TO: FINANCE AND AUDIT COMMITTEE

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

FROM: LISA BOGNUDA
FINANCE DIRECTOR AND
JANA ETTEDDGUE
ADMINISTRATIVE SUPERVISOR

DATE: MARCH 13, 2023

AGENDA ITEM
2
MARCH 16, 2023

PRESENTATION BY PETER YANEZ OF MULT-BANK SECURITIES, INC. (MBS)

ITEM

Presentation by Peter Yanez of Multi-Bank Securities, Inc. (MBS) [RECEIVE PRESENTATION AND MAKE RECOMMENDATIONS TO THE BOARD OF DIRECTORS]

BACKGROUND

Nipomo Community Services District (District) has historically invested funds not needed in the short-term in the Local Agency Investment Fund (LAIF) administered by the California State Treasurer. The LAIF is a pooled fund with 2,373 participants and $27.4 billion fund balance report at the end of February 2023 (https://www.treasurer.ca.gov/pmia-laif/laif/program.asp). As of March 8, 2023, the LAIF daily effective yield was 2.79% with an average maturity of 283 days. The District currently has approximately $20 million on deposit with LAIF.

Due to current market conditions, short-term interest rates are higher than long-term interest rates creating what is known as the inverted yield curve. This provides the District with a unique investing opportunity whereby investing in securities such as Treasury Bills(T-Bill), the District may be able to achieve higher rates of return than LAIF. Three month Treasury Bills are currently around 5%. Treasury Bills are a short-term U.S. government debt obligation backed by the Treasury Department with maturity of one year or less.

At the February 15, 2023, the Finance and Audit Committee met and reviewed investment options and policies in accordance with Government Codes. Staff was directed to research the methodologies for investing and holding investments such as T-Bills within the parameters of the California Government Code and the District's adopted Investment Policy.

Terry Shea, CPA, of Rogers, Anderson, Malody and Scott, LLP, the District's auditor, recommended Staff contact Peter Yanez of Multi-Bank Securities, Inc. (MBS). MBS has been serving the investment needs of municipalities since 1988 and is a broker-dealer of fixed income securities. MBS's 2022 Municipal Due Diligence package is attached for review (Attachment A).

If the District were to retain MBS's services to purchase investments such as T-Bills, the following process would take place:

- District funds would be available in Five Star Bank for the designated purchase amount.
- District would place an order with MBS (Staff written direction to Mr. Yanez or Staff initiated order via the MBS propriety online investment platform, eConnectDirect) for the determined amount, rate of return and time period.
- Funds would be disbursed from Five Star Bank to MBS and the securities would be delivered simultaneously to the District's custodial account managed by Pershing LLC (a

company owned by BNY Mellon). This methodology is known as Delivery versus Payment (DVP). DVP is a security settlement process that requires that payment is made either before or at the same time as the delivery of the securities. The process is meant to reduce the risk that securities could be delivered without payment or that payments could be made without the delivery of securities.

Neither MBS nor Pershing LLC will charge a fee to the District for the purchase of securities or for maintaining the custodial account. MBS is compensated for the transactions from their underwriters, and from these fees Pershing LLC is compensated for their participation.

District Legal Counsel, Craig Steele, is in the process of reviewing the MBS 2022 Municipal Due Diligence and Agreements as well as the District's Investment Policy. If the Finance and Audit Committee and the Board of Directors wish to move forward, the District's Investment Policy will need to be amended pursuant to applicable Government Code Sections and will be presented at a future Board Meeting.

Mr. Yanez will be making a Zoom presentation to the Finance and Audit Committee and will be available to answer questions. In addition, Mr. Shea, CPA will be in attendance via Zoom.

RECOMMENDATION

It is recommended that the Committee provide direction to Staff.

ATTACHMENTS

- Attachment A – Multi-Bank Securities, Inc. (MBS) 2022 Municipal Due Diligence

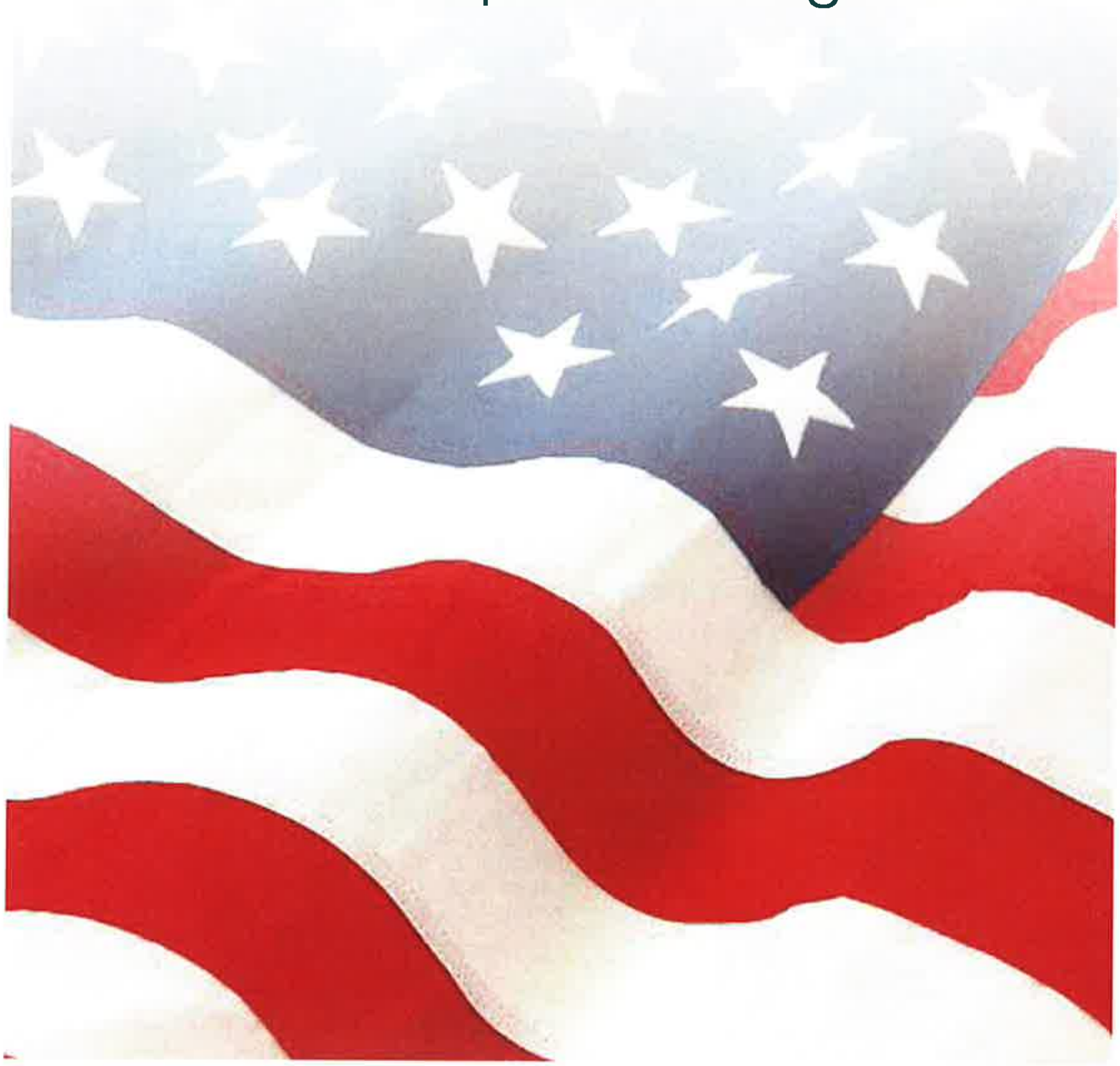
MARCH 16, 2023

ITEM 2

ATTACHMENT A

MBS MULTI-BANK SECURITIES, INC.®

2022 Municipal Due Diligence



PETER YANEZ
VICE PRESIDENT
PHONE/FAX: +1 (855) 928-0111
PYANEZ@MBSSECURITIES.COM
2400 EAST COMMERCIAL BLVD SUITE 812
FT. LAUDERDALE, FL 33308

Please send all correspondence to Corporate Headquarters:
Multi-Bank Securities, Inc.
1000 Town Center, Suite 2300 • Southfield, MI 48075 • www.mbssecurities.com

Proudly Veteran-Owned!

The information provided in the following pages has been prepared to meet or exceed your regulatory requirements.
Member of FINRA & SIPC; MSRB Registered. MBS 2022 Muni DD E eConnectDirect.pdf 03.22.22

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MBS MULTI-BANK SECURITIES, INC.*

Dear Valued Customers and Prospective Clients,

Thank you for your interest in Multi-Bank Securities, Inc. (MBS). We understand you have numerous options for your investment needs, and we appreciate you taking the time to learn more about our Firm.

Our goal is to deliver quality services and sound financial solutions to our customers by dedicating our resources exclusively to the fixed-income sector. We hope you will find that this document addresses everything you need to complete your due diligence on our Firm. We have included information on both MBS and our clearing firm: Pershing LLC (Pershing), a BNY Mellon company.

Here are a few ways our customers experience the MBS difference:

Stability: MBS is a privately held, fixed-income securities broker-dealer with a 34-year history of serving public funds investors. We work with more than 5,000 institutions nationwide and have several offices across the country to serve your needs.

Veteran Status: We are a veteran-owned firm and are certified as a **Service-Disabled Veteran-Owned Business (SDVOB)** by the National Veteran Business Development Council (NVBDC).

Investment Products: MBS specializes in a broad selection of fixed-income investment products and services, including an array of U.S. Treasuries, agencies and certificates of deposit (CDs). **We traded $188 billion in principal amount for our clients in 2021.**

Underwriting: MBS is proud to be an approved underwriter of agency debt for Fannie Mae, Freddie Mac, Farmer Mac, the Federal Home Loan Banks and the Federal Farm Credit Banks. MBS is also an active underwriter of CDs, corporate bonds, municipal bonds and mortgage-backed securities.

Proprietary Technology: MBS offers a **proprietary online investment platform, eConnectDirect®**. This tool lets you compare offerings from hundreds of dealers at once, select investments online and manage your portfolio.

Value-Added Services: We offer an array of value-added services to our clients, including portfolio analytics and third-party safekeeping through Pershing.

We also encourage you to learn more about our Firm's FINRA broker-dealer status at www.finra.org – our CRD number is 22098.

On a personal note, one of the things I am most excited about this year is the return of in-person events and travel. Whether you prefer to meet virtually or face-to-face, I hope we have the opportunity to connect this year. It has been an honor to be one of your trusted service providers during these unprecedented times.

Please do not hesitate to reach out to me or your account representative if you have any questions or require additional information. You can contact me directly at 1-800-967-9055 or davemac@mbssecurities.com.

Sincerely,

David T. Maccagnone

David T. Maccagnone
Chairman and Chief Executive Officer

Address 1000 Town Center, Suite 2300
Southfield, Michigan 48075
Phone (800) 967-9045
(248) 291-1100
Fax (248) 291-1101
www.mbssecurities.com

2400 East Commercial Boulevard, Suite 812
Ft. Lauderdale, Florida 33308
(800) 967-9045
(954) 351-6930
(954) 351-9197

Member of FINRA & SIPC; MSRB Registered.
Proudly Veteran-Owned!

