Item 15, “other expenses.”
- 13 – Include interest paid to banks and on customer accounts; on all other subordinated and un-subordinated borrowings.
- 13a – Report total interest paid on subordinated liabilities. Subordinated liabilities include: accounts of partners subject to equity or subordination agreement; subordinated loans and accounts; and secured demand notes
- 14 – Report all fees paid to regulatory bodies in order to conduct a securities business. Examples of such fees are payments for registration of registered representatives, SECO fees, NASD fees and exchange members dues. Additionally, report all direct expenditures to meet reporting requirements imposed by regulatory bodies such as legal and audit fees for annual audit required by Rule 17a-5 (17 CFR 240.17a-5) of the Securities and Exchange Act of 1934 and service bureau changes required to complete various surveys which are not part of the respondent’s management report system. Exclude SIPC assessments from this Item. SIPC assessments are to be included in Item 15, “Other expenses.” Fees paid exchanges on commission revenue are to be excluded from this Item. Fees paid exchanges on commission shall be reported in Item 15, “Other expenses.”
- 15 – Report all expenses not included in Items 10 through 14.
- 19 – The amount reported shall be stated net of any applicable tax provisions.

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERHIP OR CORPORATION)**

**Balance, Beginning and End of Month**

The amounts reported should agree with related Statements of Financial Condition.

**Net Income (Loss) For Period**

Report the amount of net income (loss) for the period reported on the Statement of Income (Loss) or Statement of Comprehensive Income, as applicable.

**Additions and Deductions**

State separately net income (loss) for the period and each addition and each deduction such as sale of capital stock, retirement or repurchase of capital stock, dividends, partners capital contributed or partners capital withdrawn.

**STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**

**Balance, Beginning and End of Period**

The amount reported should agree with the sum of subordinated liabilities which have been approved for inclusion in net capital as shown in the Statement of Financial Condition at the end of each of the respective periods.

**Additions**

Report the gross amount of increases in secured capital demand notes and subordinated loans and accounts which have been approved for inclusion of net capital.

**Deductions**

Report the gross amount of decreases in secured capital demand notes and subordinated loans and accounts which have been approved for inclusion of net capital.