

SUPPLEMENTAL STATEMENT OF INCOME

GENERAL INSTRUCTIONS

The Supplemental Statement of Income (SSOI) is intended to provide more detailed information about a member's revenue and expenses that are reflected on the FOCUS Report (Part II, Part IIA or Part II CSE, as appropriate). The SSOI must be filed by all FINRA members as a supplement to the FOCUS Report within 20 business days after the end of each calendar quarter. The SSOI must reflect revenue and expenses for the calendar quarter.

All revenue and expense items must be reported in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Intercompany transactions must be included on the respective lines, as if they were third party transactions, unless otherwise noted.

Related FOCUS lines are included on the SSOI for your reference only.

Each of the revenue and expense lines on the FOCUS Report has a four digit number that begins with a "3" or "4". The related line on the SSOI has a five digit number that begins with "1" and is followed by the same number from the FOCUS Report. For example, "Other revenue" on the FOCUS Report is referenced by Line 3995 and on the SSOI as Line 13995. The lines on the SSOI that are not directly related to a line on the FOCUS Report are referenced by a five digit number beginning with "11", or with an "11" or "19" on the Operational Page.

Further, each line on the SSOI that has a related line on the FOCUS Report is preceded by one of the following prefixes:

- "C" if the line is reflected on the Part II CSE of the FOCUS Report;
- "II" if the line is reflected on the Part II of the FOCUS Report;
- "IIA" if the line is reflected on the Part IIA of the FOCUS Report; and
- "A" if the line is reflected on all three versions (Part II CSE, Part II and Part IIA) of the FOCUS Report.

Subject to a reporting threshold, certain sections of the SSOI with multiple line items permit firms to report all revenue or expenses associated with a given section *on a single line*. For an applicable section, if the total revenue or expenses for that section is less than the greater of \$5,000 or 5% of Line 14030 (Total Revenue) or Line 14200 (Total Expenses), as applicable, for the reporting period, the firm may report the total on a single line. Using Section 1 (Commissions) as an example, if the firm's total commissions for the reporting period is less than the greater of \$5,000 or 5% of Line 14030 (Total Revenue) the firm may report the aggregate amount on Item M. If the firm reports on Item M, the firm may not provide a breakdown on Items A through L. If the firm's commission revenue for the reporting period is more than the reporting threshold the firm must reflect the source of the revenue using Items A through L, leaving Item M blank. Sections 1 (Commissions), 3 (Revenue from Sale of Insurance Based Products), 5 (Net Gains or Losses on Principal Trades), 7 (Interest / Rebate / Dividend Income), 9 (Fees Earned), 12 (Compensation Expenses), 13 (Commission, Clearance and Custodial Expenses), 15 (Interest and Dividend Expenses), and 17 (General, Administrative, Regulatory and Miscellaneous Expenses) permit firms to report the aggregate amount if the total revenue or expenses, as applicable, is less than the greater of \$5,000 or 5% of Line 14030 (Total Revenue) or Line 14200 (Total Expenses), as applicable. In addition, as noted on the SSOI, a firm only needs to report the three largest components of Line 13995 (Section 11, Item B, Other Revenue) if Line 13995 (Section 11, Item B, Other Revenue) is greater than both 10% of Line 14030 (Total Revenue) and \$5,000. Further, a firm only needs to report the three largest components of Line 14100 (Section 18, Item A, Other Expenses) if Line 14100 (Section 18, Item A, Other Expenses) is greater than both 10% of Line 14200 (Total Expenses) and \$5,000.

Please note that the following lines on the SSOI must equal the amounts reflected on the FOCUS Report:

<u>SSOI Line</u>	<u>FOCUS Report Line & Title (Related FOCUS Report)</u>
13940	Line 3940 Total commissions (C)
13926	Line 3926 Derivative Trading Desks - Total gains or (losses) (C)
13952	Line 3952 Gains or losses on Firm Securities Investment Accounts (C/IIA); Total realized and unrealized gains (losses) (II)
14030	Line 4030 Total revenue (A)
14200	Line 4200 Total expenses (A)

14210	Line 4210 Income (loss) before Federal income taxes and items below (A)
14220	Line 4220 Provision for Federal income taxes (for parent only) (A)
14222	Line 4222 Equity in earnings (losses) of unconsolidated subsidiaries not included above (A)
14230	Line 4230 Net income (loss) after Federal income taxes (A)
14226	Line 4226 Other comprehensive income (loss) (A)
14228	Line 4228 Comprehensive income (loss) (A)

Some lines on the SSOI apply only to certain firms. In such cases, these instructions will refer to the types of firms, or the FOCUS Report filed, as follows:

- ANC filers refer to firms that compute Net Capital in accordance with Appendix E of Rule 15c3-1 under the Securities Exchange Act of 1934 (SEA), and which utilize the Part II CSE.
- Part II filers or Part II
- Part IIA filers or Part IIA

SPECIFIC INSTRUCTIONS

Instructions are not intended to be comprehensive, but are included to provide clarity. Terms used in the SSOI shall have the same meaning as those defined in the instructions to the FOCUS Report unless otherwise specified. Where guidance or a definition is warranted to assist firms in the preparation of the SSOI, including the Operational Page, the line referenced is from the SSOI. As such, instructions are not provided for each line.

