

FORM G-405, PART IIA
REPORT ON FINANCES AND OPERATIONS OF
GOVERNMENT SECURITIES BROKERS AND DEALERS

GENERAL INSTRUCTIONS

This report on the finances and operations of government securities brokers and dealers (Form G-405) constitutes the basic financial and operational report required of those government securities brokers or dealers subject to any minimum liquid capital requirement set forth in 17 CFR 402.2. These instructions and others 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 government securities broker or dealer.

The name of the government securities broker or dealer and date of the report shall be repeated on each sheet of the report submitted. If no response is made to an item or subdivision thereof it shall constitute a representation that the government securities 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 government securities 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. Where carried in conjunction with the United States dollar balances for the same customer, foreign currency may be consolidated with such 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.

Liquid capital is a defined term, and it must be interpreted according to that definition in the applicable capital requirements rule. Instructions relating to specific items must be followed. Any deviations from these specific instructions must be clearly explained in footnotes to the report.

If the government securities 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 appropriately reported.

"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 Securities and Exchange Commission (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 uncleared "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 unless registration has been effected under the Securities Act of 1933 (or the conditions of an exemption, such as Regulation A, under Section 3(b) of such Act, have been complied with); and (d) 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. A price reasonably related to the last sales price or current bona-fide competitive bid and offer quotations must be almost instantaneously determinable for a particular security in this securities market. Payment in settlement of a sale at such price must also be receivable 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 government securities 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 the 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 government securities broker or dealer shall mean the national securities exchange or national securities association of which the government securities broker or dealer is a member, if any. If the government securities broker or dealer is a member of more than one such self-regulatory organization, the examining authority for such government securities broker

or dealer is the organization so designated by the Commission. If the government securities broker or dealer is not a member of any such self-regulatory organization, the examining authority for such government securities broker or dealer is the Regional Office of the Commission where such government securities broker or dealer has its principal place of business.

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

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 valuations. (For long valuations no price shall be used which is higher than the actual market price, i.e., for a price of $17\frac{7}{8}$ use 17 but not 18. For short valuations, use the higher price, i.e., $17\frac{1}{8}$ 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. Financial statements 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 government securities 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 and 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 three (3) years a copy of each Report on Finances and Operations of Government Securities Brokers and Dealers filed, along with all the working papers and memoranda used in the preparation of each report (Refer to Rule 17a-4 as modified by 17 CFR 404.3). 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 17 CFR 402.2(c) and Rule 15c3-1(a)(2). Part IIA shall be filed monthly by such of these firms which receive written notice pursuant to Rule 17a-5(a)(2)(iv) as modified by 17 CFR 405.2 that they have exceeded parameters set by the self-regulators.

STATEMENT OF FINANCIAL CONDITION

ASSETS

Cash

Cash in banks subject to withdrawal restrictions such as time deposits not subject to Regulation Q of the Federal Reserve System, deposits of foreign currency with exchange or transfer restrictions, or 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 on which filing of the balance sheet is required; 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."

Receivables from brokers or dealers

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 15c3-1(c)(2)(iv)(C).

Receivables from non-customers

The amount reported as an allowable asset must represent those portions of partly secured accounts which are deemed to be fully secured. The remaining portion of the ledger debit balance shall be considered non-allowable.

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 of the date of the Statement of Financial Condition. Fractions and accrued interest with respect to securities may be omitted except, in the case of short positions, where such procedures would have a material effect on liquid capital.

For the purpose of this report securities sold as principal under a repurchase agreement shall be deemed to be securities owned by the government securities broker or dealer and the market value shall be included in this section. The proceeds of the sale shall be included as a credit in the Statement of Financial Condition under "Bank loans payable."

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

- a) Accounts carried by the reporting government securities broker or dealer – for those accounts carried by the reporting government securities broker or dealer include its applicable portion of the market value of marketable securities and spot commodities in the appropriate item. The reporting government securities broker's 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, as appropriate, and included as a receivable from or payable to non-customers 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 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 liquid 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 government securities broker's 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 government securities 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 government securities broker or dealer is an allowable asset in the computation of liquid capital. The reporting government securities broker's 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 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 government securities broker or dealer has a interest – Money balances and securities positions carried by the reporting government securities 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 government securities 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 government securities broker's 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.
- d) If the joint account nets to a credit balance or is a free credit balance, include in "Payable to non-customers" the amount of such balance multiplied by the other participant(s)' percentage of the account. Any margin deposits received regarding the above would be included in "Payable to brokers or dealers - Other."
- e) If the joint account 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," and the remainder of the deposit shall be included in "Other." The other participant(s)' portion of the net debit balance in the joint account shall be included in "Receivables from non-customers."