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Multi-Bank Securities, Inc. (MBS) is committed to providing you with the highest quality service available. We hope this packet will meet or exceed your due diligence needs and expectations.

MBS has clients in all 50 U.S. states and territories. References are available upon request.

THE FOLLOWING INFORMATION IS PROVIDED TO SUPPORT YOUR DUE DILIGENCE REQUIREMENTS:

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NVBDC CERTIFIED
SERVICE DISABLED
VETERAN OWNED BUSINESS

NATIONAL VETERAN BUSINESS DEVELOPMENT COUNCIL

CERTIFICATION

is hereby granted to:

Multi-Bank Securities Inc.

The National Veteran Business Development Council certifies that the named entity has met all criteria established to be recognized as a Service Disabled Veteran Owned Business (SDVOB)

Keith King

Keith King, CEO

August 11, 2021

Date Earned

September 24, 2022

Date Expires

Y4LQJXWY

Certificate Code

523120, 523110

NAICS Codes

NATIONAL VETERAN BUSINESS DEVELOPMENT COUNCIL NON-PROFIT SEAL MICHIGAN 2013

NEW YORK
STATE OF OPPORTUNITY.

Office of General Services

Division of Service-Disabled Veterans' Business Development

Multi-Bank Services, LTD and Multi-Bank Securities, Inc.

Is hereby certified as a

New York State Service-Disabled Veteran-Owned Small Business (SDVOB)

October 1, 2018

181716
Control Number

September 30, 2023
Expiration Date

Director
Division of Service-Disabled Veterans' Business Development

Andrew M. Cuomo
Governor

Commissioner
New York State
Office of General Services

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY

Your unified certification source
www.sctrca.org

March 9, 2022

David Maccagnone
Multi-Bank Securities, Inc.
1000 Town Center, Suite 2300
Southfield, MI 48075

Dear David Maccagnone:

We are pleased to inform you that your application for certification in our Small, Minority, Woman and Veteran Business Enterprise (S/M/W/V) Program has been approved. Your firm met the requirements of the SCTRCA Policy and Procedure Manual and is currently certified as a:

***DIBE VBE**

Certification Number: **222031567**
Certification Expiration: **March 31, 2024**

Providing the following products or services:
NAICS 523: SECURITIES, COMMODITY CONTRACTS, AND OTHER FINANCIAL INVESTMENTS AND RELATED ACTIVITIES
NAICS 5231: SECURITIES AND COMMODITY CONTRACTS INTERMEDIATION AND BROKERAGE
NAICS 5239: OTHER FINANCIAL INVESTMENT ACTIVITIES

On the two year anniversary date of your certification, you are required to provide a renewal application affirming that no changes have occured affecting your certification status. The SCTRCA will send you a Certification Renewal reminder **sixty (60) days** prior to your expiration date. The SCTRCA will no longer include a certificate upon certification renewals. **Your expiration date is March 31, 2024.**

Please notify this office within **thirty (30) days** of any changes affecting the size, ownership, control requirements, or any material change in the information provided in the submission of the certification application. Thank you in advance.

Sincerely,

Charles Johnson,
Executive Director

South Central Texas Regional Certification Agency of Bexar County, Texas hereby duly affirms that:

Multi-Bank Securities, Inc.

has successfully met the established requirements of SCTRCA's Business Enterprise Certification Program to be certified as a

*DIBE VBE

Certified NAICS Codes

NAICS 523: SECURITIES, COMMODITY CONTRACTS, AND OTHER FINANCIAL INVESTMENTS AND RELATED ACTIVITIES
NAICS 5231: SECURITIES AND COMMODITY CONTRACTS INTERMEDIATION AND BROKERAGE
NAICS 5239: OTHER FINANCIAL INVESTMENT ACTIVITIES

Certification Number: 222031567
Effective Date: March 9, 2022
Expiration Date: March 31, 2024

Charles Johnson
Executive Director

Note: This certificate is the property of the South Central Texas Regional Certification Agency and may be revoked should the above named firm graduate from or fails to comply with SCTRCA's Business Enterprise Program. A Certification Renewal Application is required every two years.

DATA CURRENT AS OF:
Tuesday, March 1, 2022
CRD#: 22098

REGULATORY, STATE & TERRITORY REGISTRATIONS

Jurisdiction/SRO	Category	Status	Status As Of Date
AK	Broker Dealer	Approved	03/27/1997
AL	Broker Dealer	Approved	11/07/1994
AR	Broker Dealer	Approved	05/02/1997
AZ	Broker Dealer	Approved	10/11/2001
CA	Broker Dealer	Approved	03/30/1994
CO	Broker Dealer	Approved	04/23/1991
CT	Broker Dealer	Approved	08/20/1998
DC	Broker Dealer	Approved	03/30/1994
DE	Broker Dealer	Approved	10/11/1994
FINRA	Broker Dealer	Approved	12/23/1988
FL	Broker Dealer	Approved	02/05/1991
GA	Broker Dealer	Approved	02/28/1994
HI	Broker Dealer	Approved	04/05/1995
IA	Broker Dealer	Approved	03/31/1994
ID	Broker Dealer	Approved	03/20/1997
IL	Broker Dealer	Approved	07/13/1989
IN	Broker Dealer	Approved	03/24/1997
KS	Broker Dealer	Approved	05/04/1994
KY	Broker Dealer	Approved	03/08/1994
LA	Broker Dealer	Approved	09/07/1994
MA	Broker Dealer	Approved	07/25/1994
MD	Broker Dealer	Approved	03/11/1994
ME	Broker Dealer	Approved	05/24/1994
MI	Broker Dealer	Approved	08/31/1988
MN	Broker Dealer	Approved	09/02/1994
MO	Broker Dealer	Approved	05/02/2002
MS	Broker Dealer	Approved	03/04/1994
MT	Broker Dealer	Approved	02/14/1994
NC	Broker Dealer	Approved	08/02/1994
ND	Broker Dealer	Approved	04/25/1997
NE	Broker Dealer	Approved	11/02/1994

DATA CURRENT AS OF: Tuesday, March 1, 2022 (Continued)
CRD#: 22098
Regulatory, State & Territory Registrations

Jurisdiction/SRO	Category	Status	Status As Of Date
NH	Broker Dealer	Approved	09/28/1995
NJ	Broker Dealer	Approved	11/09/1994
NM	Broker Dealer	Approved	08/02/1994
NV	Broker Dealer	Approved	05/23/1994
NY	Broker Dealer	Approved	06/05/1996
OH	Broker Dealer	Approved	11/21/1994
OK	Broker Dealer	Approved	06/04/1991
OR	Broker Dealer	Approved	04/04/1997
PA	Broker Dealer	Approved	03/07/1994
PR	Broker Dealer	Approved	02/10/2000
RI	Broker Dealer	Approved	03/02/1994
SC	Broker Dealer	Approved	08/04/1994
SD	Broker Dealer	Approved	03/04/1994
SEC	Broker Dealer	Approved	05/06/1988
TN	Broker Dealer	Approved	08/04/1994
TX	Broker Dealer	Approved	06/29/1990
UT	Broker Dealer	Approved	01/19/1994
VA	Broker Dealer	Approved	05/16/1994
VI	Broker Dealer	Approved	01/30/2012
VT	Broker Dealer	Approved	06/18/1997
WA	Broker Dealer	Approved	10/04/1989
WI	Broker Dealer	Approved	09/06/1991
WV	Broker Dealer	Approved	01/28/1994
WY	Broker Dealer	Approved	08/08/1994

MBS MULTI-BANK SECURITIES, INC.®

March 1, 2022

To Whom It May Concern:

This letter is to inform you that we at Multi-Bank Securities, Inc. (MBS) do not give accounting, regulatory, tax or legal advice. However, MBS makes every effort to recommend investments we feel are appropriate for our clients.

It is our intention to maintain on file an investment policy from every one of our clients. If you have a written investment policy outlining the types of investments you can and cannot make, please forward it to us at your convenience. We have designed a system of controls to help reduce the risk of inappropriate investments for our clients.

Sincerely,

David T. Maccagnone

David T. Maccagnone
Chairman and Chief Executive Officer
Multi-Bank Securities, Inc.

Address 1000 Town Center, Suite 2300
Southfield, Michigan 48075
2400 East Commercial Boulevard, Suite 812
Ft. Lauderdale, Florida 33308
Phone (800) 967-9045
(248) 291-1100
(800) 967-9045
(954) 351-6930
Fax (248) 291-1101
(954) 351-9197
www.mbssecurities.com

Municipal Investing Policy

Recommendations and Guidelines

Your Investment Policy

Since 1988, Multi-Bank Securities, Inc. (MBS) has been serving the investment needs of municipalities throughout the U.S. It is with great care that we recommend investment products we feel are appropriate and strictly adhere to your investment policy guidelines. We have systems in place to assist you in reducing the risk of making inappropriate investments.

Maintenance of Your Investment Policy

It is our policy to review and maintain a copy of your investment policy on file. Should your policy need reviewing, your MBS account representative is ready to help. Our team of highly skilled professionals is required to regularly complete continuing education to ensure a broad understanding of how fixed-income products impact the municipal market. They are well-versed in current regional, state and federal governmental investment statutes and policies.

Developing Your Investment Policy

Information about developing and evaluating an investment policy is available on the Multi-Bank Securities Institute website. This online resource focuses on educating and supporting investment professionals of all experience and skill levels. There is no cost associated with the website, but visitors will have to register to view the Public Funds Investor Guide.* Explore the site at https://institute.mbssecurities.com.

National municipal organizations such as the Association of Public Treasurers of the United States & Canada (APT) and the Government Finance Officers Association (GFOA) also make sample investment policy guidelines and recommendations available to governmental entities. To receive a free copy, please contact your MBS account representative.

There may be fees associated with other products/services offered by MBS.

MBS MULTI-BANK SECURITIES, INC.®

Peter Yanez
Vice President
CRD# 2371976
(855) 928-0111 phone/fax
pyanez@mbssecurities.com

Peter Yanez joined Multi-Bank Securities, Inc. (MBS) in January 2012 as an account executive serving the investment needs of local, state and regional government institutional clients. Today, he operates as a vice president based in the Firm's Fort Lauderdale, Fla. office.

Since joining MBS, Peter has garnered several awards in recognition of his service. He received the company's New Account Leader Award in 2014, 2015 and 2016, which he earned by opening more accounts than the Firm's other account representatives. Peter also received the eConnectDirect® Account Representative of the Year award in 2014, 2015, 2016 and 2017. This award is given each year to the account representative that generates the most new accounts and most revenue on the eConnectDirect platform out of the Firm's other account representatives nationwide.

Prior to MBS, Peter spent more than a decade working in the financial industry with investment banking firms such as Dean Witter Reynolds (now Morgan Stanley), H.J. Meyers & Company and Prudential Bache Securities. In 1998, Peter became part owner of Herman Alexis & Company, one of the first minority-owned, fully-registered FINRA broker-dealer firms headquartered in Los Angeles. Today, he works with more than 100 California cities, special districts and counties specializing in fixed-income securities such as U.S. government agencies, U.S. Treasuries, certificates of deposit (CDs), corporate and municipal bonds.