In certain instances, firms are given a choice as to which section and/or line on the SSOI to reflect revenue or expense. With respect to each of these situations, a firm must apply its approach consistently across reporting periods. Such methodology must be documented and made available to FINRA staff upon request. For ease of reference, these instructions contain the reference “[FSM]” (for firm selected methodology) to highlight areas where firms have an option on how to report and a responsibility to document their methodology.

With respect to the Specific Instructions to the SSOI, the term *customer(s)* includes any person (natural or otherwise), other than a broker or dealer, with whom the member has engaged, or has sought to engage, in securities activities.

REVENUE

1. Commissions

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item M, leaving Items A through L blank.

With respect to this section, in cases where a transaction is subject to SEA Rule 10b-10, any remuneration that would need to be disclosed (either in writing at or before completion of a transaction on the confirmation, or made available to the customer on request) would be a “commission” for SSOI reporting purposes. For products in this section not subject to SEA Rule 10b-10, firms must report revenue in this section when they have engaged in the transaction as an agent. Costs to the broker-dealer associated with soft dollar, rebate or recapture payments must be reflected in the Expense section of the SSOI. Net gains or losses from transactions made by the broker-dealer when acting as principal, or riskless principal, must be reported in Section 5 (Net Gains or Losses on Principal Trades) of the SSOI.

This section includes commissions related to the referenced products, as follows:

Line 11001 (U.S. Government and Agencies) – Include commissions from the sale of debt of the U.S. government or U.S. government agencies. Commissions from sales of mortgage-backed securities issued by U.S. government agencies must be reported on Line 11004 (Mortgage-Backed and Other Asset-Backed Securities).

Line 11004 (Mortgage-Backed and Other Asset-Backed Securities) – Include commissions from private label asset-backed securities as well as government agency asset-backed securities.

Line 11005 (Municipals) – Include commissions from the sale of municipal securities, including 529 plans.

Line 11006 (OTC Options) – Commissions from the sale of options contracts other than those executed on a recognized exchange.

Line 13939 (All Other Securities Commissions) – Include commissions from the sale of unlisted equities.

Line 13991 (Commodity Transactions) – This line is to be used by ANC filers only. All other broker-dealers must report commodities related commissions on Line 13990 (Commodities Revenue) in Section 10 (Commodities Revenue).

Line 11007 (Foreign Exchange) – This line is to be used by Part II and Part IIA filers only. For purposes of the SSOI, Foreign Exchange refers to any account, agreement, contract or transaction in foreign currency that is offered or entered into by a member and is not executed on or subject to the rules of a contract market registered pursuant to Section 5 of the Commodity Exchange Act or a national securities exchange. If Foreign Exchange was assessed a commission, such commission must be reflected on this line. Any other revenue derived from Foreign Exchange must be reported on Line 13902 (Foreign Exchange) in Section 5 (Net Gains or Losses on Principal Trades).

Line 11008 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Revenue) – As noted above, this section allows aggregate reporting if the aggregate amount for the revenue category meets the reporting threshold as described in the General Instructions.

Line 11009 (Is any portion of Item M related to municipal securities?) – If the firm has reported revenue on Item M, the firm must complete Line 11009. Municipal securities include 529 plans.

Note to Part II and Part IIA filers: Line 13940 (Total Commissions) will equal Line 3940 (Total securities commissions) if the firm did not have commissions from foreign exchange transactions during the reporting period.

2. Revenue from Sale of Investment Company Shares

This section includes revenue earned from assisting in or facilitating the purchase or sale of the referenced instruments.

Line 13970 (Revenue from Sale of Investment Company Shares) – Include concessions earned from the sales of open-end mutual funds that contain a load. Include commissions charged on transactions in no-load funds. Firms may include revenue from UITs to the extent they are open-end companies. 12b-1 fees must be reported on Line 11094 (12b-1 Fees) in Section 9 (Fees Earned). All other mutual fund revenue must be reported on Line 11095 (Mutual Fund Revenue other than Concessions or 12b-1 Fees) in Section 9 (Fees Earned).

3. Revenue from Sale of Insurance Based Products

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item C, leaving Items A and B blank.

Line 11020 (Sale of Variable Contracts) – Include revenue from any variable annuity or any other financial instrument that contains an insurance and security component.

Line 11021 (Non-Securities Insurance Based Products) – Includes but is not limited to fixed annuities.

Line 11022 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Revenue) – As noted above, this section allows aggregate reporting if the aggregate amount for the revenue category meets the reporting threshold as described in the General Instructions.

4. Gains or Losses on Derivative Trading Desks

This section aligns with the related section on the FOCUS Report Part II CSE. ANC filers must use this section of the SSOI to report revenue, and only ANC filers should use this section. All other firms must report trading gains/losses in Section 5 (Net Gains or Losses on Principal Trades).

Total return swaps must be included on the line that reflects the nature of the underlying asset.

5. Net Gains or Losses on Principal Trades

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item O, leaving Items A through N blank.

To be included in this section:

- All realized and unrealized gains and losses resulting from proprietary trading and market making activities in the referenced securities and contract instruments.
- Net gains or losses from “riskless” principal transactions.

Net gains or losses from:

- Fixed income instruments with a foreign currency component must be reported as fixed income.
- Transactions in TBAs must be reported on the line relating to the underlying product.
- Transactions in forward contracts must be reported on the line relating to the underlying product.

[FSM]: Firms may include related hedges in this section. Firms electing to include related hedges must report gains or losses from hedges on the line of the instrument being hedged in accordance with a consistently applied methodology selected by the firm. For example, if a firm is hedging government securities and corporate debt, the firm may report the aggregated transaction in either of these two categories. However, firms' classification methodology with respect to including hedges must be consistent from one reporting period to the next for similar transactions.

[FSM]: Firms may include interest and dividends earned on the instrument traded in this section or in Section 7 (Interest / Rebate / Dividend Income).

Note to Part II filers: Line 3941 (Gains or losses on firm securities trading accounts from market making in over-the-counter equity securities) is not brought forward from the FOCUS Report to the SSOI. Firms are expected to report revenue from these lines into one or more of the classifications in Section 5 (Net Gains or Losses on Principal Trades) of the SSOI as appropriate.

Note to Part IIA filers: Lines 3945 (Gains or losses on firm securities trading accounts from market making in options on a national securities exchange) and 3949 (Gains or losses on firm securities trading accounts from all other trading) are not brought forward from the FOCUS Report to the SSOI. Firms are expected to report revenue from these lines into one or more of the classifications in Section 5 (Net Gains or Losses on Principal Trades) of the SSOI as appropriate.

Note to Part II CSE filers: Lines 11032 (U.S. Government and Agencies), 11034 (Foreign Sovereign Debt), 11036 (Corporate Debt), 11038 (Mortgage-Backed and Other Asset-Backed Securities), and 13901 (Municipals) include a reference to C: 3901 given that the FOCUS Report Part II CSE aggregates the net gains or losses on principal trades from each of the referenced products on a single line (i.e., Line 3901, Interest Rate/Fixed Income). Part II CSE filers must reflect revenue from Line C: 3901 on the appropriate lines on the SSOI as it relates to the underlying security.

Note to All Firms: Firms are expected to reflect trading gains and losses to the extent possible across the first 13 classifications (A through M) within this Section 5 (Net Gains or Losses on Principal Trades). Revenue that cannot otherwise be reflected across the first 13 classifications may be included on Line 13951 (Other).

Line 11032 (U.S. Government and Agencies) – Include net gains or losses from the debt of the U.S. government and U.S. government agencies. Net gains or losses from mortgage-backed securities issued by U.S. government agencies must be reported on Line 11038 (Mortgage-Backed and Other Asset-Backed Securities).

Line 11038 (Mortgage-Backed and Other Asset-Backed Securities) – Include net gains or losses from private label asset-backed securities as well as government agency asset-backed securities.

Line 13902 (Foreign Exchange) – For purposes of the SSOI, Foreign Exchange refers to any account, agreement, contract or transaction in foreign currency that is offered or entered into by a member and is not executed on or subject to the rules of a contract market registered pursuant to Section 5 of the Commodity Exchange Act or a national securities exchange. If Foreign Exchange was assessed a commission, such commission must be reflected in Section 1 (Commissions) on Line 11007 (Foreign Exchange). Any other revenue derived from Foreign Exchange must be reported on this line.

Line 11042 (Securities Based Swaps) – Include net gains or losses from security-based swaps, as that term is defined in Section 3(a)(68) of the SEA.

Line 11043 (All Other Swaps) – Include net gains or losses from swaps, other than those included on Line 11042 (Securities Based Swaps).