Include in the "Options" category the market value of all long listed options and all long unlisted options which are Treasury market risk instruments according to the provisions of 17 CFR 402.2(e). The market value of all short listed options and all short unlisted options which are Treasury market risk instruments according to the provisions of 17 CFR 402.2(e) 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 which are not Treasury market risk instruments, 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 which are not Treasury market risk instruments shall be increased or decreased by the write-off of any unamortized cost of the long options or recognition of any unamortized 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 government securities broker's 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. Refer to Rule 15c3-1(c)(2)(v) as to the treatment of short security differences.

Accrued interest receivable and payable on the government securities broker's 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)(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).)

Secured demand notes - satisfactory subordination agreements

Subordination agreements must conform with the minimum requirements of Rule 15c3-1 Appendix D as modified by 17 CFR 402.2d in order that the respective amounts may be included in liquid capital (satisfactory subordination agreements). 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 government securities brokers or dealers and guaranteed subsidiaries – unsubordinated 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 liquid capital purposes as stipulated in Rule 15c3-1 Appendix C as modified by 17 CFR 402.2c.

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

Report as allowable only those amounts of fixed assets and assets which cannot readily be converted into cash which are 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 government securities 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 assets which do not conform with the above provisions. (See Rule 15c3-1(c)(2)(iv).)

Other Assets - Loans and Advances

Report amounts related to employees as allowable assets if they are 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 appropriate category under "Receivables from non-customers."

Other Assets - Miscellaneous

Insurance claims receivable – report as non-allowable asset if: (1) after seven (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 government securities 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)(i)(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 a sole proprietor-government securities broker or dealer or (2) to the government securities 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).)

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 expenses, prepaid expenses, deferred charges, goodwill, service fee receivables, accrued income receivables, 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.

LIABILITIES

Payable to brokers or dealers

Amounts payable to brokers or dealers (floor brokerage, commissions, etc.) shall be included in the category “Other.”

Notes and mortgages payable - secured

See instructions under “Property, furniture, equipment, leasehold improvements and rights under lease agreements.” Include 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 liquid 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 as modified by 17 CFR 402.2d.

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. See Rule 15c3-1(d) as referenced in 17 CFR 402.2 for the various requirements for such agreements.

COMPUTATION OF CAPITAL REQUIREMENTS AND LIQUID CAPITAL

Special requirements as to liquid capital and total haircuts calculations for consolidated entities and as to statements of 50 percent or less owned persons and certain other persons

The inclusion or exclusion of subsidiaries or affiliates in the calculation of liquid capital and total haircuts shall be in accordance with Appendix C to Part 402.2 (17 CFR 402.2c) and with the following requirements:

- (a) If the reporting government securities broker or dealer guarantees, endorses, or assumes directly or indirectly the obligations or liabilities or any subsidiary or affiliate and has obtained the opinion of counsel prescribed in paragraph (b) of Appendix C (17 CFR 402.2c(b)) with respect to that subsidiary or affiliate, then the subsidiary's or affiliate's assets and liabilities must be consolidated with those of the reporting broker or dealer in the calculation of liquid capital.
- (b) If the reporting government securities broker or dealer guarantees, endorses, or assumes directly or indirectly the obligations or liabilities or any subsidiary or affiliate but has not obtained the opinion of counsel prescribed in paragraph (b) of Appendix C (17 CFR 402.2c(b)) with respect to that subsidiary or affiliate, then the subsidiary's or affiliate's assets and liabilities may not be consolidated with those of the reporting broker or dealer in the calculation of liquid capital. Furthermore, in such a case the reporting broker or dealer shall compute its total haircuts by adding the total haircuts of each such subsidiary or affiliate to the separately computed haircuts of the broker or dealer.
- (c) A reporting government securities broker or dealer who guarantees, endorses, or assumes directly or indirectly any obligation or liability of a subsidiary or affiliate must reflect that obligation or liability in its computation of liquid capital, even if consolidation is prohibited as in paragraph (b) above.