Peter attended Santa Monica College, in Santa Monica, Calif. prior to earning a FINRA General Securities Representative (Series 7) license, a Municipal Advisor Representative (Series 50) license and a Uniform Securities Agent State Law (Series 63) license.

Peter is very active within the California government finance community, and he actively participates in annual conferences for the California Municipal Treasurers Association and the California Society of Municipal Finance Officers. In addition, Peter has been actively involved in soccer since childhood and is currently an AYSO coach for his son's local youth division.

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OMB APPROVAL
OMB Number: 3235-0123
Expires: Oct. 31, 2023
Estimated average burden hours per response: 12

SEC FILE NUMBER
8-39547

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

ANNUAL REPORTS
FORM X-17A-5
PART III

3

FACING PAGE
Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2021 (MM/DD/YY) AND ENDING 12/31/2021 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Multi-Bank Securities, Inc.

TYPE OF REGISTRANT (check all applicable boxes):
☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

1000 Town Center, Suite 2300
(No. and Street)

Southfield	Michigan	48075
(City)	(State)	(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Jeffery Maccagnone	248-291-1100	jeffmac@mbssecurities.com
(Name)	(Area Code – Telephone Number)	(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Carnaghi & Schwark PLLC
(Name – if individual, state last, first, and middle name)

30435 Groesbeck Highway	Roseville	MI	48066
(Address)	(City)	(State)	(Zip Code)

05/19/2009	3421
(Date of Registration with PCAOB)(if applicable)	(PCAOB Registration Number, if applicable)

FOR OFFICIAL USE ONLY

* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Jeffery Maccagnone, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Multi-Bank Securities, Inc., as of December 31, 2021, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Signature:

Title: President

Stephanie M Wood
Notary Public

STEPHANIE M. WOOD
Notary Public, State of Michigan
County of Wayne
My Commission Expires Apr. 09, 2026
Acting in the County of Oakland

This filing contains (check all applicable boxes):**

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☐ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☐ (d) Statement of cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☐ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: ____________________

***To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.*

MULTI- BANK SECURITIES, INC

STATEMENT OF FINANCIAL CONDITION

December 31, 2021

Filed Pursuant to Rule 17a-5 (e) (3) Under the Securities Exchange Act of 1934

As a Public Document

Carnaghi & Schwark, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
UPTON PROFESSIONAL BUILDING
30435 GROESBECK HIGHWAY
ROSEVILLE, MICHIGAN 48066

Anthony L. Carnaghi, CPA
Douglas W. Schwark, CPA

(586) 779-8010
FAX (586) 771-8970

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholder of Multi-Bank Securities, Inc.
Southfield, Michigan

Opinion on the Financial Statement
We have audited the accompanying statement of financial condition of Multi-Bank Securities, Inc. as of December 31, 2021, and the related notes to the financial statements. In our opinion, the statement presents fairly, in all material respects, the financial position of Multi-Bank Securities, Inc. as of December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
This financial statement is the responsibility of Multi-Bank Securities, Inc.'s management. Our responsibility is to express an opinion on Multi-Bank Securities Inc.'s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Multi-Bank Securities, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion

Carnaghi + Schwark, PLLC

We have served as Multi-Bank Securities, Inc.'s auditor since 1989.
Roseville, Michigan
February 18, 2022

MULTI-BANK SECURITIES, INC
STATEMENT OF FINANCIAL CONDITION
December 31, 2021

ASSETS

	2021
Assets:	
Cash	$31,521,346
Accounts receivable:	
Brokers, dealers and clearing organization	89,385,050
Deposit - clearing organization	4,027,620
Other	41,591
Securities owned, at fair value (Note 3)	686,069,067
Prepaid expenses	405,308
Total current assets	811,449,982
Other assets:	
Operating Lease Asset (Note 7)	992,563
Total other assets	992,563
Total Assets	$812,442,545

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Accounts payable:	
Commissions due sales representatives	$10,116,456
Other	98,717
Securities sold, not yet purchased, at fair value	673,121,396
Accrued expenses	3,516,195
Total current liabilities	686,852,764
Operating Lease Liability (Note 7)	992.563
Total long-term liabilities	992,563
Total Liabilities	687,845,327
Stockholder's equity:	
Common stock, par value $1.00 per share; 50,000 shares authorized; 16,000 shares issued	16,000
Capital in excess of par value	66,192,000
Retained Earnings	58,389,218
Total stockholder's equity	124,597,218
Total Liabilities and Stockholder's equity	$812,442,545

See accompanying notes.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2021

Note 1 - ORGANIZATION

Multi-Bank Securities, Inc., (the "Company") is an institutional fixed-income securities broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and the U.S. Securities and Exchange Commission. The Company is a wholly owned subsidiary of Multi-Bank Services, Ltd. See Note 4 for transactions with Parent Company.

Note 2 - SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Securities Transactions and Revenue Recognition

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, requires that an entity recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those services. Revenue is recognized when: (a) a contract with a client has been identified, (b) the performance obligation(s) in the contract have been identified, (c) the transaction's price has been determined, (d) the transaction's price has been allocated to each performance obligation in the contract, and (e) the Company has satisfied the performance obligation.

The following represents information on the recognition of the Company's revenue from contracts with customers:

Principal transactions revenue represents the actual mark-up and mark-down on securities sales to accounts and the unrealized gains and losses from securities owned and securities sold, not yet purchased. Principal transactions are recorded on the trade date of the transactions. Management reviewed the impact of any unsettled transactions and determined there are no material differences between the trade date and settlement date positions for the year ended December 31, 2021.

Securities owned and securities sold, net yet purchased are recorded at fair value in accordance with FASB ASC 820, Fair Value Measurements and Disclosures. See Note 3 - Fair Value.

Commissions and fees revenue represents commissions earned from executing customer transactions in equities, mutual funds and certificate of deposit placement fees. These transactions are recorded on a trade date basis.

Net interest trading revenue represents the coupon interest that the Company earns or pays on its securities positions.

Note 2 - SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk From Cash Deposits in Excess of Insured Limits

The Company maintains cash balances at financial institutions that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts, and the Company believes it is not exposed to any significant risks on cash.

Receivable from and Payable to Brokers, Dealers, and Clearing Organization

Receivables from and payable to brokers, dealers, and clearing organizations include deposits of cash and/or securities with exchange clearing organizations. In addition, there are receivables and payables from fees and commissions arising from unsettled securities transactions.

Concentrations of Counterparty Credit Risk

The Company is engaged in various trading and brokerage activities with counterparties that primarily include broker-dealers, banks, and other financial institutions. In the event the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. The Company monitors its exposure to risk through a variety of control procedures, including daily review of trading positions.

Market Risk

Market risk is the potential loss the Company may incur as a result of changes in the market value of a particular financial instrument. All financial instruments are subject to market risk. The Company's exposure to market risk is determined by a number of factors, including size, duration, composition and diversification of positions held, the absolute and relative level of interest rates, and market volatility and liquidity. The Company manages risk by setting and monitoring adherence to risk limits and by hedging its positions.

Federal Income Taxes

The Company files a consolidated federal income tax return with its Parent Company. The provision for Federal income tax for the year ended December 31, 2021 is based on a separate return filing.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2021

Note 2 - SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. The primary objective of ASC 740 is to prescribe measurement and disclosure requirements for income tax provisions when uncertainty exists as to whether the reporting entity's tax positions would be sustained in the event of an examination. Company management believes that there are no material uncertainties in which tax positions taken would not be sustained upon examination.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through February 18, 2022, which is the same date the financial statements were available to be issued.

Subsequent to year-end, the Company issued a $2.1 million ($2,100,000) dividend to its parent on February 1, 2022.

Credit Loss Considerations

In June, 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This credit loss impairment model is based on expected losses rather than incurred losses for financial assets. Due to the short-term nature of the Company's financial assets some of which are collateralized by related securities, the adoption of ASU 2016-13 is immaterial to the Company's financial statements. No adjustment was necessary at implementation.

Note 3 - FAIR VALUE

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2021

Note 3 - FAIR VALUE (Continued)

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data).

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021.

	Level 1	Level 2	Level 3	Total
Assets				
Corporate/Other Debt	-	$56,107,642	-	$56,107,642
U.S. Govt. & Agency	-	567,097,789	-	567,097,789
U.S. Treasuries	22,879,888	-	-	22,879,888
Municipal Debt	-	39,983,748	-	39,983,748
Total securities owned	$22,879,888	$663,189,179	-	$686,069,067
Liabilities				
U.S. govt. & agency	-	$ 579,855,771	-	$579,855,771
U.S. Treasuries	62,671,557	-	-	62,671,557
Equities	30,594,068	-	-	30,594,068
Total Securities sold, not yet purchased	$93,265,625	$579,855,771	-	$673,121,396

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2021

Note 4 - TRANSACTIONS WITH PARENT COMPANY

The Parent Company, Multi-Bank Services, Ltd., provides various administrative services to the Company, including furniture and fixtures. For the year ended December 31, 2021 administrative expenses charged to the Company amounted to $300,000.

Note 5 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). Based on the provisions of this rule, the Company must maintain net capital equivalent to the greater of $100,000 or 1/15th of aggregate indebtedness as defined.

At December 31, 2021, the Company's net capital was $114,589,638 and its required net capital was $915,425. The ratio of aggregate indebtedness to net capital (which may not exceed 15 to 1) was .12 to 1.

Note 6 - EMPLOYEES' BENEFIT PLANS

The Company maintains a defined contribution benefit plan 401(k) to cover all eligible employees of the Company. Under provisions of the Plan, participating employees can elect to contribute to the account a percentage of their compensation not to exceed the limitations imposed by the Internal Revenue Service. In addition, the Company at its discretion may make a matching contribution, which percentage will be determined each year by the Company. For the year ended December 31, 2021 the Company elected not to make a matching contribution.

Note 7 - OPERATING LEASE OBLIGATIONS

The Company is a lessee in several operating leases for office space. Under ASC 842, Leases, a lessee is required to recognize a lease asset and a lease liability for operating lease arrangements greater than 12 months. The Company is a lessee in several operating leases for office space. The Company recognizes a right of use asset and a lease liability at the commencement date of the lease. Right of use assets and liabilities are recognized on the Company's balance sheet based at the present value of future lease payments relating to the use of the underlying asset during the lease terms. The Company uses its incremental borrowing rate as the discount rate in determining the present value of future lease payments since the implicit rate in the lease arrangement is not readily determinable. The incremental borrowing rate is based on the rate of interest it would have to pay on a collateralized basis to borrow an amount equivalent to the lease payments under similar terms and in a similar economic The rate is presently determined to be 10.0%.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2021

Note 7 - OPERATING LEASE OBLIGATIONS (Continued)

The Company has operating leases for its primary operating facilities in Southfield, Michigan and Fort Lauderdale, Florida. They also lease facilities in various other states. The future minimum lease payments for these leases are summarized as follows:

Years Ended December 31	Amount
2022	356,410
2023	292,921
2024	230,599
2025	230,589
2026	236,906
2027	140,564
Total	1,487,989
Less Imputed Interest	(495,426)
Total Operating Lease Liability	$992,563

The lease agreements include escalation clauses that increase the minimum rental payment for increased lessor taxes and operating expenses.