Line 13904 (Commodity Transactions) – This line is to be used by ANC filers only. All other filers must report commodities related net gains or losses on Line 13990 (Commodities Revenue) in Section 10 (Commodities Revenue).

Line 11045 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Revenue) – As noted above, this section allows aggregate reporting if the aggregate amount for the revenue category meets the reporting threshold as described in the General Instructions.

Line 11046 (Is any portion of Item O related to municipal securities?) – If the firm has reported revenue on Item O, the firm must complete this line.

6. Capital Gains (Losses) on Firm Investments

[FSM]: Firms may include interest and dividends earned on the investment in this section, or in Section 7 (Interest / Rebate / Dividend Income).

7. Interest / Rebate / Dividend Income

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item H, leaving Items A through G blank.

Line 11060 (Securities Borrowings) and Line 11061 (Reverse Repurchase Transactions) – Include rebates and/or interest earned from such transactions.

Line 13960 (Margin Interest) – Interest earned on margin loans to customers, including customers whose accounts are cleared by the firm on a fully disclosed basis. Include amounts earned by an introducing firm from the margin interest charged by the clearing firm to its introduced customer accounts.

Line 11062 (Interest earned from customer bank sweep (FDIC insured products) programs) – Interest earned by the firm from customer funds swept into FDIC-insured products. Include interest received by an introducing firm from its carrying/clearing firm when customers that are introduced to the carrying/clearing firm on a fully disclosed basis have funds swept into such products.

Line 11063 (Interest earned from customer fund sweeps into '40 Act Investments) – Interest earned by the firm for funds swept into products offered pursuant to the Investment Company Act of 1940. Include interest received by an introducing firm from its carrying/clearing firm when customers that are introduced to the carrying/clearing firm on a fully disclosed basis have funds swept into such products.

Line 11064 (Interest and/or Dividends on Securities held in Firm Inventory (not reported in Sections 5 or 6)) – [FSM]: Interest and dividends other than those which the firm has elected to include in Sections 5 (Net Gains or Losses on Principal Trades) or 6 (Capital Gains (Losses) on Firm Investments).

Line 13953 (Other Interest) – Include interest earned on proprietary bank deposits and deposits with clearing agencies.

Line 11065 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Revenue) – As noted above, this section allows aggregate reporting if the aggregate amount for the revenue category meets the reporting threshold as described in the General Instructions.

8. Revenue from Underwritings and Selling Group Participation

For revenue from underwritings and selling group participation, include amounts earned from participating in underwritings in any capacity, e.g., lead or co-manager, selling group member, or a broker-dealer that is allocated revenue related to such offerings.

Note: If the broker-dealer has sold Certificates of Deposit (CDs) issued by an affiliate in the reporting period, the revenue earned from such sales must be recorded on Line 11126 (Total Revenue from sale of Certificates of Deposit (CDs) issued by an affiliate) in Section 11 (Other Revenue).

Line 11070 (Municipal Offerings) – Include revenue from offerings of municipal securities as defined in Section 3(a)(29) of the SEA.

Registered Offerings

For purposes of this form, an “affiliate” is an entity that controls, is controlled by or is under common control with a member as defined by FINRA Rule 5121(f)(1). The term “entity” means a company, corporation, partnership, trust, sole proprietorship, association or organized group of persons; and excludes: (1) an investment company registered under the Investment Company Act of 1940; or (2) a “separate account” as defined in Section 2(a)(37) of the Investment Company Act of 1940. The term “control” means: (1) beneficial ownership of 10 percent or more of the outstanding common equity of an entity, including any right to receive such securities within 60 days of the member’s participation in a public offering; (2) the right to 10 percent or more of the distributable profits or losses of an entity that is a partnership, including any right to receive an interest in such distributable profits or losses within 60 days of the member’s participation in a public offering; or (3) the power to direct or cause the direction of the management or policies of the entity.

Unregistered Offerings

Line 11080 (Did the broker or dealer filing this report participate in the sale of any unregistered offering during the reporting period for which it received no compensation?) – This question is intended to capture situations, for example, where the broker-dealer sells securities of a parent or affiliate irrespective of whether compensation is received by the broker or dealer for its sales efforts. The issuer may also be affiliated with an associated person of the firm. Irrespective of the relationship(s) in a given offering, if the broker or dealer participated in sales efforts without the benefit of compensation during the reporting period, the firm would answer yes to this question.

In this section, an unregistered offering is one in which the security is not registered with the SEC in reliance on an exemption from registration pursuant to the Securities Act of 1933. “Affiliate,” “entity” and “control” have the same meanings as referenced in the “Registered Offerings” section above.

Note: Once revenue from Line 11089 (Total Revenue from Unregistered Offerings) exceeds 10 percent of Line 14030 (Total Revenue) in Section 11 (Other Revenue), the member *must* complete each section on the operational page where the firm earned *any* revenue from the sale of securities in an unregistered offering.

9. Fees Earned

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item O, leaving Items A through N blank.

Line 11090 (Fees earned from affiliated entities) – Include fees earned from affiliated entities to the extent that the fees relate to products or services enumerated in Items B through N in this section. Firms must use the definition of “affiliate” provided in Section 8 (Revenue from Underwritings and Selling Group Participation) of these instructions.

Line 11091 (Investment Banking Fees; M&A Advisory) – Fees earned for services provided in conjunction with a proposed, or completed, merger or acquisition. The firm must include fees for advisory work pertaining to a proposed offering of securities, but exclude underwriting or sales-based compensation earned in conjunction with the offering of such securities. Do not include fees that are reported in Item A of this section.

Line 13975 (Account Supervision and Investment Advisory Services) – Fees earned for account supervision are those fees charged by the firm for providing investment advisory services where there is no fee charged for trade execution. Investment Advisory Services generally encompass investment advisory work and execution of client transactions, e.g., wrap arrangements. Include fees charged by broker-dealers that are also registered with the Commodity Futures Trading Commission (CFTC). Do not include fees that are reported in Item A of this section.

Line 11092 (Administrative Fees) – Include retirement account fees, account transfer fees (ACATS), postage and handling fees, termination of account fees, or any other fee from a service provided by the firm to its customers. This line must be used by clearing and/or carrying firms, introducing firms, and all other broker-dealers that assess fees to customers. Do not include fees that are reported in Item A of this section.

Line 13980 (Revenue from Research Services) – Fees earned from the sale or distribution of firm-prepared research or research obtained from third parties and distributed by the firm. Do not include fees that are reported in Item A of this section.

Line 11093 (Rebates from Exchanges, ECNs, and ATs) – Revenues earned by the firm from exchanges, ECNs and ATs for the routing of orders for execution to such venues. Do not include revenue that is reported in Item A of this section.

Line 11094 (12b-1 Fees) – Fees earned pursuant to Rule 12b-1 under the Investment Company Act of 1940. Do not include fees that are reported in Item A of this section. When evaluating whether gross or net recognition is required under ASC 605-45, consideration should be given to the risks of not recovering advance payments made on Class C and similar shares.

Line 11095 (Mutual Fund Revenue other than Concessions or 12b-1 Fees) – Include marketing advances received, networking fees earned, cost reimbursements or any other revenue earned in conjunction with the sale of securities registered under the Investment Company Act of 1940 that have not been otherwise included on any other lines of the SSOI. Do not include fees that are reported in Item A of this section.

Line 11096 (Execution Services) – Fees earned for executing transactions on behalf of others. Do not include fees that are billed and reported as part of a transaction confirmation. Do not include fees that are reported in Item A of this section.

Line 11097 (Clearing Services) – Fees earned by clearing and/or carrying firms for facilitating the clearance and settlement of transactions or for providing any other service directly related to clearance and settlement, and that are not specifically referenced elsewhere in this “Fees Earned” section of the SSOI. Do not include fees that are reported in Item A of this section.

Line 11098 (Fees earned from customer bank sweep (FDIC insured products) programs) – Fees earned (other than interest and interest rebates reported on Line 11062 in Section 7 (Interest / Rebate / Dividend Income)) by a carrying/clearing firm from customer funds swept into FDIC-insured products. Include fees earned by introducing firm from its carrying/clearing firm when customers that are introduced to the carrying/clearing firm on a fully disclosed basis have funds swept into such products. Do not include fees that are reported in Item A of this section.

Line 11099 (Fees earned from sweep programs into '40 Act Investments) – Fees earned (other than interest and rebates of interest reported on Line 11063 in Section 7 (Interest / Rebate / Dividend Income)) by the firm for funds swept into products offered pursuant to the Investment Company Act of 1940. Include fees earned by introducing firm from its carrying/clearing firm when customers that are introduced to a carrying/clearing firm on a fully disclosed basis have funds swept into such products. Do not include fees that are reported in Item A of this section.

Line 11100 (Networking Fees from '40 Act Companies) – Include fees earned for maintaining an omnibus account at a mutual fund for customers' investments in such fund (e.g., networking fees are usually paid by a fund to a carrying/clearing firm that sends customer confirmations and statements to the beneficial owner of the fund's shares). Do not include fees that are reported in Item A of this section.

Line 11102 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Revenue) – As noted above, this section allows aggregate reporting if the aggregate amount for the revenue category meets the reporting threshold as described in the General Instructions.

10. Commodities Revenue

This section, Line 13990 (Commodities Revenue), is to be used by Parts II and IIA filers only. Include revenue earned related to products that qualify as commodities under CFTC regulations, whether from principal or agency trades. This section is not to be used by ANC filers. ANC filers must reflect commodities revenue on Lines 13991 (Commodity Transactions) in Section 1 (Commissions), 13924 (Commodity Products) in Section 4 (Gains or Losses on Derivative Trading Desks) or 13904 (Commodity Transactions) in Section 5 (Net Gains or Losses on Principal Trades), as appropriate.

11. Other Revenue

Line 11126 (Total Revenue from sale of Certificates of Deposit (CDs) issued by an affiliate) – Include all CDs even if they do not meet the definition of a security.

Note to Part II filers: Line 3985 (Other revenue related to securities business) from the FOCUS Report *is not* reflected on the SSOI; such revenue is to be reflected on the SSOI in one or more of the lines contained herein.

Line 13995 (Other Revenue) on the SSOI will likely be less than Line 3995 (Other revenue) on the FOCUS Report.

Note: If Line 13995 (Other Revenue) is \$5,000 or more and exceeds 10 percent of Line 14030 (Total Revenue), the firm *must* provide a description of the three largest components of other revenue along with the associated revenue from each.

Total Revenue

Line 14030 (Total Revenue) – As previously noted, this line *must* equal Line 4030 (Total revenue) on the FOCUS Report.

EXPENSES

12. Compensation Expenses

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item F, leaving Items A through E blank.

Note: Line 4120 (Salaries and other employment costs for general partners and voting stockholder officers) from Part II and Part IIA, and Line 4115 (Other employee compensation and benefits) from Part IIA *are not* reflected on the SSOI. Firms must assess the nature of the compensation and include the amounts in the appropriate line(s) of the SSOI.

Line 14110 (Registered Representatives Compensation) – Compensation paid to personnel whose activities are primarily sales related (e.g., persons with a Series 7, General Securities Representative). Compensation paid to management personnel (e.g., Series 24, General Securities Principal) must be reflected on Line 14040 (Compensation paid to all other revenue producing personnel). Firms offering special products must follow a similar convention when reporting revenue between Lines 14110 (Registered Representatives Compensation) and 14040 (Compensation paid to all other revenue producing personnel) for their revenue producing personnel. Do not include bonuses. Bonuses must be reported on Line 11201 (Bonuses).

Line 14040 (Compensation paid to all other revenue producing personnel) – Compensation paid to revenue producing employees and management, other than registered representatives. Exclude amounts paid as part of an outsourcing agreement. Do not include bonuses. Bonuses must be reported on Line 11201 (Bonuses).

Line 11200 (Compensation paid to non-revenue producing personnel (including temporary personnel)) – Include compensation paid to all non-revenue producing management, administrative and clerical personnel. Do not include bonuses. Bonuses must be reported on Line 11201 (Bonuses).

Line 11201 (Bonuses) – Incentive compensation for all employees. Include payments made to induce employment (e.g., hiring bonuses).

Line 11202 (Other compensation expenses) – Include costs associated with employee benefits (e.g., health benefits, 401(k) matching contributions), employer FICA, unemployment insurance and similar expenses.

Line 11203 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Expenses) – As noted above, this section allows aggregate reporting if the aggregate amount for the expense category meets the reporting threshold as described in the General Instructions.

13. Commission, Clearance and Custodial Expenses

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item H, leaving Items A through G blank.

Line 14055 (Floor brokerage and fees paid) – Fees paid to other broker-dealers for the execution of trades on a recognized exchange. Includes floor brokers and liquidity providers.

Line 14145 (Amounts paid to Exchanges, ECNs and ATSS) – Amounts paid to exchanges, ECNs and ATSS for the routing of orders for execution.

Line 11210 (Clearance Fees Paid to broker-dealers) – Fees paid to other broker-dealers for clearance and settlement of transactions and for the custody of assets. Include any fees paid by an introducing firm to a carrying/clearing firm, if the clearing firm does not bill the introducing firm separately for each service. If the introducing firm is billed for each service, the introducing firm must report such amounts on the SSOI based on the nature of the fee(s). If such fees are not separately identifiable, the aggregate fees may be reported on Line 11210 (Clearance Fees Paid to broker-dealers).

Line 14135 (Clearance Fees Paid to non-broker-dealers) – All fees paid to an entity that is other than a broker-dealer for the clearance and settlement of transactions (e.g., NSCC, FICC and clearing agent banks).

Line 14140 (Commission Paid to other broker-dealers) – Include commissions or fees paid to inter-dealer brokers and service/distribution fees paid in connection with mutual funds.

Line 11211 (12b-1 Fees) - 12b-1 fees paid to other broker-dealers or institutions. When evaluating whether gross or net recognition is required under ASC 605-45, consideration should be given to the risks of not recovering advance payments made on Class C and similar shares.

Line 11212 (Custodial Fees) – Fees paid to an entity to maintain safekeeping of customer or firm securities (e.g., DTCC, CDS, Euroclear, banks acting as custodians).

Line 11213 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Expenses) – As noted above, this section allows aggregate reporting if the aggregate amount for the expense category meets the reporting threshold as described in the General Instructions.

14. Expenses Incurred on Behalf of Affiliates and Others

Firms must use the definition of affiliate provided in Section 8 (Revenue from Underwritings and Selling Group Participation) of these instructions.

Line 11220 (Soft dollar expenses) – Expenses incurred in connection with goods or services provided in accordance with Section 28(e) of the SEA.

Line 11221 (Rebates/Recapture of commissions) – The direct or indirect return to a customer of commissions charged by the firm.

15. Interest and Dividend Expenses

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item H, leaving Items A through G blank.

Line 11237 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Expenses) – As noted above, this section allows aggregate reporting if the aggregate amount for the expense category meets the reporting threshold as described in the General Instructions.

Line 14075 (Total Interest and Dividend Expenses) will equal Line 4075 (Interest expense) from the FOCUS Report if the firm did not have dividend expense.

16. Fees Paid To Third Party Service Providers

Line 11240 (To Affiliates) – Include payments to an affiliate for services provided to the broker-dealer. Firms must use the definition of “affiliate” provided in Section 8 (Revenue from Underwritings and Selling Group Participation) of these instructions.

Line 11241 (To Third Parties) – Include payments to third party service providers performing activities related to the broker-dealer’s business.

17. General, Administrative, Regulatory and Miscellaneous Expenses

Note: If the firm meets the reporting threshold as described in the General Instructions, the firm may complete Item M, leaving Items A through L blank.

Line 11250 (Finders’ Fees) – Fees paid to persons not registered with the firm for the referral of customers. For purposes of this form, “customers” include any person (natural or otherwise), other than a broker or dealer, with whom the member has engaged, or has sought to engage, in securities activities.

Line 14060 (Technology, data and communication costs) – Expenses incurred related to hardware, software or communications services or payments to the entities directly contracted to provide such hardware, software or communications services. Excludes compensation to employees or to independent contractors with which the broker-dealer has direct arrangements. Excludes expenses incurred from the outsourcing of functions related to the broker-dealer’s business.

Note: [FSM]: Lines 4060 (Communications) and 4186 (Data processing costs) from Parts II and II CSE may be combined and reported on Line 14060 (Technology, data and communication costs) of the SSOI, as long as they meet the requirements described in the instructions for this line. Part IIA filers may report technology, data and communication costs on Line 14100 (Other Expenses) in Section 18 (Other Expenses) of the SSOI. All firms may include expenses incurred for procurement of market data on this line or on Line 11251 (Research).

Line 11251 (Research) – Fees paid to providers of research services. Excludes amounts paid for publications commercially available to the investing public. Such amounts must be reported on Line 14100 (Other Expenses) in Section 18 (Other Expenses).

Note: [FSM]: Firms may include expenses incurred for procurement of market data in this category, or under Line 14060 (Technology, data and communication costs).

Line 14150 (Promotional Fees) – Include advertising (e.g., print media, TV, radio), expenses and costs incurred for sales related events, conferences, seminars or similar gatherings, literature or marketing materials intended to initiate interest in products/services offered by the broker-dealer.

Line 14080 (Occupancy and equipment expenses) – Include rent/lease costs.

Line 14195 (Regulatory Fees) – Include fees paid to all regulatory agencies and self-regulatory organizations (e.g., FINRA, SEC) and SIPC. Regulatory fees include SEA Section 31 fees.

Line 11253 (Professional Service Fees) – Include fees paid to outside accountants, consultants, and other professionals. Include payments to outside counsel for corporate, general or administrative work. Fees related to litigation, settlement, restitution and rescission must be reported on Line 11254 (Litigation, settlement, restitution and rescission, and related outside counsel legal fees).

Line 11254 (Litigation, arbitration, settlement, restitution and rescission, and related outside counsel legal fees) – Expenses related to the satisfaction (in whole or in part) of arbitration or court awards, legal settlements, restitution or rescission. Include payments to outside counsel for legal work related thereto and filing fees with courts or entities that provide a forum for dispute resolution.

Line 14170 (Losses in error accounts and bad debts) – Include in this section:

- Losses incurred by a clearing or carrying firm due to transactions with a (direct) customer, broker-dealer or counterparty.
- Losses incurred by a clearing or carrying firm related to an account introduced to the firm by a correspondent broker-dealer, including instances where the correspondent is contractually responsible for the loss.
- Losses incurred by a correspondent firm for accounts it introduces to a clearing or carrying firm due to transactions/activity/failure to perform of an introduced account, including instances where the correspondent is contractually responsible for the loss. This expense *may not* be reduced by potential off-sets (e.g., insurance coverage, right to pursue litigation).
- Losses associated with a firm trading out of error positions.

Line 11256 (Aggregate amount if less than the greater of \$5,000 or 5% of Total Expenses) – As noted above, this section allows aggregate reporting if the aggregate amount for the expense category meets the reporting threshold as described in the General Instructions.

18. Other Expenses

Line 14100 (Other Expenses) on the SSOI will likely be less than Line 4100 (Other expenses) on the FOCUS Report.

Note: If Line 14100 (Other Expenses) is \$5,000 or more and exceeds 10 percent of Line 14200 (Total Expenses), the firm *must* provide a description of the three largest components of other expenses along with the associated cost of each

Total Expenses

Line 14200 (Total Expenses) – As previously noted, this line *must* equal Line 4200 (Total expenses) on the FOCUS Report.

NET INCOME/COMPREHENSIVE INCOME

Firms should carry forward the values from the related FOCUS Report to Section 19 of the SSOI.

OPERATIONAL PAGE INSTRUCTIONS

The Operational Page to the SSOI (SSOI Ops Page) must be completed once revenue from Line 11089 (Total Revenue from Unregistered Offerings) on the SSOI exceeds 10% of Line 14030 (Total Revenue) on the SSOI for a given reporting period. Any member required to complete the SSOI Ops Page *must* complete each section on the operational page where the firm earned *any* revenue from the sale of securities in an unregistered offering.

The SSOI Ops Page is divided into two sections, which align with Section 8, Item C (Unregistered Offerings) on the SSOI. The SSOI Ops Page excludes municipal offerings.

Section 1: Unregistered offerings other than self or affiliate offerings.

Section 2: Unregistered offerings, self or affiliate offerings.

The following definitions apply to the SSOI Ops Page:

- “Affiliate” is an entity that controls, is controlled by or is under common control with a member as defined by FINRA Rule 5121(f)(1).
- “Entity” means a company, corporation, partnership, trust, sole proprietorship, association or organized group of persons; and excludes: (1) an investment company registered under the Investment Company Act of 1940 or (2) a “separate account” as defined in Section 2(a)(37) of the Investment Company Act of 1940.
- “Control” means (1) beneficial ownership of 10 percent or more of the outstanding common equity of an entity, including any right to receive such securities within 60 days of the member’s participation in a public offering; (2) the right to 10 percent or more of the distributable profits or losses of an entity that is a partnership, including any right to receive an interest in such distributable profits or losses within 60 days of the member’s participation in a public offering, or (3) the power to direct or cause the direction of the management or policies of the entity.

Each section of the SSOI Ops Page requires that for each offering in which the member participated in the Reporting Period it must provide the information noted with respect to its five (5) largest offerings *in terms of the aggregate dollar amount of the securities sold*.

For example, if the member’s total revenue from unregistered offerings on Line 11089 (Total Revenue from Unregistered Offerings) of the SSOI is 15% of total revenue on Line 14030 (Total Revenue), the member must complete each section of the SSOI Ops Page where any revenue was earned by the member. If the member participated in more than five (5) offerings under a section, *the member must list the five (5) largest offerings in terms of the aggregate dollar amount of the securities sold, not revenue earned, by the member*. Using this criteria, the member must report the offerings in descending order.

For each subsection (Subsections 1 through 5 of Section 1; and 6 through 10 of Section 2):

- (1) Items A, B, F, G, H, I and J require free-text entries that are either alpha or numeric (numbers or dollar amounts) as indicated. Each item must be completed as noted.
- (2) Item C contains a drop-down menu from which the member can populate the line. For Items D and E, select all that apply.

Subsections 6 through 10 of Section 2 require members to provide further information through an additional drop down menu (Item K Issuer/Sponsor’s affiliation to Broker-Dealer filing this report). For the drop down menu, “Guaranteed Subsidiary” refers to a subsidiary for which the member consolidates the assets and liabilities of such subsidiary pursuant to Appendix C of SEA Rule 15c3-1. “Other Affiliate” means an entity other than those listed (i.e., parent, indirect or direct, or guaranteed or non-guaranteed subsidiary) that would meet the definition of affiliate as defined by FINRA Rule 5121(f)(1).