- (d) The reporting government securities broker or dealer may consolidate with its assets and liabilities in the calculation of liquid capital the assets and liabilities of any other majority owned and controlled subsidiary or affiliate, if and only if the opinion of counsel prescribed in paragraph (b) of Appendix C (17 CFR 402.2c(b)) has been obtained with respect to such subsidiary or affiliate.
- (e) With respect to any subsidiary or affiliate whose assets and liabilities are consolidated in the computation of liquid capital under the provisions of paragraphs (a) or (d) above, the reporting government securities broker or dealer shall calculate its haircuts by either computing the haircuts as if the consolidated entity were one firm or by adding the individually computed total haircuts of such subsidiary or affiliate to its own separately computed haircuts.
- (f) Financial statements of any 50 percent or less owned person or other affiliate consolidated into the liquid capital computation whose obligations or liabilities are not guaranteed, endorsed or assumed directly or indirectly by the reporting government securities broker or dealer shall be included in a note.
- (g) Opinions of counsel concerning the availability of net assets to the reporting government securities broker or dealer shall be filed with each annual report under Rule 17a-5 as modified by 17 CFR 405.2.

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 LIQUID CAPITAL

Ownership equity not allowable for liquid 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 liquid capital.

Liabilities subordinated to claims of general creditors allowable in computation of liquid capital

Appendix D to Rule 15c3-1 as modified by 402.2d sets forth minimum and nonexclusive requirements for satisfactory subordination agreements. The self-regulatory organization which has been designated as the examining authority for the government securities broker or dealer may require, or the government securities 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 as incorporated in 17 CFR 402.2.

Secured demand note collateral accounts

Securities contained in collateral note accounts shall be considered to have no value unless in bearer form, or registered in the name of the government securities 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 securities 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 liquid capital, and
2. The excess of liabilities which have not been incurred in the course of business as a government securities broker or dealer over assets not used in the business.

Net pair-off and give-up receivables and money differences

Net pair-off receivables and money differences need not be deducted until the close of business on the third business day after the day the funds are due. Give-up receivables need not be deducted until they have been outstanding 30 business days from the billing date. The billing date shall be no later than the last day of the month in which the give-up receivable arises.

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 as incorporated in 17 CFR 402.2 after application of the deductions specified in paragraph (g) of 17 CFR 402.2 and Appendix A thereto is less than the unpaid principal amount of the secured demand note, such deficiency shall be deducted.

Haircuts

Haircuts on the positions and financings, including contractual commitments, in the government securities broker's or dealer's portfolio are to be calculated as required in 17 CFR 402.2(g) and Appendix A thereto. Schedules A through E in 17 CFR 402.2a(c) may be used in this calculation. The government securities broker's or dealer's designated examining authority or appropriate regulatory authority may require that these schedules, or substantially similar forms, be used in this calculation.

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 government securities broker or dealer is not required to report comprehensive income.

INCOME

1a, 1b, 1c. Report commissions earned on all agency debt transactions including non-inventory principal transactions. Commissions earned on introduced accounts carried by other brokers and on omnibus accounts carried for other brokers should be reported net. Commissions earned on listed option transactions executed on a national securities exchange are to be reported as Item 1a. Commissions earned on over-the-counter option transactions are to be reported at Item 1b.

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 adjusted 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 a 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 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 syndicated expenses and not deducted in determining gross profit (loss).

5. Report income from commissions, fees, and principal trading in commodities. The term "commodities" includes future commodity contracts, certain forward transactions, and spot (cash) commodity contracts.

6. 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 other than for investment advisory services.

7. Report revenue received from sources related and unrelated to the securities business which are not included in Items 1 through 6.

EXPENSES

9. Report the total salaries and employee benefits for voting stockholder officers and general partners (as agreed to in the partnership agreement).

10. 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.

11. Report all commissions paid to other brokers or dealers for transactions executed on or off a national securities exchange. Include payouts to other brokers or dealers on commodity transactions. Fees paid exchanges on commissions are to be excluded from this Item and reported in Item 14, "Other Expenses."

12. Include interest paid to banks and on all other subordinated and unsubordinated borrowings.

12a. 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.

13. 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, NASD fees, and exchange membership 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) as modified by 17 CFR 405.2 and service bureau charges required to complete various surveys which are not part of the respondent's management report system. Fees paid exchanges on commission revenue are to be excluded from this Item. Fees paid exchanges on commissions shall be reported at Item 14, "Other Expenses."

14. Report all expenses not included in Items 9 through 13.

18. The amount reported shall be stated net of any applicable tax provisions.

21. Sum of lines 16 through 20.

STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP 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 liquid 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 in liquid capital.

Deductions

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

Public reporting burden for this collection of information is estimated to average 12 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any aspect of this collection of information, including suggestions for reducing this burden to: Bureau of the Fiscal Service, Government Securities Regulations Staff, 3201 Pennsy Drive, Building E, Landover, MD 20785-1603; and to the Office of Management and Budget, (1530-0064) Washington, DC 20503.