For the year ended December 31, 2021, the total lease expense pursuant to the above operating leases amounted to $550,230.

Furniture and equipment is provided by the Parent Company, the charge for which is included in the administrative charges paid to the Parent Company, see Note 4.

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IMPORTANT COMPLIANCE INFORMATION

USA PATRIOT ACT / ANTI-MONEY LAUNDERING / BANK SECRECY ACT / CIP RULE / KNOW YOUR CUSTOMER

Multi-Bank Securities, Inc. is committed to complying with the U.S. statutory and regulatory requirements designed to combat money laundering and terrorist financing. The USA PATRIOT Act requires all financial institutions to obtain certain identification documents or other information in order to comply with their Customer Identification Procedures (CIP).

When you open an account, we will ask you for your name, address and other information that will allow us to satisfy our Know Your Customer requirements. We also may ask to see your driver's license or other identifying documents. Until you provide the required information or documents, we may not be able to open an account or effect any transactions for you. For additional information, contact Chief Compliance Officer Merlin Elsner, our designated Anti-Money Laundering Compliance Officer, at 1-800-967-9008.

The Customer Due Diligence Rule (CDD Rule) from FinCEN, effective May 11, 2018, requires that certain financial institutions are now obligated to disclose the ultimate beneficiary of the company upon new account opening. We will ask that you provide documentation on each individual that owns 25 percent of the equity interests in your institution, or any individual with significant responsibility to control, manage or direct your institution. We will ask for personal information on the CEO, CFO, COO, managing members, general partners, presidents, vice presidents, treasurers, et al. We will seek to retain sufficient information on any individual who regularly performs functions that demonstrate "control." Under the definition provided by FinCEN, we will seek information on beneficial owners using Appendix A to CFR 1010.230 (Beneficial Owner Certification Form).

ORDER ROUTING

Order routing information for your specific orders is available upon request by contacting your account representative. You can also see the most recent quarterly routing information on our corporate website, www.mbssecurities.com, by clicking on Order Routing at the bottom of the home page.

FINRA BROKERCHECK INFORMATION

The FINRA BrokerCheck program is available at www.finra.org and can be accessed by clicking on BrokerCheck at the top of the home page. The site gives background information, registration/license status and disciplinary history of brokers and firms.

SECURITIES INVESTOR PROTECTION CORPORATION (SIPC)

Information about SIPC, including the SIPC brochure, can be obtained by calling SIPC at 1-202-371-8300 or visiting the SIPC website at www.sipc.org.

IMPORTANT COMPLIANCE INFORMATION (CONTINUED)

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) RULE G-10 – INVESTOR EDUCATION AND PROTECTION

Multi-Bank Securities, Inc. is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

The website address for the Municipal Securities Rulemaking Board is www.msrb.org.

A brochure is posted on the website of the Municipal Securities Rulemaking Board. In addition to having investor education materials available, there are also descriptions of the protections provided by MSRB rules and how to file a complaint with FINRA's Investor Complaint Center.

FIRM CONTACT INFORMATION

If you have any concerns about your account, please contact Merlin Elsner at 1-800-967-9008.

Updated March 2022

PRIVACY POLICY

Multi-Bank Securities, Inc. (MBS) respects your right to privacy. We are committed to securing the confidentiality and integrity of your personal information. We are proud of our privacy practices and want our current and prospective clients to understand what information we collect and how we use it.

WHY WE COLLECT YOUR INFORMATION

We gather your information about you and your accounts so we can (1) know who you are and thereby prevent unauthorized access to your information, (2) design and improve the products and services we offer, and (3) comply with the laws and regulations that govern the financial industry.

WHAT INFORMATION WE COLLECT

We may collect the following types of nonpublic personal information about you:

- Information about your identity, such as your name, address and Taxpayer Identification Number.
- Information about your transactions with us.
- Information we receive from you from applications, forms or direct discussions with you.

SOURCES FROM WHICH WE OBTAIN YOUR INFORMATION

We collect nonpublic personal information about MBS's clients from the following sources:

- Information we receive from you from applications, forms or direct discussions with you.
- Information we may obtain via the internet.
- Information we receive from our clearing firm or any third-party vendor for authentication purposes.

WHAT INFORMATION WE DISCLOSE

Your securities account is carried by our clearing firm pursuant to clearing agreements. We may disclose to them all the information we collect regarding your account. Our clearing firm is contractually obligated to keep the information we have provided them confidential and use the information only for the services required and as allowed by applicable law or regulation.

We also may disclose some nonpublic personal information about our customers or former customers to facilitate servicing your account or to our regulators upon proper request, except as permitted by law and noted above. Moreover, we will not release information about our customers or former customers, except as noted above, unless one of the following conditions is met:

- We receive your prior written consent.
- We believe the recipient to be you or your authorized representative.
- We are required by law or regulation to release information to the recipient.

Privacy Policy (Continued)

Confidentiality and Security

We maintain physical, electronic and procedural safeguards to protect your personal account information. We also restrict access to your personal and financial data to authorized associates who have a need for these records. We require all non-affiliated organizations to conform to our privacy standards and are contractually obligated to keep the provided information confidential and used only as requested. Furthermore, we will continue to adhere to the privacy policies and practices described in this notice even after your account is closed or becomes inactive.

California Consumer Privacy Act (CCPA)

If you are a California resident, you may have the right to (1) request access to certain personal information* we have collected about you, or (2) request that we delete certain personal information* we may have collected from you. To exercise any of these rights, please visit www.mbssecurities.com and click the CCPA link in the website footer.

The examples contained within the Privacy Policy are illustrations and are not intended to be exclusive. If there are material changes to this policy, they will be posted on our website at www.mbssecurities.com.

Updated March 2022

**Personal information request exceptions: The CCPA does not apply to personal information that may not be provided or deleted based on other laws, rules or regulations.*

MBS **MULTI-BANK SECURITIES, INC.®**

BUSINESS CONTINUITY STATEMENT

In the event of a disruption of service, if you cannot contact us as you usually do through your account representative or your branch office, call our alternative number, 1-800-967-5094, or visit our website at www.mbssecurities.com. If you cannot access us through either of these means, contact our clearing firm, Pershing LLC (Pershing), a BNY Mellon company, directly in one of the following ways:

1. Call 1-201-413-3635. Pershing will process limited trade-related transactions (option No. 1), cash disbursements (option No. 2) and security transfers (option No. 3) on your behalf.
2. Via facsimile at 1-201-413-5368.
3. Via postal service at Pershing LLC, P.O. Box 2065, Jersey City, NJ 07303-2065.

OUR BUSINESS CONTINUITY PLAN

We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the Firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our Firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption. Our business continuity plan addresses the following: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees and regulators; alternate physical location of employees; critical suppliers, contractors, banks and counter-party impact; regulatory reporting; and assuring our customers' prompt access to their funds and securities if we are unable to continue our business. Our clearing firm, Pershing, backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to quickly restore its own operations and be able to complete existing transactions and accept new transactions and payments. Your orders and requests for funds and securities could be delayed during the restoration period.

VARYING DISRUPTIONS

Significant business disruptions can vary in their scope, including the business district, the city or the entire region where one or more of our offices are located. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In the event of a disruption to one or more of our offices, we will transfer our operations to an appropriate location when needed and expect to recover and resume full business operations. In the event of a disruption affecting a larger area, we will transfer our operations to a location outside of the affected area when needed and expect to recover and resume full business operations in a timely manner. In either situation, we plan to continue normal business operations, transferring functionality to other offices within our Firm or to our clearing firm if necessary. We will notify our customers in the most prudent and expeditious method. If a significant business disruption is so severe that it prevents us from remaining in business, we will work with our clearing firm to assure our customers receive prompt access to their funds and securities.

If you have questions about our business continuity planning, you can contact us at businesscontinuity@mbssecurities.com.

Corporate Headquarters
1000 Town Center, Suite 2300, Southfield, MI 48075
1-800-967-9045 phone
1-248-291-1101 fax

Updated March 2022

MBS MULTI-BANK SECURITIES, INC.*

March 1, 2022

To Whom It May Concern,

This letter is to inform you that as of the date of this letter, (1) there are no current regulatory sanctions outstanding against Multi-Bank Securities, Inc. (MBS) nor any of its account representatives or officers, and (2) MBS has never had a regulatory customer complaint.*

Additionally, MBS confirms we have an Anti-Money Laundering (AML) Program in place with policies and procedures that are reasonably designed to detect and prevent the use of our facilities and services for illegal purposes, including the laundering of monies, the financing of terrorist activities and the proliferation of weapons of mass destruction. This AML Program includes the designation of an AML officer, an ongoing AML employee training program and an annual independent audit to test the effectiveness of the AML Program. The Program is approved by the Board of Directors on an annual basis.

We further attest that we are in compliance:

1. With the Bank Secrecy Act (BSA), as amended by the USA PATRIOT Act, including, without limitation, a system of internal controls for detection and prevention of money laundering and illegal activity, independent testing of the company's BSA program, designation of a qualified individual for coordinating and monitoring day-to-day compliance, and training programs for all employees, officers and directors as appropriate.

2. With regulations and requirements of the Office of Foreign Assets Control (OFAC), including, without limitation, screening in OFAC-prohibited parties databases of all individuals involved in transactions by, through or with your institution, screening of OFAC embargoed country regulations for prevention of transactions involving countries subject to U.S. trade and economic sanctions, comparison of transactions on a daily basis, identification procedures and document retention.

3. With the Customer Identification Program requirements of the BSA, as amended by the USA PATRIOT Act, including, without limitation, risk-based procedures to verify customer identity, a risk assessment of our customer base and products, and due diligence for correspondent accounts

4. With "Know Your Customer" and monitoring requirements as necessary to ensure effective detection of suspicious transactions and procedures for the filing of Suspicious Activity Reports (SARs) and Currency Transactions Reports (CTRs).

Sincerely,

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

Based on information available through our regulators and/or supplied to us by our clearing firm.

Address 1000 Town Center, Suite 2300, Southfield, Michigan 48075 | 2400 East Commercial Boulevard, Suite 812, Ft. Lauderdale, Florida 33308
Phone (800) 967-9045, (248) 291-1100 | (800) 967-9045, (954) 351-6930
Fax (248) 291-1101 | (954) 351-9197
www.mbssecurities.com
Member of FINRA & SIPC; MSRB Registered.
Proudly Veteran-Owned!

MBS MULTI-BANK SECURITIES, INC.®

Dear Multi-Bank Securities, Inc. Client,

Thank you for performing your due diligence on Multi-Bank Securities, Inc. (MBS). We understand that this is a crucial part of building a trusting relationship with your broker, and we are more than happy to provide a response concerning your finding(s).

There are four items on our BrokerCheck report we would like to further explain.

The first incident was initiated by the State of Alabama on June 16, 1994. The incident occurred when MBS submitted a broker-dealer application to the State and incorrectly filled out the paperwork in the process. MBS paid a small fine, and Alabama vacated the denial order following the paperwork corrections.

The second incident was initiated by the Vermont Securities Division on June 12, 1997. MBS was cited for transacting business as an unregistered broker-dealer in Vermont. We paid a small fine, became registered in the State of Vermont and conduct business there today.

In the third incident, as the result of a sweep, FINRA found that our Firm failed to accurately report to TRACE certain inter-dealer transactions in a timely manner.

The citation states,

"Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report the correct time of trade execution for transactions in Trade Reporting and Compliance Engine (TRACE)-eligible securitized products within 15 minutes of the time of execution to TRACE; and failed to show the correct time of execution on the memorandum of brokerage orders."

MBS paid a small fine without admitting or denying the facts as presented, and will continue to do business in the market of fixed-income securities. To prevent future events like this, we made changes to our supervisory policies and procedures to reduce redundant supervisory reviews. We reviewed and continue to review our inter-dealer relationships to ensure that trade times are reported, and to ensure that both parties contractually understand and agree to each transaction prior to creating a TRACE reporting obligation.

Finally, as a result of our 2014 and 2016 regular cycle examinations, FINRA took the position that during a specific period of time, on a specific form, there was language that could be potentially confusing to some municipal entities with respect to the capacity in which the Firm would be acting relative to the Municipal Advisor Rule. Additionally, FINRA took the position that the Firm's Risk Management Controls outside of the Written Supervisory Procedures caused the Written Supervisory Procedures to be inadequate, and that the Firm needed to make specific reference to a particular rule during the annual CEO certification of compliance systems and controls.

We are proud of our customer compliance record and will continue to provide you the best in customer service. We thank you again for the opportunity to provide you with additional details. Should you have any questions or concerns, I can be reached directly at 1-800-967-9008, or by email at melsner@mbssecurities.com.

Sincerely,

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

Address 1000 Town Center, Suite 2300, Southfield, Michigan 48075
Phone (800) 967-9045
(248) 291-1100
Fax (248) 291-1101

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(954) 351-9197

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CODE OF ETHICAL BUSINESS CONDUCT

MISSION STATEMENT

Multi-Bank Securities, Inc. is a fixed-income securities Firm focused on delivering value to the institutional markets. We seek to earn and preserve the respect, confidence and loyalty of our employees and customers through integrity, professionalism, investment expertise, progressive technology and exceptional personal service.

CODE OF ETHICAL BUSINESS CONDUCT

Our Code of Ethical Business Conduct outlines our principles, ethics and standards to help guide our employees. Every person at our Firm is valuable and fulfills a vital role. Each client's objective can be successfully met when all departments work harmoniously with that singular goal in mind. The following are in addition to the rules required by FINRA and other regulatory authorities.

Commitment: We have made a commitment to operate ethically and to lead with integrity. We are committed to maintain the trust of fellow employees, clients, business partners and other industry professionals. This commitment is embedded in our core values.

Integrity: Is the sum of the collective actions of our employees and how those actions measure up every day to our fundamental values. We are obligated to demonstrate moral and sound judgment in all actions within the office environment and the public. Our reputation is a direct reflection of our culture.

Respect: We support an environment that encourages respect. We do not make false or misleading statements about our customers, business partners or competitors, nor do we misrepresent facts in order to gain a competitive advantage or engage in illegal or unethical business practices.

Professional Growth: Our representatives are instructed to familiarize themselves with all policies, laws and regulations that apply to their jobs – including but not limited to state statues, bylaws and investment policies –prior to conducting business. We support our representatives' pursuit of professional licenses and certifications.

Accurate Records: It is critical that we properly maintain records and uphold state statutes, bylaws and investment policies at the corporate level, as well as in personal files for each customer. These documents will be updated accordingly or as required by law.

Employee Manual: The Employee Manual is provided to assist employees in being successful at their job. The manual outlines our expectations, employment practices and policies, including the Code of Conduct. It is the responsibility of every employee to be familiar with and understand the contents of the manual. A verification receipt is required to be executed by each employee. We should all work to create a positive and diverse workplace that is free from discrimination and harassment. We are committed to a zero-tolerance policy against harassment or threatening behavior of any kind.

Travel: We strongly encourage building trust and rapport with customers and business partners. Representatives are supported and make every effort to attend board meetings and council/commissioner meetings, including state conferences and chapter meetings, locally and nationally.

MULTI-BANK SECURITIES, INC.
ANTI-MONEY LAUNDERING POLICY TEST PROCEDURES

EXECUTIVE SUMMARY

Multi-Bank Securities, Inc. (MBS) has in place an Anti-Money Laundering (AML) policy. Merlin Elsner is our Chief Compliance Officer. Senior management has approved the AML policy as written, and all questions are to be directed to Merlin Elsner. The company's AML policy is available for review upon request.

Merlin Elsner is responsible for ensuring the review of all new accounts and routine transactional surveillance. Additionally, the company's clearing agent Pershing LLC (Pershing), a BNY Mellon company, also reviews each account entity and transaction. Many MBS accounts (credit unions, banks, municipalities and SEC-registered investment advisors) are exempt from full Customer Identification Procedures (CIP). MBS relies on the fact that each of these exempted institutional entities is independently audited to ensure AML program compliance. Whenever practical and/or available, MBS will review external AML policies and independent audit reports made available for compliance with appropriate rules and regulations.

MBS engaged the company controller to perform the annual AML independent testing. The company controller operates fully independent of the Compliance Department and reports directly to the CEO. During the annual independent testing of our AML procedures, randomly selected accounts were checked against the Office of Foreign Asset Control (OFAC) list found at www.ustreas.gov/ofac. The controller verified that as of the most recent test (concluded Dec. 20, 2021), none of the randomly selected accounts were found on the OFAC list. The company controller, upon a review of the processed documentation of account opening files and ongoing review of transactions, found no material deficiencies for 2021.

DAY-TO-DAY OPERATIONS

Merlin Elsner, or his designee, is responsible for making sure that new accounts have appropriate and sufficient information, including but not limited to names, addresses and Taxpayer Identification Numbers requested at the time of account opening. Operations will reject all accounts with improperly filled-out forms or forms missing material information. Pershing systems do not allow for customer accounts to be opened without proper identification information.

Pershing is responsible for verifying new control lists against all existing accounts. They have assured us that they do this task regularly. MBS screens all accounts on a continuous basis through a third-party vendor established as best industry practice.

Merlin Elsner, or his designee, is also responsible for deposit and withdrawal review. He follows the AML policy instructions for verifying information and record-keeping. Reviews are performed in a timely manner utilizing in-house CRM reports as well as Pershing system reports to capture all information necessary for AML review. MBS does not accept money or securities from clients at any time. MBS account activity is reviewed systematically against a complex series of dynamic logical rules to screen for potential AML activity through the Pershing platform. This platform produces behavior-based reports, which are reviewed in addition to internal CRM reports. CRM reports are reviewed on a daily basis by executive management. This two-pronged approach ensures that MBS has in place an adequate policy to guard against and detect potential AML activity. Given the sophistication of MBS's internal client account AML policies, MBS considers the risk of an actual AML incident to be extremely low. The risk rating of accounts at MBS is presented in a spectrum to be considered in the overall securities market, and while there may be differences in ratings within the Firm, the overall AML risk remains low when considering the overall market.

Multi-Bank Securities, Inc.
Anti-Money Laundering Policy Test Procedures (Continued)

Merlin Elsner is also responsible for ensuring the review of the biweekly Financial Crimes Enforcement Network (FinCEN) report and compares them to the MBS customer database in a timely fashion. Evidence of these report reviews is kept extremely confidential and is available for review upon request from FINRA and/or the SEC. MBS screens new accounts (banks, credit unions and municipalities are exempt) against the OFAC database. Pershing screens accounts and transaction beneficiaries against the report for all clearing transactions. MBS performs OFAC screening on an "ongoing" basis in addition to the initial account opening procedures.

Merlin Elsner is responsible for AML training of new and existing employees. The company also holds employee meetings to cover sales practice and compliance issues. The company maintains attendance records and has the record book available for review as necessary. Employees must complete Firm Element continuing education training as well as the FINRA-required continuing education. Merlin Elsner coordinates compliance training for all MBS locations.

The company has procedures in place to maintain files for at least six years. The company maintains documentation for two years on-site. The company also has an off-site storage facility to maintain previous years. The company controller personally verifies the packaging and storage of all relevant documents. The off-site storage facility is subject to an inspection by MBS and all associated files are stored in a safe and secure location with extremely limited access.

Merlin Elsner is responsible for the Suspicious Activity Report (SAR). He is familiar with the SAR form and Bank Secrecy Act (BSA) e-filing procedures. He will file a SAR immediately as applicable. The company does not accept money from clients and therefore does not maintain a Currency Transaction Report (CTR). All customer checks must be payable to Pershing LLC and all money wires go directly to Pershing. Pershing will not accept funds that originate from outside of the U.S.; this includes, but is not limited to, checks and electronic transfers.

Please contact me at 1-800-967-9008 with any questions related to this AML document.

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

MBS **MULTI-BANK SECURITIES, INC.®**

INFORMATION SECURITY ATTESTATION LETTER

August 17, 2021

In December 2020, Multi-Bank Securities, Inc. (MBS) contracted a Qualified Security Assessor Company to perform an External Penetration Test on MBS's internet-facing systems. The objective of this engagement was to identify vulnerabilities in MBS systems and network security that both internal and external adversaries could exploit.

The security engagement occurred during the period from February 16 to February 18, 2021. The testing process began with an information gathering phase in which the vendor's assessment team conducted steps designed to gather all pertinent information surrounding targeted environment. Automated and manual testing techniques were used to assess the target areas to gauge the level of business risk of any discovered vulnerabilities.

It was the vendor's overall opinion that MBS had taken the appropriate steps to reduce enterprise risk level and mitigate the probability of such an event.

Based on the assessment, MBS has implemented sufficient security controls to ensure the continued operation of business processes. The existing security controls appear to adequately mitigate risks to business processes to ensure the collection of personally identifiable information and critical business data.

As of this date, the chief information officer attests that no material changes or events, as they relate to this external vendor, have occurred.

Moving forward, MBS will continue diligent efforts on improving its overall security posture.

Should you have any questions regarding this matter, please feel free to contact me directly at 1-800-967-9008 or via email at merlin@mbssecurities.com.

Sincerely,

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

Address 1000 Town Center, Suite 2300, Southfield, Michigan 48075 | 2400 East Commercial Boulevard, Suite 812, Ft. Lauderdale, Florida 33308
Phone (800) 967-9045, (248) 291-1100 | (800) 967-9045, (954) 351-6930
Fax (248) 291-1101 | (954) 351-9197
www.mbssecurities.com
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Proudly Veteran-Owned!

CRYSTAL
Financial Institutions

A DIVISION OF ALLIANT

32 Old Slip
New York, NY 10005-3504
Phone 800-221-5830
Fax 800-383-1852

CONFIRMATION OF INSURANCE

NAMED INSURED
Multi-Bank Securities, Inc. 1000 Town Center Drive, Suite 2300 Southfield, MI 48075

BINDER DATE	BINDER NO.
10/07/2021	n/a

CLIENT CODE	POLICY TYPE
MULTSEC-01	Securities Dealers Bond

ACCOUNT SERVICER
Abigail Escalera

EFFECTIVE DATE	EXPIRATION DATE	POLICY NUMBER	INSURER
11/01/2021	11/01/2022	81940548	Federal Insurance Company

COVERAGE DESCRIPTION AND AMOUNTS/LIMITS

Coverage: Securities Dealer Blanket Bond

Effective Date of Change: 11/01/2021
Description of Change: Renewal

It is hereby understood and agreed that the renewal of coverage is bound effective 12:01 a.m. on November 1, 2021 for a one year period as follows:

Limit of Liability:	$3,000,000 per loss
Deductible:	$20,000 per loss
One Year Premium:	$##,###

All other terms and conditions remain the same.

This confirmation of insurance sets forth the general terms, conditions and subjectivities, if any, of placement effected by Alliant on your behalf and at your direction. This confirmation of insurance will be cancelled, superseded and replaced upon delivery of the insurer's binder of coverage. The insurer's binder will be in effect and control this placement until the receipt of the insurer's formal policy/bond documentation.

In addition to the fees and/or commissions received by Alliant for the placement of insurance in certain circumstances other parties, including other intermediaries, may earn and retain usual and customary commissions for their role in providing insurance products or services under their separate contracts with insurers and/or reinsurers. Further, in certain segments of our business, come of our compensation may be derived from supplemental or bonus commissions paid by insurers or intermediaries based on criteria designed by the insurer or intermediary, to value of the policies that we place with it in a particular period.

Premium: $##,###	Federal Insurance Company	
Confirmed By:	Authorized Representative: Program	
At Alliant Refer To: Abigail Escalera	Admitted: X	Non-Admitted

SECURITIES INVESTOR PROTECTION CORPORATION
1667 K Street NW Suite 1000
WASHINGTON, D.C. 20006-2215
(202) 371 – 8300 FAX (202) 223 – 1679
WWW.SIPC.ORG

Via E-mail (Melsner@mbssecurities.com)
Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.
1000 Town Center, Suite 2300
Southfield, MI 48075

March 1, 2022
8-39547

Dear Mr. Elsner:

In response to your request, please be advised that according to SIPC's records, Multi-Bank Securities, Inc. is registered with the Securities and Exchange Commission as a securities broker or dealer under Section 15(b) of the 1934 Act, (8-39547, 05/06/1988). By operation of the Securities Investor Protection Act of 1970, the corporation is a SIPC member unless (i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions; (ii) its business as a broker or dealer consists exclusively of (I) the distribution of shares of registered open end investment companies or unit investment trusts, (II) the sale of variable annuities, (III) the business of insurance, or (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts, or (iii) it effects transactions in security futures products only.

Sincerely,

Christine R. King

Digitally signed by Christine R. King
DN: cn=Christine R. King, o, ou, email=cking@sipc.org, c=US
Date: 2022.03.01 15:06:11 -05'00'

Christine R. King
Manager – Member Assessments

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PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Statement of Financial Condition

December 31, 2021

(With Report of Independent Registered Public Accounting Firm)

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PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Statement of Financial Condition

December 31, 2021

Table of Contents

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KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Report of Independent Registered Public Accounting Firm

To the Member and Board of Managers
Pershing LLC:

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Pershing LLC (the Company) as of December 31, 2021, and the related notes (collectively, the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

KPMG LLP

We have served as the Company's auditor since 2007.

New York, New York
February 25, 2022

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PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Statement of Financial Condition

December 31, 2021

(Dollars in millions)

Assets

Cash and cash equivalents	$	266
Cash and securities segregated for regulatory purposes		3,822
Collateralized financing agreements:		
Securities borrowed		8,812
Securities purchased under agreements to resell		5,428
Receivables:		
Customers		17,756
Broker-dealers and clearing organizations		2,084
Affiliates		392
Intangible assets		2
Financial instruments owned, at fair value		31
Other assets		744
Total assets	$	39,337

Liabilities and Member's Equity

Liabilities:		
Overdrafts payable	$	363
Collateralized financing agreements:		
Securities loaned		1,541
Securities sold under agreements to repurchase		5,965
Payables:		
Customers		21,712
Broker-dealers and clearing organizations		3,953
Affiliates		1,839
Financial instruments sold, not yet purchased, at fair value		1
Accounts payable, accrued expenses and other		509
Total liabilities		35,883
Member's equity:		
Member's contributions		1,037
Accumulated earnings		2,417
Total member's equity		3,454
Total liabilities and member's equity	$	39,337

See accompanying notes to statement of financial condition.

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Notes to Statement of Financial Condition

December 31, 2021

(1) Organization and Description of Business

Pershing LLC (the Company) is a single member Delaware Limited Liability Company and a wholly owned subsidiary of Pershing Group LLC (the Parent), which is a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon).

The Company is registered as a securities broker-dealer with the Securities and Exchange Commission (SEC) authorized to engage in fully disclosed and omnibus clearing, sales and trading and brokerage services. The Company is a member of the New York Stock Exchange, Inc. (NYSE), Financial Industry Regulatory Authority (FINRA), Chicago Board of Options Exchange, Inc., Securities Investor Protection Corporation (SIPC), and other regional exchanges.

(2) Summary of Significant Accounting Policies

The Company's statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect amounts reported in the statement of financial condition and accompanying footnotes. Management believes that the estimates utilized in the statement of financial condition are reasonable. Actual results could differ from these estimates. Market conditions could increase the risk and complexity of the judgments in these estimates.

(a) Cash and Cash Equivalents

The Company defines cash and cash equivalents as highly liquid investments with original maturities of three months or less.

(b) Cash and Securities Segregated for Regulatory Purposes

The Company defines cash and securities segregated for regulatory purposes as deposits of cash and qualified securities that have been segregated in special reserve bank accounts for the benefit of customers and the proprietary accounts of brokers (PAB) under Rule 15c3-3 of the SEC. Restricted cash consists of excess client funds and totaled $3.8 billion at December 31, 2021. Restricted cash is included in cash and securities segregated for regulatory purposes on the statement of financial condition.

(c) Collateralized Financing Agreements

Securities borrowed and securities loaned are collateralized financing arrangements that are recorded at the amount of cash collateral advanced or received. For securities borrowed, the Company deposits cash or other collateral with the lender. For securities loaned, the Company receives cash collateral that typically exceeds the market value of securities loaned.

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (resale agreements) are treated as collateralized financing arrangements and are carried at their contract amount, the amount at which they will subsequently be resold or repurchased, plus related accrued interest. Repurchase and resale agreements are typically collateralized by cash or government and government agency securities and generally have terms from overnight up to three months. The Company nets certain repurchase agreements and resale agreements in the statement of financial condition in accordance with Accounting Standards Codification (ASC) Subtopic 210-20, *Balance Sheet Offsetting.*

It is the Company's policy to take possession of the underlying collateral, monitor its market value relative to the amounts due under the agreements and, when necessary, require prompt transfer of additional collateral or reduction in the loan balance in order to maintain contractual margin protection. In the event of counterparty default, the financing agreement provides the Company with the right to liquidate the collateral held.

The Company has adopted *ASU 2016-13, Financial Instruments – Credit Losses* ("CECL"). Under CECL, the Company has elected to use the collateral maintenance provision practical expedient for its collateralized financing agreements. Collateralized financing agreements are reported net of the expected credit losses, which was not material at December 31, 2021.

(d) Receivables and Payables – Broker-Dealers and Clearing Organizations

Receivables from broker-dealers and clearing organizations include amounts receivable for securities not delivered by the Company to a purchaser by the settlement date (fails to deliver), deposits with clearing organizations and the Company's introducing brokers' margin loans. Payables to broker-dealers and clearing organizations include amounts payable for securities not received by the Company from a seller by the settlement date (fails to receive), clearing deposits from introducing brokers and amounts payable to the Company's introducing brokers.

Under CECL, the Company has elected to use the collateral maintenance provision practical expedient for its margin loans. Margin loans are reported net of the expected credit losses, which was $189 thousand at December 31, 2021.

(e) Revenue Recognition

The Company's clients are billed based on fee schedules that are agreed upon in each customer contract. Receivables from customers were $165.1 million at December 31, 2021. An allowance is maintained for accounts receivables which is generally based on the number of days outstanding. Under CECL, a provision of $8 thousand was recorded as of December 31, 2021. Receivables from customers are included in other assets on the statement of financial condition

Contract assets represent accrued revenues that have not yet been billed to the customers due to certain contractual terms other than the passage of time and were $7.0 million at December 31, 2021. Accrued revenues recorded as contract assets are usually billed on an annual basis. There were no impairments recorded on contract assets in 2021. Contract assets are included in other assets on the statement of financial condition.

Contract liabilities represent payments received in advance of providing services under certain contracts were $6.6 million at December 31, 2021. Contract liabilities are included in accounts payable, accrued expenses and other on the statement of financial condition.

Changes in contract assets and liabilities primarily relate to either party's performance under the contracts.

(f) *Fair Value of Financial Instruments Owned and Sold*

Financial instruments owned and financial instruments sold, not yet purchased are stated at fair value. See Note 4 to statement of financial condition for disclosures with respect to ASC Topic 820.

(g) *Fixed Assets and Intangibles*

Fixed assets are recorded at cost, net of accumulated depreciation. Depreciation is recorded on a straight-line basis over the useful lives of the related assets, generally two to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the lease term or 10 years. For internal-use computer software, the Company capitalizes qualifying costs incurred during the application development stage. The resulting asset is amortized using the straight-line method over the expected life, which is generally five years. All other nonqualifying costs incurred in connection with any internal-use software projects are expensed as incurred.

Identifiable intangible assets are amortized on a straight-line basis over their estimated useful life, which is generally 15 years from the date of acquisition and are assessed for impairment indicators pursuant to the provision of ASC Topic 350, *Intangibles – Goodwill and Other*, and ASC Topic 360, *Property, Plant & Equipment.*

(h) *Receivables and Payables - Customers*

Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Customer securities transactions are recorded on a settlement date basis, which is generally two business days after trade date. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the statement of financial condition.

(i) *Restricted Stock Units*

During the year, BNY Mellon issued restricted stock to employees, including certain Company employees. The Company accounts for this plan in accordance with ASC Topic 718, *Compensation – Stock Compensation,* and accordingly compensation cost is measured at the grant date based on the value of the award and is recognized over the vesting period.

As of December 31, 2021, $25.9 million of total unrecognized compensation cost related to nonvested restricted stock is expected to be recognized over a period of approximately zero to four years.

(j) Income Taxes

The Company is included in the consolidated federal and combined state and local income tax returns filed by BNY Mellon. In addition, the Company files stand-alone tax returns in certain jurisdictions, including Pennsylvania. Income taxes are calculated using the modified separate return method, and the amount of current tax expense or benefit is either remitted to or received from BNY Mellon, pursuant to a tax sharing agreement between BNY Mellon and the Company.

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*, which generally requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and the tax basis of the assets and liabilities. If appropriate, deferred tax assets are adjusted by a valuation allowance, which reflects expectations of the extent to which such assets will be realized.

In accordance with ASC 740, *Income Taxes*, the Company uses a two-step approach in recognizing and measuring its uncertain tax benefits whereby it is first determined if the tax position is more likely than not to be sustained under examination. If the tax position meets the more likely than not threshold, the position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A tax position that fails to meet the more likely than not recognition threshold will result in either a reduction of current or deferred tax assets, and/or recording of current or deferred tax liabilities.

(k) Leases

We determine if an arrangement is a lease at inception. Right-of-use (ROU) assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments. The ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date or at lease modification date for certain lease modifications. For all leases, we use a rate that represents a collateralized incremental borrowing rate based on similar terms and information available at lease commencement date or at the modification date for certain lease modifications in determining the present value of lease payments. In addition to the lease payments, the determination of an ROU asset may also include certain adjustments related to lease incentives and initial direct costs incurred. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability only when it is reasonably certain that we will exercise that option.

ROU assets are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable.

For all leases, we have elected to account for the contractual lease and non-lease components as a single lease component and include in the calculation of the lease liability.

(3) Receivables from and Payables to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations include the following (dollars in millions):

Receivables:		
Brokers and dealers	$	1,224
Securities failed to deliver		457
Clearing organizations		403
Total receivables	$	2,084
Payables:		
Brokers and dealers	$	3,431
Securities failed to receive		522
Total payables	$	3,953

(4) Financial Instruments

ASC Topic 820 applies to all financial instruments that are being measured and reported on a fair value basis. This includes those items currently reported in financial instruments owned, at fair value and financial instruments sold, not yet purchased, at fair value on the statement of financial condition.

As defined in ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market and income approaches. Based on these approaches, the Company utilizes certain assumptions that market participants would use in pricing the asset or liability. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial instrument assets and liabilities carried at fair value have been classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are derived from or corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as listed equities.

Level 2 includes those financial instruments that are valued using models or other valuation methodologies calibrated to observable market inputs. These models are primarily industry-standard models that consider various assumptions, including discount margins, credit spreads, discounted anticipated cash flows, the terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, default rates, as well as other measurements. In order to be classified as Level 2, substantially all of these assumptions would need to be observable in the marketplace and can be derived from observable data or supported by observable levels at which transactions are executed in the marketplace.

Level 3 comprises financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are unobservable from objective sources. The Company did not have any assets or liabilities classified as Level 3 at December 31, 2021.

In determining the appropriate levels, the Company performed an analysis of the assets and liabilities that are subject to ASC Topic 820. The following tables present the financial instruments carried at fair value as of December 31, 2021 (dollars in millions):

	Assets at fair value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial instruments owned, at fair value				
Equity instruments	$ 22	—	—	22
Derivatives - foreign exchange	—	9	—	9
Total assets at fair value	$ 22	9	—	31

	Liabilities at fair value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial instruments sold, not yet purchased				
Equity instruments	$ 1	—	—	1
Total liabilities at fair value	$ 1	—	—	1

Estimated Fair Value of Financial Instruments Not Carried at Fair Value

The fair values of the other financial assets and liabilities are considered to approximate their carrying amounts because they have limited counterparty credit risk and are short-term, replaceable on demand, or bear interest at market rates.

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)
Notes to Statement of Financial Condition
December 31, 2021

The table below presents the carrying value and fair value of Pershing LLC's financial instruments which are not carried at fair value (dollars in millions). The table below therefore excludes items measured at fair value on a recurring basis presented in the table above. In addition, the table excludes the values of non-financial assets and liabilities.

		December 31, 2021				
		Level 1	**Level 2**	**Level 3**	**Estimated fair value**	**Carrying value**
Summary of financial instruments:						
Assets:						
Cash and cash equivalents	$	266	—	—	266	266
Cash and securities segregated for regulatory purposes		3,822	—	—	3,822	3,822
Securities borrowed		—	8,812	—	8,812	8,812
Securities purchased under agreements to resell		—	5,428	—	5,428	5,428
Receivables from customers		—	17,756	—	17,756	17,756
Receivables from broker-dealers and clearing organizations		—	2,084	—	2,084	2,084
Due from affiliates		—	392	—	392	392
Other assets		—	744	—	744	744
Total	$	4,088	35,216	—	39,304	39,304
Liabilities:						
Overdrafts payable	$	—	363	—	363	363
Securities loaned		—	1,541	—	1,541	1,541
Securities sold under agreements to repurchase		—	5,965	—	5,965	5,965
Payables to customers		—	21,712	—	21,712	21,712
Payables to broker-dealers and clearing organizations		—	3,953	—	3,953	3,953
Due to affiliates		—	1,839	—	1,839	1,839
Accounts payable, accrued expenses other		—	509	—	509	509
Total	$	—	35,882	—	35,882	35,882

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Notes to Statement of Financial Condition

December 31, 2021

Offsetting Assets and Liabilities

The following table presents financial instruments that are either subject to an enforceable netting agreement or offset by collateral arrangements. There were no financial instruments subject to a netting agreement for which the Company is not currently netting (dollars in millions).

Financial assets subject to enforceable master netting agreements

December 31, 2021		Gross assets recognized	Gross amounts offset in the statement of financial condition	Net assets recognized on the statement of financial condition	Gross amounts not offset: Financial instruments (1)	Gross amounts not offset: Cash collateral received	Net amount
Securities borrowed	$	8,812	—	8,812	8,573	—	239
Securities purchased under agreements to resell		5,790	362	5,428	5,399	—	29
Total financial assets subject to enforceable master netting agreement	$	14,602	362	14,240	13,972	—	268

Financial liabilities subject to enforceable master netting agreements

		Gross liabilities recognized	Gross amounts offset in the statement of financial condition	Net liabilities recognized on the statement of financial condition	Gross amounts not offset: Financial instruments (1)	Gross amounts not offset: Cash collateral pledged	Net amount
Securities loaned	$	1,541	—	1,541	1,478	—	63
Securities sold under agreements to repurchase		6,327	362	5,965	5,965	—	—
Total financial liabilities subject to enforceable master netting agreement	$	7,868	362	7,506	7,443	—	63

(1) The total amount reported in financial instruments is limited to the amount of the related instruments presented in the statement of financial condition and therefore any over-collateralization of these positions is not included.

Repurchase Agreements and Securities Lending

The following table presents the contract value of repurchase agreements and securities lending transactions accounted for as secured borrowings by the type of collateral provided to counterparties.

Repurchase agreements and securities lending transactions accounted for as secured borrowings at December 31, 2021

	Remaining contractual maturity of the agreements			
(in millions)	Overnight and continuous	Up to 30 days	30 days or more	Total
Repurchase agreements:				
U.S. Treasury	$ 1,096	$ —	$ 450	$ 1,546
U.S. Government agencies	63	—	—	63
State and political subdivisions	43	16	785	844
Agency RMBS	753	1	—	754
Non-agency RMBS	—	1	1	2
Commercial papper/CDs	—	29	244	273
Corporate bonds	97	77	1,140	1,314
Equity securities	—	276	1,255	1,531
Total repurchase agreements	$ 2,052	$ 400	$ 3,875	$ 6,327
Securities Lending:				
U.S. Government agencies	4	—	—	4
Agency RMBS	152	—	—	152
Agency commercial MBS	15	—	—	15
Corporate bonds	69	—	—	69
Equity securities	1,301	—	—	1,301
Total securities loaned	$ 1,541	$ —	$ —	$ 1,541
Total borrowings	$ 3,593	$ 400	$ 3,875	$ 7,868

The Company's repurchase agreements and securities lending transactions primarily encounter risk associated with liquidity. The Company is required to pledge collateral based on predetermined terms within the agreements. If the Company were to experience a decline in the fair value of the collateral pledged for these transactions, additional collateral could be required to be provided to the counterparty, thereby decreasing the amount of assets available for other liquidity needs that may arise.

As of December 31, 2021, the Company has $425 million of collateral related to repurchase agreements that had remaining contractual maturities that exceeded 90 days.

(5) Fixed Assets

Fixed assets are included in other assets on the statement of financial condition and consists of the following (dollars in millions):

Capitalized software	$	279
Leasehold improvements		46
Computer software		22
Computer equipment		1
Other		67
Total		415
Less accumulated depreciation		(235)
Total fixed assets, net	$	180

The Company recorded computer equipment, computer software, and internal developed software retirements and write offs of $96.8 million as of December 31, 2021.

(6) Leasing

The Company has non-cancelable operating leases for office space that expire on various dates through 2037, some of which include options to extend or terminate the lease.

The following table presents the statement of financial condition information related to operating leases.

Statement of financial condition information *(dollar in thousands)*	December 31 ,2021 Operating leases
Right-of-use assets *(a)*	$ 163.1
Lease liability *(b)*	$ 193.3
Weighted average:	
Remaining lease term	14.5 year
Discount rate *(annualized)*	2.41%

(a) Included in other assets on the statement of financial condition.

(b) Operating lease liabilities are included in accounts payable, accrued expenses and other on the

The following table presents cash flow information related to leases.

Cash flow information *(in millions)*		Year-to-Date ended December 31, 2021
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from finance leases	$	–
Operating cash flows from operating leases		11.5
Financing cash flows from finance leases		–

The following table presents the maturities of lease liabilities.

Maturities of lease liabilities *(in millions)*		Operating leases
For the year ended December 31		
2022		9.4
2023		15.6
2024		15.6
2025		15.6
2026		15.7
Thereafter		159.7
Total lease payments		231.6
Less: Imputed interest		38.3
Total	$	193.3

(7) Third Party Bank Loans and Lines of Credit

The Company has $350 million in uncommitted lines of credit with non-affiliated banks as of December 31, 2021. There were no borrowings against these lines of credit at December 31, 2021. Interest on such borrowings is determined at the time each loan is initiated.

(8) Income Taxes

The deferred income taxes reflect the tax effects of temporary differences between the financial reporting and tax bases of asset and liabilities. The Company has a gross deferred tax asset of $60.7 million and a gross deferred tax liability of $81.6 million at December 31, 2021. The deferred tax asset is primarily attributable to operating lease liabilities, while the deferred tax liability is primarily attributable to operating lease right-of-use assets. The net deferred tax liability is $20.9 million. The Company has not recorded a valuation allowance because the Company believes it is more likely than not that the deferred tax assets will be realized.

Federal and state taxes payable due to BNY Mellon of $22.9 million and $1.7 million, respectively, are included in affiliate payables on the statement of financial condition. State taxes payable of $7.7 million are included in accounts payable, accrued expenses and other on the statement of financial condition.

BNY Mellon's federal consolidated income tax returns are closed to examination through 2016. The New York State and New York City income tax returns are closed to examination through 2014. The Company's New Jersey income returns are closed to examination through 2014.

(9) Related Party Transactions

The Company provides clearing, sales and trading, and brokerage related services to indirect wholly owned subsidiaries of BNY Mellon. Balances due from/to these affiliates related to these services were approximately \$391.8 million and \$55.4 million, respectively. They are included in receivables from affiliates and payables to affiliates, respectively, on the statement of financial condition. The Company had securities failed to deliver of \$50.0 million and securities failed to receive of \$94.9 million with affiliates. They are included in receivables from broker-dealers and clearing organizations and payables to broker-dealers and clearing organizations, respectively, on the statement of financial condition.

The Company has \$5.6 billion of unsecured loan facilities with the Parent. At December 31, 2021, there were borrowings against the loan facilities of approximately \$1.646 billion included in payables to affiliates. The Company also has loan agreements with two affiliates. At December 31, 2021, there were borrowings against the loans of approximately \$33 million, which are included in payables to affiliates.

Balances due to BNY Mellon for taxes, payroll, technology and leased equipment were \$104.7 million and are included in payables to affiliates on the statement of financial condition. The Company maintains a collateralized financing arrangement with an affiliate associated with repurchase agreements, with the maximum facility of \$200 million. At December 31, 2021, the Company did not have any affiliated repurchase agreement transactions. At December 31, 2021, the Company had not entered into securities lending agreements with another affiliate.

For the year ended December 31, 2021, the Company leased furniture and fixtures and computer and other communications equipment from an affiliate.

Additionally, the Company contracts through certain related parties acting in their role as agents to facilitate transactions between the Company and certain principal third parties for securities borrowed and tri-party repurchase or reverse repurchase transactions. Any risk assumed in these transactions is solely between the principal third parties and the Company.

(10) Employee Benefit Plans

BNY Mellon sponsors a 401(k) plan (the Plan) for its active employees. The Plan offers the Company's employees the opportunity to plan, save and invest for their future financial needs. The Company makes periodic contributions to the Plan based on the discretion of management.

(11) Pledged Assets and Guarantees

Under the Company's collateralized financing arrangements and other business activities, the Company either receives or provides collateral. In many cases, the Company is permitted to sell or repledge these securities held as collateral. At December 31, 2021, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was \$51,428 million and the fair value of the portion that had been sold or repledged was $25,579 million. The details of these sources and the uses of collateral are noted in the below tables (dollars in millions).

Source of available collateral – received, borrowed or owned:		
Financial instruments owned, at fair value	$	22
Securities borrowed		8,587
Securities purchased under agreements to resell		5,761
Margin securities available to sell or re-pledge		37,058
Total source of collateral	$	51,428
Use of available collateral – re-pledged, loaned or sold:		
Financial instruments sold, not yet purchased, at fair value	$	1
Securities loaned		1,478
Securities sold under agreements to repurchase		6,592
Pledged to clearing corporations		1,281
Short sale covering		12,113
Qualified securities segregated for regulatory purposes		4,114
Total use of collateral	$	25,579

The Company also conducts a fully paid lending program, in which customers agree to make available their fully paid securities to be loaned to third parties in exchange for a fee. At December 31, 2021, the fair value of the securities borrowed under this program was $24 million and is included in securities borrowed and securities loaned on the statement of financial condition and included in the table above.

Obligations under Guarantees

The Company applies the disclosure and recognition requirements for guarantees in accordance with ASC Topic 460, *Guarantees*, whereby the Company will recognize a liability at the inception of a guarantee for obligations it has undertaken in issuing the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that certain events or conditions occur.

The Company provides guarantees to securities clearinghouses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable or limited and could exceed the cash and securities it has posted as collateral. However, management believes the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried on the statement of financial condition for these arrangements.

In connection with its securities clearing business, the Company performs securities execution, clearance and settlement services on behalf of other broker-dealer clients. Management believes the potential for the Company to be required to make unreimbursed payments relating to such services is remote due to the contractual capital requirements associated with clients' activity and the regular review of clients' capital. Accordingly, no contingent liability is carried on the statement of financial condition for these transactions.

(12) Commitments and Contingences

As of December 31, 2021, the Company had commitments with twenty clients to lend a maximum total of $1,323 million for various terms. These commitments consisted of outstanding loans of $1,247 million, and unfunded commitments totaling $76 million.

The Company is involved in various legal proceedings arising in connection with the Company's business activities. Based on currently available information and the advice of counsel, the Company believes that the aggregate results of all such proceedings will not have a material adverse effect on the Company's financial condition. The Company intends to defend itself vigorously against all claims asserted against it. In accordance with applicable accounting guidance, the Company establishes reserves for litigation and settlements for which loss contingencies are both probable and estimable. The Company will continue to monitor all such matters and will adjust the reserve amounts as appropriate.

Matters Related to R. Allen Stanford

In late December 2005, Pershing LLC ("Pershing") became a clearing firm for Stanford Group Co. ("SGC"), a registered broker-dealer that was part of a group of entities ultimately controlled by R. Allen Stanford ("Stanford"). Stanford International Bank, also controlled by Stanford, issued certificates of deposit ("CDs"). Some investors allegedly wired funds from their SGC accounts to purchase CDs. In 2009, the Securities and Exchange Commission charged Stanford with operating a Ponzi scheme in connection with the sale of CDs, and SGC was placed into receivership. Alleged purchasers of CDs have filed two putative class action proceedings against Pershing: one in November 2009 in Texas federal court, and one in May 2016 in New Jersey federal court. On November 5, 2021, the court dismissed the class action filed in New Jersey. Three lawsuits remain against Pershing in Louisiana and New Jersey federal courts, which were filed in January 2010, October 2015 and May 2016. The purchasers allege that Pershing, as SGC's clearing firm, assisted Stanford in a fraudulent scheme and assert contractual, statutory and common law claims. In March 2019, a group of investors filed a putative class action against The Bank of New York Mellon in New Jersey federal court, making the same allegations as in the prior actions brought against Pershing. On November 12, 2021, the court dismissed the class action against The Bank of New York Mellon. All the cases that have been brought in federal court against Pershing and the case brought against The Bank of New York Mellon have been consolidated in Texas federal court for discovery purposes. In July 2020, after being enjoined from pursuing claims before the Financial Industry Regulatory Authority, Inc. ("FINRA"), an investment firm filed an action against Pershing in Texas federal court. This action has been resolved. Various alleged Stanford CD purchasers asserted similar claims in FINRA arbitration proceedings.

(13) Regulatory Requirements

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule under Rule 15c3-l of the Securities Exchange Act of 1934 and has elected to use the alternative method of computing regulatory net capital requirements provided for in that Rule. Under the alternative method, the required net capital may not be less than two percent of aggregate debit items arising from customer transactions or $1.5 million, whichever is greater. At December 31, 2021, the Company's regulatory net capital of approximately $2.8 billion was 13.84% of aggregate debit items and in excess of the minimum requirement by approximately $2.35 billion.

Advances to affiliates, repayment of borrowings, dividend payments to Parent and other equity withdrawals are subject to certain notification and other provisions of the Rule 15c3-1 and other regulatory bodies.

Pursuant to Rule 15c3-3 of the SEC, the Company may be required to deposit in a Special Reserve Bank Account, cash or acceptable qualified securities for the exclusive benefit of customers. At December 31, 2021, the Company had approximately $7.8 billion of cash and acceptable qualified securities on deposit in such accounts.

As a clearing broker, the Company is required to compute a reserve requirement for the proprietary accounts of broker-dealers (the PAB Reserve Formula). As of December 31, 2021, the Company had approximately $94 million of cash deposits and acceptable qualified securities in accounts designated for the exclusive benefit of PAB pursuant to Rule 15c3-3 of the SEC.

(14) Financial Instruments and Related Risks

(a) Customer Activities

Certain market and credit risks are inherent in the Company's business, primarily in facilitating customers' trading and financing transactions in financial instruments. In the normal course of business, the Company's customer activities include execution, settlement, and financing of various customer securities, which may expose the Company to both on and off-balance sheet risk in the event the customer is unable to fulfill its contractual obligations.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to customers, which is collateralized by cash and/or securities in the customer's account. In connection with these activities, the Company executes and clears customer transactions involving securities sold but not yet purchased and option contracts. The Company seeks to control risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory, exchange and internal guidelines. The Company monitors required margin levels daily; pursuant to such guidelines, the Company requires the customer to deposit additional collateral or to reduce positions, when necessary. Such transactions may expose the Company to significant off-balance sheet risk in the event the collateral is not sufficient to fully cover losses which customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell the collateral at prevailing market prices in order to fulfill the customer's obligations.

The Company's customer financing and securities settlement activities may require the Company to pledge customer securities as collateral in support of various secured financing sources, such as securities loaned. Additionally, the Company pledges customer securities as collateral to satisfy margin deposits of the Options Clearing Corporation. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its obligation. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposures.

(b) Credit Risk

As a securities broker and dealer, the Company is engaged in various securities trading and brokerage activities servicing a diverse group of domestic and foreign corporations, governments, and institutional and individual investors. A substantial portion of the Company's transactions is executed with and on behalf of institutional investors including other broker-dealers, banks, U.S. government agencies, mutual funds, hedge funds and other financial institutions.

Credit risk is the potential for loss resulting from the default by a counterparty of its obligations. Exposure to credit risk is generated by securities and currency settlements, contracting derivative and forward transactions with customers and dealers, and the holding in inventory of loans. The Company uses various means to manage its credit risk. The creditworthiness of all counterparties is analyzed at the outset of a credit relationship with the Company. These counterparties are subsequently reviewed on a periodic basis. The Company sets a maximum exposure limit for each counterparty, as well as for groups or classes of counterparties. Furthermore, the Company enters into master netting agreements when feasible and demands collateral from certain counterparties or for certain types of credit transactions.

(c) Market Risk

Market risk is the potential loss the Company may incur as a result of changes in the market or fair value of a particular financial instrument. All financial instruments are subject to market risk. The Company's exposure to market risk is determined by a number of factors, including size, duration, composition and diversification of positions held, the absolute and relative level of interest rates and foreign currency exchange rates, as well as market volatility and liquidity. The Company manages market risk by setting and monitoring adherence to risk limits.

Financial instruments sold, not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk, as the Company's ultimate obligation to satisfy the sale of financial instruments sold, not yet purchased may exceed the amount reflected in the statement of financial condition.

(d) Operational Risk

In providing a comprehensive array of products and services, the Company may be exposed to operational risk. Operational risk may result from, but is not limited to, errors related to transaction processing, breaches of internal control systems and compliance requirements, fraud by employees or persons outside the Company or business interruption due to systems failures or the other events. Operational risk may also include breaches of the Company's technology and information systems resulting from unauthorized access to confidential information or from internal or external threats, such as cyber attacks. Operational risk also includes potential legal or regulatory actions that could arise as a result of noncompliance with applicable laws and/or regulatory requirements. In the case of an operational event, the Company could suffer a financial loss as well as damage to our reputation.

(e) Financial Instruments with Off-Balance-Sheet Risk

The Company may enter into various transactions involving derivatives and other off-balance sheet financial instruments. These financial instruments may include forward foreign exchange contracts that are used to meet the needs of customers. Generally, forward foreign exchange contracts represent future commitments to purchase or sell foreign currency at specific terms at specified future dates.

(f) Impact of coronavirus pandemic on our business

The coronavirus pandemic has had a significant effect on the global macroeconomic environment. Since March 2020, the vast majority of our employees have worked from home. They have been fully operational with minimal disruption to servicing our clients. