REPORTS TO BE MADE BY CERTAIN BROKERS AND DEALERS
SEA Rule 17a-5

(a) FILING OF MONTHLY AND QUARTERLY REPORTS

(1) This paragraph (a) shall apply to every broker or dealer registered pursuant to section 15 of the Act.

(2)(i) Every broker or dealer subject to this paragraph (a) who clears transactions or carries customer accounts shall file Part I of Form X-17A-5 within 10 business days after the end of each month.

/01 NYSE Monthly Part II Requirement

The NYSE requires monthly filing of Part II of Form X-17A-5 report for all members and member organizations required to file Part I of Form X-17A-5.

(NYSE Information Memo No. 92-42, December 1992) (No. 94-6, December 1994)

/02 NYSE Requirements for Guaranteed Subsidiary/Associated Partnership

Members and member organizations are required to file Part II or IIA of Form X-17A-5 on a quarterly basis for registered broker-dealers that are either guaranteed subsidiaries or from whom flow through capital benefits are received. Members and member organizations that guarantee or receive flow through capital benefits from another person must submit the forms required by NYSE Information Memo 93-54.

A broker-dealer, whether organized as a sole proprietor, partnership or corporation, that is a general partner of another partnership is in effect guaranteeing all the liabilities of that partnership and must submit the forms required by NYSE Information Memo 93-54.

(NYSE Information Memo No. 76-17, April 1992)
(NYSE Information Memo No. 93-54, December 1993) (No. 94-6, December 1994)

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(a)(2) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

(ii) Every broker or dealer subject to this paragraph (a) who clears transactions or carries customer accounts shall file Part II of Form X-17A-5 within 17 business days after the end of the calendar quarter and within 17 business days after the date selected for the annual audit of financial statements where said date is other than a calendar quarter. Certain of such brokers or dealers shall file Part IIA in lieu thereof if the nature of their business is limited as described in the instructions to Part II of Form X-17A-5.

/01 NYSE FOCUS Filing Due Dates

The NYSE requires their member and member organizations, who have chosen to file their FOCUS Part II as of a date other than the last calendar day of a month or quarter, to file their FOCUS Report 17 business days from their month-end closing date.

(NYSE Information Memo 99-22, May 1999) (No. 99-9, August 1999)

(iii) Every broker or dealer who does not clear transactions nor carry customer accounts shall file Part IIA of Form X-17A-5 within 17 business days after the end of each calendar quarter and within 17 business days after the date selected for the annual audit of financial statements where said date is other than the end of the calendar quarter.

/01 NYSE FOCUS Filing Due Dates

The NYSE requires their member and member organizations, who have chosen to file their FOCUS Part IIA as of a date other than the last calendar day of a month or quarter, to file their FOCUS Report 17 business days from their month-end closing date.

(NYSE Information Memo 99-22, May 1999) (No. 99-9, August 1999)

(iv) Upon receiving written notice from the Commission or the examining authority designated pursuant to Section 17(d) of the Act, a broker or dealer who receives such notice shall file monthly or at such times as shall be specified, Part II or Part IIA of Form X-17A-5 and such other financial or operational information as shall be required by the Commission or the designated examining authority.

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(a) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

(3) The reports provided for in this paragraph (a) shall be considered filed when received at the Commission's principal office in Washington, D.C. and the regional office of the Commission for the region in which the broker or dealer has its principal place of business. All reports filed pursuant to this paragraph (a) shall be deemed to be confidential.

(4) The provisions of subparagraphs (2) and (3) of paragraph (a) shall not apply to a member of a national securities exchange or a registered national securities association if said exchange or association maintains records containing the information required by Part I, Part II or Part IIA of Form X-17A-5 as to such member, and transmits to the Commission a copy of the applicable parts of Form X-17A-5 as to such member, pursuant to a plan, procedures and provisions of which have been submitted to and declared effective by the Commission. Any such plan filed by a national securities exchange or a registered national securities association may provide that when a member is also a member of one or more national securities exchanges, or of one or more national securities exchanges and a registered national securities association, the information required to be submitted with respect to any such member may be submitted by only one specified national securities exchange or registered national securities association. For the purposes of this rule, a plan filed with the Commission by a national securities exchange or a registered national securities association shall not become effective unless the Commission, having due regard for the fulfillment of the Commission's duties and responsibilities under the provisions of the Act, declares the plan to be effective. Further, the Commission, in declaring any such plan effective, may impose such terms and conditions relating to the provisions of the plan and the period of its effectiveness as may be deemed necessary or appropriate in the public interest, for the protection of investors, or to carry out the Commission's duties and responsibilities under the Act.

(5) Each broker or dealer that computes certain of its capital charges in accordance with § 240.15c3-1e must file the following additional reports:

(i) Within 17 business days after the end of each month that is not a quarter, as of month-end:

(A) For each product for which the broker or dealer calculates a deduction for market risk other than in accordance with § 240.15c3-1e(b)(1) or (b)(3), the product category and the amount of the deduction for market risk;

(B) A graph reflecting, for each business line, the daily intra-month VaR;

(C) The aggregate value at risk for the broker or dealer;

(D) For each product for which the broker or dealer uses scenario analysis, the product category and the deduction for market risk;

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(a)(5)(i) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

(E) Credit risk information on derivatives exposures, including:

(1) Overall current exposure;

(2) Current exposure (including commitments) listed by counterparty for the 15 largest exposures;

(3) The 10 largest commitments listed by counterparty;

(4) The broker or dealer's maximum potential exposure listed by counterparty for the 15 largest exposures;

(5) The broker or dealer's aggregate maximum potential exposure;

(6) A summary report reflecting the broker or dealer's current and maximum potential exposures by credit rating category; and

(7) A summary report reflecting the broker or dealer's current exposure for each of the top ten countries to which the broker or dealer is exposed (by residence of the main operating group of the counterparty); and

(F) Regular risk reports supplied to the broker's or dealer's senior management in the format described in the application; and

(ii) Within 17 business days after the end of each quarter:

(A) Each of the reports required to be filed in paragraph (a)(5)(i) of this section;

(B) A report identifying the number of business days for which the actual daily net trading loss exceeded the corresponding daily VaR; and

(C) The results of backtesting of all internal models used to compute allowable capital, including VaR and credit risk models, indicating the number of backtesting exceptions.

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(a) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

(6) Upon written application by a broker or dealer to its designated examining authority, the designated examining authority may extend the time for filing the information required by this paragraph (a). The designated examining authority for the broker or dealer shall maintain, in the manner prescribed in 17a-1, a record of each extension granted.

/01 FOCUS Extension Request

Members and member organizations for which the Exchange is the DEA should use the procedures outlined below when requesting extensions. Members and member organizations for which the Exchange is not the DEA should submit extension requests to their respective DEA and supply a copy to the Exchange.

A member or member organization requesting an extension for a FOCUS Report should notify their Finance Coordinator by telephone and follow-up with a written request to the Exchange signed by the Chief Financial Officer (CFO) or, if the CFO is unable to sign, another senior officer or partner. An extension request should be made at least three (3) business days prior to the FOCUS Report due date and no extension request will be accepted after the due date. The written request should provide the following information:

1. The amount of time requested on the extension;

2. The specific reason(s) the extension is being requested and details on the steps being taken to resolve any problems which led to the request. FOCUS Report extensions as of the annual audit date will not be granted unless extreme hardship can be demonstrated;

3. A statement that the books and records are current, that the organization is in compliance with SEA Rules 15c3-1 and 15c3-3, CFTC Regulations 1.20 and 30.7 and that there are no operational problems at the organization; and

4. A pro forma capital position that includes net worth, net capital, excess net capital, aggregate debit items/aggregate indebtedness, current month's net profit or loss and NYSE Rule 326 capital percentage/ratio.

(NYSE Information Memo 93-45, October 1993) (No. 94-6, December 1994)

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(b) REPORTS FILED UPON TERMINATION OF MEMBERSHIP

(1) If a broker or dealer holding any membership interest in a national securities exchange or registered national securities association ceases to be a member in good standing of such exchange or association, such broker or dealer shall, within two business days after such event, file with the Commission Part II or Part IIA of Form X-17A-5 as determined by the standards set forth in paragraphs (a)(2)(ii) and (iii) of this section as of the date of such event. The report shall be filed at the Commission's principal office in Washington, D.C., and with the regional office of the Commission for the region in which the broker or dealer has its principal place of business: *Provided, however*, that such report need not be made or filed if the Commission, upon written request or upon its own motion, exempts such broker or dealer, either unconditionally or on specified terms and conditions, from such requirement: *Provided, further,* that the Commission may, upon request of the broker or dealer, grant extensions of time for filing the report specified herein for good cause shown.

/01 Extension Request on Filing Final FOCUS Report Upon Termination of Membership

Members and member organizations of the New York Stock Exchange ("NYSE") should use the procedures outlined below when requesting an extension for filing the final FOCUS Report upon termination of its NYSE membership. Members and member organizations terminating its membership with other Self-Regulatory Organizations ("SRO") should contact the respective SRO regarding their procedures for requesting an extension.

A member or member organization of the NYSE requesting an extension for filing the final FOCUS Report upon termination of its NYSE membership should notify their Finance Coordinator by telephone and follow-up with a written request to the NYSE, signed by the Chief Financial Officer ("CFO") or, if the CFO is unable to sign, another authorized senior officer or partner. An extension request should be made prior to the termination of membership date.

The written request to the NYSE should provide the following information:

1. The amount of time requested on the extension;

2. The specific reason(s) for which the extension is being requested and details on the steps being taken to resolve any problems which led to the request; and

3. A statement that the member or member organization is not in violation of the applicable requirements specified in SEA Rules 15c3-1 and 15c3-3 under the Exchange Act, is not experiencing any significant financial, operational or record keeping problems, and is in compliance with the other applicable rules of the Commission and each self-regulatory organization of which it is a member.

(SEC Staff to NYSE) (No. 04-3, June 2004)

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(b) REPORTS FILED UPON TERMINATION OF MEMBERSHIP (continued)

(2) Attached to the report required by subparagraph (1) of this paragraph shall be an oath or affirmation that to the best knowledge and belief of the individual making such oath or affirmation the information contained in the report is true and correct. The oath or affirmation shall be made before a person duly authorized to administer such oath or affirmation. If the broker or dealer is a sole proprietorship, the oath or affirmation shall be made by the proprietor; if a partnership, by a general partner; or if a corporation, by the chief executive officer, or in his absence, by the person authorized to act in his place.

(3) For the purposes of this paragraph (b), "membership interest" shall include the following: full membership, allied membership, associated membership, floor privileges, and any other interest that entitles a broker or dealer to the exercise of any privilege on an exchange or with an association.

(4) For the purposes of this paragraph (b), any broker or dealer shall be deemed to have ceased to be a member in good standing of such exchange or association when he has resigned, withdrawn, or been suspended or expelled from a membership interest in such exchange or association, or has directly or through any associated person sold or entered into an agreement for the sale of a membership interest which would on consummation thereof result in the termination of the broker's or dealer's membership interest in such exchange or association.

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(b) REPORTS FILED UPON TERMINATION OF MEMBERSHIP (continued)

(5) Whenever any national securities exchange or registered national securities association takes any action which causes any broker or dealer which is a member of such exchange or association to cease to be a member in good standing of such exchange or association or when such exchange or association learns of any action by such member or any other person which causes such broker or dealer to cease to be a member in good standing of such exchange or association, such exchange or association shall report such action promptly to the Commission, furnishing information as to the circumstances surrounding the event, and shall send a copy of such notification to the broker or dealer and notify such broker or dealer of its responsibilities under this paragraph (b).

(6) Any broker or dealer who is required to file a report pursuant to this paragraph (b) by virtue of terminating its membership interest in a self-regulatory organization other than the examining authority designated pursuant to Section 17(d) of the Act may seek an exemption from the requirement to file such report by submitting a written request to the Commission no later than 5 business days prior to the date of termination of the membership interest. Such request shall contain the following information:

(i) An indication as to whether the broker or dealer is in violation of the applicable requirements specified in 15c3-1 or 15c3-3;

(ii) An indication as to whether the broker or dealer is experiencing any significant financial, operational or record keeping problems;

(iii) An affirmation that the broker or dealer is in compliance with applicable rules of the Commission and each self-regulatory organization of which the broker or dealer is a member, setting forth in detail the circumstances surrounding any violations of such rules.

(iv) A detailed description of the reasons for the requested exemption.

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(c) CUSTOMER STATEMENTS

(1) Who Must Furnish the Statements

Every broker or dealer shall file with the Commission at its principal office in Washington, D.C., with the regional office of the Commission for the region in which the broker or dealer has its principal place of business, and with each national securities exchange and registered national securities association of which it is a member, and shall send to its customers the statements prescribed by subparagraphs (2) and (3) of this paragraph (c), except as provided in paragraph (c)(5) of this section or if the activities of such broker or dealer are limited to any one or combination of the following and are conducted in the manner prescribed herein:

(i) As introducing broker or dealer, the forwarding of all the transactions of his customers to a clearing broker or dealer on a fully disclosed basis: *Provided*, that such clearing broker or dealer reflects such transactions on its books and records in accounts it carries in the names of such customers and that the introducing broker or dealer does not hold funds or securities for, or owe funds or securities to, customers other than funds and securities promptly forwarded to the clearing broker or dealer or to customers;

(ii) The prompt forwarding of subscriptions for securities to the issuer, underwriter or other distributor of such securities and of receiving checks, drafts, notes, or other evidences of indebtedness payable solely to the issuer, underwriter or other distributor who delivers the security directly to the subscriber or to a custodian bank, if the broker or dealer does not otherwise hold funds or securities for, or owe money or securities to, customers;

(iii) The sale and redemption of redeemable shares of registered investment companies or the solicitation of shares account of savings and loan associations in the manner contemplated by the $2,500 minimum net capital requirement of Rule 15c3-1 or the offering to extend any credit to or participate in arranging a loan for a customer to purchase insurance in connection with the sale of redeemable shares of registered investment companies; or

(iv) Conduct which would exempt the broker or dealer from the provisions of Rule 17a-13 by reason of the provisions of paragraph (a) of that rule.

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(c) CUSTOMER STATEMENTS (continued)

(2) Audited Statements to be Furnished

Audited statements shall be furnished within 105 days after the date of the audited financial statements required by paragraph (d) of this section. The statements may be furnished 30 days after that time limit has expired if the broker or dealer sends them with the next mailing of the broker's or dealer's quarterly customer statements of account. In that case, the broker or dealer must include a statement in that mailing of the amount of the broker's or dealer's net capital and its required net capital in accordance with §240.15c3-1, as of a fiscal month end that is within the 75-day period immediately preceding the date the statements are sent to customers. The audited statements shall include the following:

(i) A balance sheet with appropriate notes prepared in accordance with generally accepted accounting principles which shall be audited if the financial statements furnished in accordance with paragraph (d) of this rule are required to be certified;

(ii) Footnote containing a statement of the amount of the broker's or dealer's net capital and its required net capital, computed in accordance with Rule 15c3-1. Such statement shall include summary financial statements of subsidiaries consolidated pursuant to Appendix C of Rule 15c3-1, where material, and the effect thereof on the net capital and required net capital of the broker or dealer.

(iii) If in connection with the most recent annual audit report pursuant to Rule 17a-5, the independent accountant commented on any material inadequacies in accordance with paragraphs (g) and (h), and rule 17a-11(e), there shall be a statement by the broker or dealer that a copy of such report and comments is currently available for the customer's inspection at the principal office of the Commission in Washington, D.C., and the regional office of the Commission for the region in which the broker or dealer has its principal place of business; and

(iv) A statement indicating that the Statement of Financial Condition of the most recent annual audit report of the broker or dealer pursuant to Rule 17a-5 is available for examination at the principal office of the broker or dealer, and at the regional office of the Commission for the region in which the broker or dealer has its principal place of business.

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(c)(2)(iv) CUSTOMER STATEMENTS (continued)

/01 Additional Time on Sending Audited and Unaudited Statements to Customers

A broker-dealer can elect to send the 17a-5(c) statements to its customers after the expiration of the time period required by 17a-5(c)(2) and 17a-5(c)(3) provided the broker-dealer:

1. Includes the 17a-5(c) statements with the next mailing of the quarterly customer account statements after the date the financial statements would otherwise have been required to be sent to customers under the Rule, and

2. Includes a footnote in the 17a-5(c) statements disclosing the appropriate net capital information as of a fiscal month end that is within the 75-day period immediately preceding the date the statements are sent to customers. This relief is also extended to a broker-dealer who elects to send to its customers only the footnotes regarding its net capital and certain other financial information rather than its entire 17a-5(c) statement in compliance with Exchange Act Release No. 42222.

(SEC Letter to SIA Capital Committee, February 26, 2001)
(No. 02-3, February 2002)

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(c) CUSTOMER STATEMENTS (continued)

(3) Unaudited Statements To Be Furnished

Unaudited statements dated 6 months from the date of the audited statements required to be furnished by paragraphs (c)(1) and (2) of this section shall be furnished within 65 days after the date of the unaudited statements. The unaudited statements may be furnished 70 days after that time limit has expired if the broker or dealer sends them with the next mailing of the broker's or dealer's quarterly customer statements of account. In that case, the broker or dealer must include a statement in that mailing of the amount of the broker's or dealer's net capital and its required net capital in accordance with §240.15c3-1, as of a fiscal month end that is within the 75-day period immediately preceding the date the statements are sent to customers. The unaudited statements shall contain the information specified in paragraphs (c)(2)(i) and (ii) of this section.

/01 Requirement to Furnish Unaudited Statements to Customers – (Rescinded, No. 02-3)

/02 Furnishing of "Customer Statements"

The term "customer" includes not only those persons for or with whom the broker-dealer effected a transaction in a particular month but also any person for whom the broker-dealer holds securities for safekeeping or as collateral or for whom the broker-dealer carries a free credit balance in that particular month.

The broker-dealer may choose to send statements to customers (defined in SEA Rule 17a-5(c)(4)) of record during any of the following time periods:

1. The month of the balance sheet date (i.e. financial statement date), if it is at month-end;

2. If the balance sheet is not at month end, the 30 day period preceding the balance sheet date;

3. Any month following the balance sheet date if that month is the month in which the statements are mailed, if it is at month end;

4. If the date the statements are mailed is not at month-end, the 30 day period preceding the date on which the statements are mailed.

(SEC Letter to Cahill Gordon & Reindel, August 23, 1983)
(No. 94-6, December 1994)

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(c) CUSTOMER STATEMENTS (continued)

(4) Definition of "Customer"

For purposes of this paragraph (c), the term "customer" includes any person other than (i) another broker or dealer who is exempted by subparagraph (c)(1), (ii) a general, special or limited partner or director or officer of a broker or dealer, or (iii) any person to the extent that such person has a claim for property or funds which by contract, agreement or understanding, or by operation of law, is part of the capital of the broker or dealer or is subordinated to the claims of creditors of the broker or dealer, for or with whom a broker or dealer has effected a securities transaction in a particular month, which month shall be either the month preceding the balance sheet date or the month following the balance sheet date in which the statement is sent. The term "customer" also includes any person for whom the broker or dealer holds securities for safekeeping or as collateral or for whom the broker or dealer carries a free credit balance in the month in which customers are determined for purposes of this paragraph (c).

(5) Exemption From Sending Certain Financial Information To Customers

A broker or dealer is not required to send to its customers the statements prescribed by paragraphs (c)(2) and (c)(3) of this section if the following conditions are met:

(i) The broker or dealer semi-annually sends its customers, at the times it otherwise is required to send its customers the statements prescribed by paragraphs (c)(2) and (c)(3) of this section, a financial disclosure statement that includes:

(A) The amount of the broker's or dealer's net capital and its required net capital in accordance with §240.15c3-1, as of the date of the statements prescribed by paragraphs (c)(2) and (c)(3) of this section;

(B) To the extent required under paragraph (c)(2)(ii) of this section, a description of the effect on the broker's or dealer's net capital and required net capital of the consolidation of the assets and liabilities of subsidiaries or affiliates consolidated pursuant to Appendix C of §240.15c3-1; and

(C) Any statements otherwise required by paragraphs (c)(2)(iii) and (iv) of this section.

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(c)(5) CUSTOMER STATEMENTS (continued)

(ii) The financial disclosure statement is given prominence in the materials delivered to customers of the broker or dealer and includes an appropriate caption stating that customers may obtain the statements prescribed by paragraphs (c)(2) and (c)(3) of this section, at no cost, by:

(A) Accessing the broker's or dealer's website at the specified Internet Uniform Resource Locator (URL); or

(B) Calling the broker's or dealer's specified toll-free telephone number.

(iii) Not later than 90 days after the date of the audited statements prescribed by paragraph (c)(2) of this section and not later than 75 days after the date of the unaudited statements prescribed by paragraph (c)(3) of this section, the broker or dealer publishes the statements on its website, accessible by hyperlinks in either textual or button format, which are separate, prominent links, are clearly visible, and are placed in each of the following locations:

(A) On the broker's or dealer's website home page; and

(B) On each page at which a customer can enter or log on to the broker's or dealer's website; and

(C) If the websites for two or more brokers or dealers can be accessed from the same home page, on the home page of the website of each broker or dealer.

(iv) The broker or dealer maintains a toll-free telephone number that customers can call to request a copy of the statements prescribed by paragraphs (c)(2) and (c)(3) of this section.

(v) If a customer requests a copy of the statements prescribed by paragraphs (c)(2) and (c)(3) of this section, the broker or dealer sends it promptly at no cost to the customer.

(vi) During the year prior to the date of the statements prescribed by paragraphs (c)(2) and (c)(3) of this section, the broker or dealer was not required by paragraph (e) of §240.17a-11 to give notice and transmit a report to the Commission.

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(d) ANNUAL FILING OF AUDITED FINANCIAL STATEMENTS

(1)(i) Every broker or dealer registered pursuant to section 15 of the Act shall file annually, on a calendar or fiscal year basis, a report which shall be audited by an independent public accountant. Reports pursuant to this paragraph (d) shall be as of the same fixed or determinable date each year, unless a change is approved in writing by the designated examining authority for the broker or dealer. A copy of such written approval should be sent to the regional or district office of the Commission for the region or district in which the broker or dealer has its principal place of business.

(ii) A broker or dealer succeeding to and continuing the business of another broker or dealer need not file a report under this paragraph as of a date in the fiscal or calendar year in which the succession occurs if the predecessor broker or dealer has filed a report in compliance with this paragraph as of a date in such fiscal or calendar year.

(iii) A broker or dealer which is a member of a national securities exchange and has transacted a business in securities solely with or for other members of a national securities exchange, and has not carried any margin account, credit balance or security for any person who is defined as a "customer" in paragraph (c)(4) of this section, shall not be required to file a report under this paragraph.

/01 Exemption from filing Annual Audit Report

The exemption is limited to specialists, market makers and floor brokers which have no contact with the public and are subject to close daily supervision by an exchange.

(SEC Letter to Kelley, Drye & Warren, March 1983) (No. 94-6, December 1994)

(2) The annual audited report shall contain a Statement of Financial Condition (in a format and on a basis which is consistent with the totals reported on the Statement of Financial Condition contained in Form X-17A-5), Part II or Part IIA, a Statement of Income, a Statement of Changes in Financial Position, a Statement of Changes in Stockholders' or Partners' or Sole Proprietor's Equity, and Statement of Changes in Liabilities Subordinated to Claims of General Creditors. Such statements shall be in a format and on a basis which is consistent with such statements as contained in Form X-17A-5 Part II or Part IIA. If the Statement of Financial Condition filed in accordance with instructions to Form X-17A-5, Part II or Part IIA, is not consolidated, a summary of financial data, including the assets, liabilities, and net worth or stockholders' equity, for subsidiaries not consolidated in the Part II or Part IIA Statement of Financial Condition as filed by the broker or dealer should be included in the notes to the consolidated statement of financial condition reported on by the independent public accountant.

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(d) ANNUAL FILING OF AUDITED FINANCIAL STATEMENTS (continued)

(3) Supporting schedules shall include, from Part II or Part IIA of Form X-17A-5, a Computation of Net Capital Under Rule 15c3-1, a Computation for Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3 and Information Relating to the Possession or Control Requirements Under Rule 15c3-3, and shall be filed with said report.

(4) A reconciliation, including appropriate explanations, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3 in the audit report with the broker's or dealer's corresponding unaudited most recent Part II or Part IIA filing shall be filed with said report when material differences exist. If no material differences exist, a statement so indicating shall be filed.

/01 Reconciliation of FOCUS Report to the Annual Audit

If a broker-dealer files an amended FOCUS report (as of its audit date) that varies materially from the original FOCUS report, a reconciliation and explanation of material differences between the amended report and the original report must be filed. The reconciliation should include at a minimum the original and amended amounts and an explanation of the differences. The audit report may be reconciled with the amended FOCUS report and a statement as to whether any material differences are noted and the date of the amended FOCUS filing must be included.

(SEC Letter to NYSE, April 24, 1987) (No. 94-6, December 1994)

(5) The annual audit report shall be filed not more than sixty (60) days after the date of the financial statements.

(6) One copy of the annual audit report shall be filed at the regional office of the Commission for the region in which the broker or dealer has its principal place of business and the principal office of the designated examining authority for said broker or dealer. Two copies of said report shall be filed at the Commission's principal office in Washington, D.C. Copies thereof shall be provided to all self-regulatory organizations of which said broker or dealer is a member.

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(e) NATURE AND FORM OF REPORTS

The financial statements filed pursuant to paragraph (d) of this rule shall be prepared and filed in accordance with the following requirements:

(1)(i) An audit shall be conducted by a public accountant who shall be in fact independent as defined in paragraph (f)(3) herein and he shall give an opinion covering the statements filed pursuant to paragraph (d): *Provided, however*, that the financial statements filed pursuant to paragraph (d) need not be audited if, since the date of the previous financial statements or report filed pursuant to 15b1-2 of this section:

(A) The securities business of such broker or dealer has been limited to acting as broker (agent) for an issuer in soliciting subscriptions for securities of such issuer, said broker has promptly transmitted to such issuer all funds and promptly delivered to the subscriber all securities received in connection therewith, and said broker has not otherwise held funds or securities for or owed money or securities to customers; or

(B) Its securities business has been limited to buying and selling evidences of indebtedness secured by mortgage, deed or trust, or other lien upon real estate or leasehold interests, and said broker or dealer has not carried any margin account, credit balance, or security for any securities customer, be dated and be signed manually, and shall include the following:

(ii) A broker or dealer who files a report which is not covered by an accountant's opinion shall include in the oath or affirmation required by paragraph (e)(2) of this rule a statement of the facts and circumstances relied upon as a basis for exemption from the requirement that financial statements and schedules filed pursuant to paragraph (d) be covered by the opinion of an accountant.

(2) Attached to the report shall be an oath or affirmation that, to the best knowledge and belief of the person making such oath or affirmation, (i) the financial statements and schedules are true and correct and (ii) neither the broker or dealer, nor any partner, officer, or director, as the case may be, has any proprietary interest in any account classified solely as that of a customer. The oath or affirmation shall be made before a person duly authorized to administer such oaths or affirmations. If the broker or dealer is a sole proprietorship, the oath or affirmation shall be made by the proprietor; if a partnership, by a general partner; or if a corporation, by a duly authorized officer.

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(e) NATURE AND FORM OF REPORTS (continued)

(3) All of the statements filed pursuant to paragraph (d) shall be public, except that if the Statement of Financial Condition in a format which is consistent with Form X-17A-5, Part II or Part IIA is bound separately from the balance of the annual audited financial statements filed pursuant to subparagraph (d)(1), the balance of the annual audited financial statements shall be deemed confidential, except that they shall be available for official use by any official or employee of the United States or any State, by national securities exchanges and registered national securities associations of which the person filing such report is a member, and by any other person to whom the Commission authorizes disclosure of such information as being in the public interest. Nothing contained in this subparagraph (3) shall be deemed to be in derogation of the rules of any registered national securities association or national securities exchange which give to customers of a member broker or dealer the right, upon request to such member broker or dealer, to obtain information relative to its financial condition.

(4) The broker or dealer shall file with the report a supplemental report which shall be covered by an opinion of the independent public accountant on the status of the membership of the broker or dealer in the Securities Investor Protection Corporation ("SIPC") if, pursuant to paragraph (e)(1) of this section, a report of the broker or dealer is required to be covered by an opinion of a certified public accountant or a public accountant who is in fact independent. The supplemental report shall cover the SIPC annual general assessment reconciliation or exclusion from membership forms not previously reported on under this paragraph (4) which were required to be filed on or prior to the date of the report required by paragraph (d) of this section: *Provided* that the broker or dealer need not file the supplemental report on the SIPC annual general assessment reconciliation or exclusion from membership form for any period during which the SIPC assessment is a minimum assessment as provided for in Section 4(d)(1)(c) of the Securities Investor Protection Act of 1970, as amended.

The supplemental report, an original of which shall be submitted to the regional office of the Commission for the region in which the broker or dealer has its principal place of business, the Commission's principal office in Washington, the principal office of the designated examining authority for such broker or dealer and the office of SIPC, shall be bound separately, be dated and be signed manually, and shall include the following:

(i) A schedule of assessment payments also showing any overpayments applied and overpayments carried forward including: payment dates, amounts, and name of SIPC collection agent to whom mailed, or

(ii) If exclusion from membership was claimed, a statement that the broker or dealer qualified for exclusion from membership under the Securities Investor Protection Act of 1970, and the date and name of the SIPC collection agent with whom a Certification of Exclusion from Membership (Form SIPC-3) was filed, and

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(e)(4) NATURE AND FORM OF REPORTS (continued)

(iii) An accountant's report which shall state that in the accountant's opinion either the assessments were determined fairly in accordance with applicable instructions and forms, or that a claim for exclusion from membership was consistent with income reported. If exceptions are noted, the accountant shall state any corrective action taken or proposed. The accountant's review on which his report is based shall include as a minimum the following procedures:

(A) Comparison of listed assessment payments with respective cash disbursements record entries;

(B) For all or any portion of a fiscal year ending in 1976 and each fiscal year thereafter, comparison of amounts reflected in the annual report required by paragraph (d) of this section, with amounts reported in the Annual General Assessment Reconciliation (Form SIPC-7);

(C) Comparison of adjustments reported in Form SIPC-7 with supporting schedules and working papers supporting adjustments;

(D) Proof of arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the schedules and working papers supporting adjustments; and,

(E) Comparison of the amount of any overpayment applied with the Form SIPC-7 on which it was computed; or,

(F) If exclusion from membership is claimed, the accountant shall review the annual report required by paragraph (d) of this section for all or any portion of a fiscal year ending in 1976 and each fiscal year thereafter to ascertain that the Certification of Exclusion from Membership (Form SIPC-3) was consistent with the income reported.

/01 Supplemental SIPC Report Exemption

Broker-dealers do not have to file the supplemental SIPC report required by SEA Rule 17a-5(e)(4) provided that they are members of SIPC and report $500,000 or less in gross revenues in their annual audited statement of income filed pursuant to SEA Rule 17a-5(d).

(SEC Letter to SIPC, January 9, 1989) (No. 94-6, December 1994)

/02 SIPC Reports Exemption for Guaranteed Subsidiary

The SEC has granted relief to a guaranteed subsidiary from the filing of the SIPC supplemental report and the accompanying opinion of an independent public accountant based on the fact that it was registered as a broker-dealer and its financial statements were consolidated with those of its parent.

(SEC Letter to First Boston (Puerto Rico), Inc., February 2, 1990) (No. 94-6, December 1994)

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(e) NATURE AND FORM OF REPORTS (continued)

(5)(i) For purposes of this section, the term Year 2000 Problem shall include problems arising from:

(A) Computer software incorrectly reading the date "01/01/00" as being the year 1900 or another incorrect year;

(B) Computer software incorrectly identifying a date in the Year 1999 or any year thereafter;

(C) Computer software failing to detect that the Year 2000 is a leap year; or

(D) Any other computer software error that is directly or indirectly caused by the problems set forth in paragraph (e)(5)(i)(A), (B), or (C) of this section.

(ii)(A) No later than August 31, 1998, every broker or dealer required to maintain minimum net capital pursuant to § 240.15c3-1(a)(2) of $5,000 or greater as of July 15, 1998, shall file Part I of Form BD-Y2K (§ 249.618 of this chapter) prepared as of July 15, 1998, and no later than April 30, 1999, every broker or dealer required to maintain minimum net capital pursuant to § 240.15c3-1(a)(2) of $5,000 or greater as of March 15, 1999, shall file Part I of Form BD-Y2K prepared as of March 15, 1999.

(B) Every broker or dealer that registers pursuant to section 15 of the Act between July 16, 1998 and December 31, 1998 or between March 16, 1999 and October 1, 1999, and that is required to maintain net capital pursuant to § 240.15c3-1(a)(2) of $5,000 or greater, shall file Part I of Form BD-Y2K (§ 249.18 of this chapter) no later than 30 days after its registration becomes effective. Part I of Form BD-Y2K shall be prepared as of the date its registration became effective.

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(e)(5) NATURE AND FORM OF REPORTS (continued)

(iii)(A) No later than August 31, 1998, every broker or dealer with a minimum net capital requirement pursuant to § 240.15c3-1(a)(2) of $100,000 or greater as of July 15, 1998 shall file Part II of Form BD-Y2K (§ 249.618 of this chapter). Part II of Form BD-Y2K shall address each topic in paragraph (e)(5)(iv) of this section as of July 15, 1998.

(B) No later than April 30, 1999, every broker or dealer with a minimum net capital requirement pursuant to § 240.15c3-1(a)(2) of $100,000 or greater as of March 15, 1999 shall file Part II of Form BD-Y2K (§ 249.618 of this chapter). In addition, each broker or dealer subject to paragraph (e)(5)(iii)(A) of this section shall file Part II of Form BD-Y2K pursuant to this paragraph (e)(5)(iii)(B) regardless of its minimum net capital requirement. Part II of Form BD-Y2K shall address each topic in paragraph (e)(5)(iv) of this section as of March 15, 1999.

(C) Every broker or dealer that registers pursuant to section 15 of the Act between July 15, 1998 and December 31, 1998 or between March 16, 1999 and October 1, 1999, and that is required to maintain net capital pursuant to § 240.15c3-1(a)(2) of $100,000 or greater, shall file Part II of Form BD-Y2K (§ 249.18 of this chapter) no later than 30 days after registration becomes effective. Part II of Form BD-Y2K shall address each topic in paragraph (e)(5)(iv) of this section as of the effective date of its registration.

(iv) Part II of Form BD-Y2K (§ 249.618 of this chapter) prepared pursuant to paragraph (e)(5)(iii) of this section shall identify a specific person or persons that are available to discuss the contents of the report and shall include a discussion of the following:

(A) Whether the board of directors (or similar body) of the broker or dealer has approved and funded plans for preparing and testing its computer systems for Year 2000 Problems;

(B) Whether the plans of the broker or dealer exist in writing and address all mission critical computer systems of the broker or dealer wherever located throughout the world;

(C) Whether the broker or dealer has assigned existing employees, hired new employees, or engaged third parties to provide assistance in addressing Year 2000 Problems, and if so, a description of the work that these groups of individuals have performed as of the date of each report;

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(e)(5)(iv) NATURE AND FORM OF REPORTS (continued)

(D) The current progress of the broker or dealer on each stage of preparation for potential problems caused by Year 2000 Problems. These stages are:

(1) Awareness of potential Year 2000 Problems;

(2) Assessment of what steps the broker or dealer must take to address Year 2000 Problems;

(3) Implementation of the steps needed to address Year 2000 Problems;

(4) Internal testing of software designed to address Year 2000 Problems, including the number and a description of the material exceptions resulting from such testing that are unresolved as of the reporting date;

(5) Point-to-point or industry-wide testing of software designed to address Year 2000 Problems (including testing with other brokers or dealers, other financial institutions, and customers), including the number and a description of the material exceptions resulting from such testing that are unresolved as of the reporting date; and

(6) Implementation of tested software that will address Year 2000 Problems;

(E) Whether the broker or dealer has written contingency plans in the event, that after December 31, 1999, it has problems caused by Year 2000 Problems;

(F) What levels of management of the broker or dealer are responsible for addressing potential problems caused by Year 2000 Problems, including a description of the responsibilities for each level of management regarding the Year 2000 Problems;

(G) Any additional material information concerning its management of Year 2000 Problems that will help the Commission and the designated examining authorities assess the readiness of the broker or dealer for the Year 2000.

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(e)(5) NATURE AND FORM OF REPORTS (continued)

(v) The broker or dealer shall file an original and two copies of Form BD-Y2K (§ 249.618 of this chapter) prepared pursuant to paragraph (e)(5) of this section with the Commission's principal office in Washington, D.C. and one copy of Form BD-Y2K with the designated examining authority of the broker or dealer. The reports required by paragraph (e)(5) of this section shall be public.

(vi) No later than April 30, 1999, every broker or dealer required to file Part II of Form BD-Y2K (§ 249.618 of this chapter) pursuant to paragraph (e)(5)(iii)(B) of this section and required to file audited financial statements pursuant to paragraph (d) of this section shall file with its Form BD-Y2K an original and two copies of a report prepared by an independent public accountant regarding the broker's or dealer's process, as of March 15, 1999, for addressing Year 2000 Problems with the Commission's principal office in Washington, D.C. and one copy of the accountant's report with the designated examining authority of the broker or dealer. The independent public accountant's report shall be prepared in accordance with standards that have been reviewed by the Commission and that have been issued by a national organization that is responsible for promulgating authoritative accounting and auditing standards.

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(f) QUALIFICATION OF ACCOUNTANTS

(1) The Commission will not recognize any person as a certified public accountant who is not duly registered in good standing as such under the laws of his place of residence or principal office. The Commission will not recognize any person as a public accountant who is not in good standing and entitled to practice as such under the laws of his place of residence or principal office.

(2) Designation of Accountant

(i) Every broker or dealer which is required by paragraph (d) of this section to file an annual report of financial statements shall file no later than December 10 of each year a statement with the Commission's principal office in Washington, D.C., the regional office of the Commission for the region in which its principal place of business is located and the principal office of the designated examining authority for such broker or dealer. Such statement shall indicate the existence of an agreement dated no later than December 1, with an independent public accountant covering a contractual commitment to conduct the broker's or dealer's annual audit during the following calendar year.

/01 Definition of Independent Accountant

The following guidelines may be used to determine if an accountant is "independent" in connection with auditing the financial statements of a client:

- The accountant must be free of any direct financial interest or any material indirect financial interest in the client.
- There are no material unpaid fees outstanding at the commencement of the audit.
- The accountant must not be involved in the maintenance of the basic accounting records or in the preparation of data upon which a client's financial statements are based.
- The accountant must not have business relationships with the client, other than as a customer in the normal course of business.
- Close relatives or other dependent relatives must not have material financial interests, business relationships or hold a supervisory position with a client.

(SEC Letter to McCauley, Nicolas & Co., March 14, 1984)
(SEC Letter to Sanville, McQuestion & Co., July 5, 1984)
(SEC Letter to Oppenheim, Appel, Dixon & Co., March 28, 1986)
(No. 94-6, December 1994)

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(f)(2) QUALIFICATION OF ACCOUNTANTS (continued)

(ii) The agreement may be of a continuing nature, providing for successive yearly audits, in which case no further filing is required. If the agreement is for a single audit, or if the continuing agreement previously filed has been terminated or amended, a new statement must be filed by the required date.

(iii) The statement shall be headed "Notice pursuant to Rule 17a-5(f)(2)" and shall contain the following information:

(A) name, address, telephone number and registration number of the broker or dealer;

(B) name, address and telephone number of the accounting firm;

(C) the audit date of the broker or dealer for the year covered by the agreement.

(iv) Any broker or dealer which is exempted from the requirement to file an annual audited report of financial statements shall nevertheless file the notice specified herein indicating the date as of which the unaudited report will be prepared.

(v) Notwithstanding the date of filing specified in subparagraph (f)(2)(i), every broker or dealer shall file the notice provided for in subparagraph (f)(2) within 30 days following the effective date of registration as a broker or dealer.

(3) Independence of Accountant

An accountant shall be independent in accordance with the provisions of Rules 2-01(b) and (c) of Regulation S-X.

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(f) QUALIFICATION OF ACCOUNTANTS (continued)

(4) Replacement of Accountant

A broker or dealer shall file a notice which must be received by the Commission's principal office in Washington, D.C., the regional office of the Commission for the region in which its principal place of business is located, and the principal office of the designated examining authority for such broker or dealer, not more than 15 business days after:

(i) The broker or dealer has notified the accountant whose opinion covered the most recent financial statements filed under paragraph (d) of this rule that his services will not be utilized in future engagements; or

(ii) The broker or dealer has notified an accountant who was engaged to give an opinion covering the financial statements to be filed under paragraph (d) that the engagement has been terminated; or

(iii) An accountant has notified the broker or dealer that he would not continue under an engagement or give an opinion covering the financial statements to be filed under paragraph (d); or

(iv) A new accountant has been engaged to give an opinion covering the financial statements to be filed under paragraph (d) without any notice of termination having been given to or by the previously engaged accountant.

Such notice shall state (a) the date of notification of the termination of the engagement or engagement of the new accountant as applicable and (b) the details of any problems existing during the 24 months (or the period of the engagement if less) preceding such termination of new engagement relating to any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedure, or compliance with applicable rules of the Commission, which problems, if not resolved to the satisfaction of the former accountant, would have caused him to make reference to them in connection with his report on the subject matter of the problems. The problems required to be reported in response to the preceding sentence include both those resolved to the former accountant's satisfaction and those not resolved to the former accountant's satisfaction. Problems contemplated by this rule are those which occur at the decision-making level - i.e., between principle financial officers of the broker-dealer and personnel of the accounting firm responsible for rendering its report. The notice shall also state whether the accountant's report on the financial statements for any of the past two years contained an adverse opinion or a disclaimer of opinion or was qualified as to uncertainties, audit scope, or accounting principles, and describe the nature of each such adverse opinion, disclaimer of opinion, or qualification. The broker or dealer shall also request the former accountant to furnish the broker or dealer with a letter addressed to the Commission stating whether he agrees with the statements contained in the notice of the broker or dealer and, if not, stating the respects in which he does not agree. The broker or dealer shall file three copies of the notice and the accountant's letter, one copy of which shall be manually signed by the sole proprietor, or a general partner or a duly authorized corporate officer, as appropriate, and by the accountant, respectively.

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(g) AUDIT OBJECTIVES

(1) The audit shall be made in accordance with generally accepted auditing standards and shall include a review of the accounting system, the internal accounting control and procedures for safeguarding securities including appropriate tests thereof for the period since the prior examination date. The audit shall include all procedures necessary under the circumstances to enable the independent public account to express an opinion on the statement of financial condition, results of operations, cash flows and the Computation of Net Capital Under Rule 15c3-1, the Computation for Determination of Reserve Requirements for Brokers or Dealers under Exhibit A of Rule 15c3-3, and Information Relating to the Possession or Control Requirements Under Rule 15c3-3. The scope of the audit and review of the accounting system, the internal control and procedures for safeguarding securities shall be sufficient to provide reasonable assurance that any material inadequacies existing at the date of the examination in (a) the accounting system; (b) the internal accounting controls; (c) procedures for safeguarding securities and (d) the practices and procedures whose review is specified in (i), (ii), (iii) and (iv) of this paragraph would be disclosed. Additionally, as specific objectives, the audit shall include reviews of the practices and procedures followed by the client:

(i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e);

(ii) in making the quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by Rule 17a-13;

(iii) in complying with the requirement for prompt payment for securities of Section 4(c) of Regulation T of the Board of Governors of the Federal Reserve System; and

(iv) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by 15c3-3. Such review shall include a determination as to the adequacy of the procedures described in the records required to be maintained pursuant to 15c3-3(d)(4).

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(g) AUDIT OBJECTIVES (continued)

(2) If the broker or dealer is exempt from Rule 15c3-3, the independent public accountant shall ascertain that the conditions of the exemption were being complied with as of the examination date and that no facts came to his attention to indicate that the exemption had not been complied with during the period since his last examination.

(3) A material inadequacy in the accounting system, internal accounting controls, procedures for safeguarding securities, and practices and procedures referred to in paragraph (g)(1) which is expected to be reported under these audit objectives includes any condition which has contributed substantially to or, if appropriate corrective action is not taken, could reasonably be expected to (i) inhibit a broker or dealer from promptly completing securities transactions or promptly discharging his responsibilities to customers, other brokers and dealers or creditors; (ii) result in material financial loss; (iii) result in material misstatements in the broker's or dealer's financial statements; or (iv) result in violations of the Commission's recordkeeping or financial responsibility rules to an extent that could reasonably be expected to result in the conditions described in paragraphs (g)(3)(i), (ii), or (iii) of this section.

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(h) EXTENT AND TIMING OF AUDIT PROCEDURES

(1) The extent and timing of audit procedures are matters for the independent public accountant to determine on the basis of his review and evaluation of existing internal controls and other audit procedures performed in accordance with generally accepted auditing standards and the audit objectives set forth in paragraph (g) above. In determining the extent of testing, consideration shall be given to the materiality of an area and the possible effect on the financial statements and schedules of a material misstatement in a related account. The performance of auditing procedures involves the proper synchronization of their application and thus comprehends the need to consider simultaneous performance of procedures in certain areas such as, for example, securities counts, transfer verification and customer and broker confirmation in connection with verification of securities positions.

(2) If, during the course of the audit or interim work, the independent public accountant determines that any material inadequacies exist in the accounting system, internal accounting control, procedures for safeguarding securities, or as otherwise defined in paragraph (g)(3) of the section, then the independent public accountant shall call it to the attention of the chief financial officer of the broker or dealer, who shall have a responsibility to inform the Commission and the designated examining authority by telegraphic or facsimile notice within 24 hours thereafter as set forth in paragraphs (e) and (g) of Rule 17a-11. The broker or dealer shall also furnish the accountant with a copy of said notice to the Commission by telegraphic or facsimile within said 24 hour period. If the accountant fails to receive such notice from the broker or dealer within said 24 hour period, or if the accountant disagrees with the statements contained in the notice of the broker or dealer, the accountant shall have a responsibility to inform the Commission and the designated examining authority by report of material inadequacy within 24 hours thereafter as set forth in paragraph (g) of Rule 17a-11. Such report from the accountant shall, if the broker or dealer failed to file a notice, describe any material inadequacies found to exist. If the broker or dealer filed a notice, the accountant shall file a report detailing the aspects, if any, of the broker's or dealer's notice with which the accountant does not agree.

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(i) ACCOUNTANT'S REPORTS, GENERAL PROVISIONS

(1) Technical Requirements

The accountant's report shall: (i) be dated; (ii) be signed manually; (iii) indicate the city and state where issued; and (iv) identify without detailed enumeration the financial statements and schedules covered by the report.

(2) Representations as to the Audit

The accountant's report shall: (i) state whether the audit was made in accordance with generally accepted auditing standards; (ii) state whether the accountant reviewed the procedures followed for safeguarding securities; and (iii) designate any auditing procedures deemed necessary by the accountant under the circumstances of the particular case which have been omitted, and the reason for their omission.

Nothing in this rule shall be construed to imply authority for the omission of any procedure which independent accountants would ordinarily employ in the course of an audit made for the purpose of expressing the opinions required under this rule.

(3) Opinion to be Expressed

The accountant's report shall state clearly the opinion of the accountant: (i) in respect of the financial statements and schedules covered by the report and the accounting principles and practices reflected therein; and (ii) as to the consistency of the application of the accounting principles, or as to any changes in such principles which have a material effect on the financial statements.

(4) Exceptions

Any matters to which the accountant takes exception shall be clearly identified, the exception thereto specifically and clearly stated, and, to the extent practicable, the effect of each such exception on the related financial statements given.

(5) Definitions

For the purpose of this rule, the terms "audit" (or "examination"), "accountant's report", and "certified" shall have the meanings given in Rule 1-02 of Regulation S-X.

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(j) ACCOUNTANT'S REPORT ON MATERIAL INADEQUACIES

The broker or dealer shall file concurrently with the annual audit report a supplemental report by the accountant describing any material inadequacies found to exist or found to have existed since the date of the previous audit. The supplemental report shall indicate any corrective action taken or proposed by the broker or dealer in regard thereto. If the audit did not disclose any material inadequacies, the supplemental report shall so state.

(k) SUPPLEMENTAL REPORTS

Each broker or dealer that computes certain of its capital charges in accordance with §240.15c3-1e shall file concurrently with the annual audit report a supplemental report on management controls, which shall be prepared by a registered public accounting firm (as that term is defined in section 2(a)(12) of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7201 et seq.)). The supplemental report shall indicate the results of the accountant's review of the internal risk management control system established and documented by the broker or dealer in accordance with § 240.15c3-4. This review shall be conducted in accordance with procedures agreed upon by the broker or dealer and the registered public accounting firm conducting the review. The agreed upon procedures are to be performed and the report is to be prepared in accordance with the rules promulgated by the Public Company Accounting Oversight Board. The purpose of the review is to confirm that the broker or dealer has established, documented, and is in compliance with the internal risk management controls established in accordance with § 240.15c3-4. Before commencement of the review and no later than December 10 of each year, the broker or dealer shall file a statement with the Division of Market Regulation, Office of Financial Responsibility, at the Commission's principal office in Washington, DC that includes:

(1) A description of the agreed-upon procedures agreed to by the broker or dealer and the registered public accounting firm; and

(2) A notice describing changes in those agreed-upon procedures, if any. If there are no changes, the broker or dealer should so indicate.

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(l) USE OF CERTAIN STATEMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION

At the request of any broker or dealer who is (i) an investment company registered under the Investment Company Act of 1940, or (ii) a sponsor or depositor of such a registered investment company who effects transactions in securities only with, or on behalf of, such registered investment company, the Commission will accept the financial statements filed pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934 or Section 30 of the Investment Company Act of 1940 and the rules and regulations promulgated thereunder as a filing pursuant to paragraph (d) of this rule. Such a filing shall be deemed to satisfy the requirements of this rule for any calendar year in which such financial statements are filed, provided that the statements so filed meet the requirements of the other rules under which they are filed with respect to time of filing and content.

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(m) EXTENSIONS AND EXEMPTIONS

(1) A broker's or dealer's designated examining authority may extend the period under paragraph (d) of this section for filing annual audit reports. The designated examining authority for the broker or dealer shall maintain, in the manner prescribed in 17a-1, a record of each extension granted.

/01 Audit Extension Request

Members and member organizations for which the Exchange is the DEA should use the procedures outlined below when requesting extensions. Members and member organizations for which the Exchange is not the DEA should submit such requests to their respective DEA and supply a copy to the Exchange.

A member or member organization requesting an extension for an audited financial statement should notify their Coordinator by telephone and follow-up with a written request to the Exchange signed by the Chief Financial Officer. An extension request should be made at least ten (10) business days prior to the audit due date. The written request should provide the following information:

1. The amount of time requested on the extension;

2. The specific reason(s) the extension is being requested; and

3. A letter from the outside independent auditors in which the auditors represent that the organization is in compliance with SEA Rules 15c3-1 and 15c3-3 and CFTC Regulations 1.20 and 30.7; that an unqualified opinion is expected to be issued; and, that no material inadequacies or books and records problems exist.

(NYSE Information Memo No. 93-45, October 1993) (No. 94-6, December 1994)

(2) Any "bank" as defined in section 3(a)(6) of the Act (48 Stat. 882;15 U.S.C. 78c) and any "insurance company" as defined in Section 3(a)(19) of the Act (78 Stat. 565; 15 U.S.C. 78c) registered as a broker or dealer to sell variable contracts but exempt from Rule 15c3-1 shall be exempt from the provisions of this rule.

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(m) EXTENSIONS AND EXEMPTIONS (continued)

(3) On written request of any national securities exchange registered national securities association, broker or dealer, or on its own motion, the Commission may grant an extension of time or an exemption from any of the requirements of this rule either unconditionally or on specified terms and conditions.

/01 Exemption From Filing Initial Annual Audit Report

A broker-dealer need not apply to the Securities and Exchange Commission for relief from filing its audited annual report of financial statements required by SEA Rule 17a-5(d) for its initial audit period under the following circumstances:

1. The registration of the broker-dealer with the Commission became effective within three months of the end of its initial audit period;

2. The broker-dealer does not clear transactions, does not carry customer accounts, and is not a broker-dealer that effectuates financial transactions with customers in accordance with SEA Rule 15c3-3(k)(2)(i);

3. The broker-dealer's audited annual report for the next audit period will cover the entire period from the effective date of the broker-dealer's registration with the Commission; and

4. The broker-dealer sends notice to the Commission and to its Designated Examining Authority before its audited annual report is due that it has met the above conditions.

(SEC Letter to NYSE and NASDR, December 16, 2005) (No. 06-5, June 2006)

/011 Broker-Dealers Not Effectuating Transactions Through a Special Bank Account for the Exclusive Benefit of Customers

A broker dealer may be identified by its DEA, for classification purposes only, as a broker-dealer described under SEA Rule 15c3-3(k)(2)(i); even though the broker-dealer has not, and does not intend to, effectuate transactions with customers through a special bank account for the exclusive benefit of customers. Notwithstanding condition (b) of interpretation 17a-5(m)(3)/01, such a broker-dealer may be eligible for the relief provided in the interpretation.

(SEC Staff to NYSE and NASDR) (No. 06-5, June 2006)

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(m) EXTENSIONS AND EXEMPTIONS (continued)

(4) The provisions of § 240.17a-5 shall not apply to a broker or dealer registered pursuant to section 15(b)(11)(A) of the Act (15 U.S.C. 78o(b)(11)(A)) that is not a member of either a national securities exchange pursuant to section 6(a) of the Act (15 U.S.C. 78f(a)) or a national securities association registered pursuant to section 15A(a) of the Act (15 U.S.C. 78o-3(a)).

(n) NOTIFICATION OF CHANGE OF FISCAL YEAR

(1) In the event any broker or dealer finds it necessary to change its fiscal year it must file, with the Commission's principal office in Washington, D.C., the regional office of the Commission for the region in which the broker or dealer has its principal place of business, and the principal office of the designated examining authority for such broker or dealer, a notice of such change.

/01 "As Of" Date Changes

Members and member organization for which the Exchange is the DEA should use the procedures outlined below when requesting changes in "as of" dates. Members and member organizations for which the Exchange is not the DEA should submit such requests to their respective DEA and supply a copy to the Exchange.

A member or member organization requesting changes in the "as of" date of their audited financial statements should notify their Coordinator by telephone and follow-up with a written request, signed by the Chief Financial Officer, which provides a detailed explanation of the reason(s) for the change. A written request for an "as of" date change should be made at least ninety (90) calendar days prior to the existing "as of" date.

(NYSE Information Memo 93-45, October 1993) (No. 94-6, December 1994)

(2) Such notice shall contain a detailed explanation of the reasons for the change. Any change in the filing period for the audit report must be approved by the designated examining authority pursuant to paragraph (d)(1)(i) of this section.

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(o) FILING REQUIREMENTS

For purposes of filing requirements as described in Rule 17a-5, such filing shall be deemed to have been accomplished upon receipt at the Commission's principal office in Washington, D.C., with duplicate originals simultaneously filed at the locations prescribed in the particular paragraph of Rule 17a-5 which is applicable.

(p) COMPLIANCE WITH 240.17a-12

An OTC derivatives dealer may comply with §240.17a-5 by complying with the provisions of §240.17a-12.

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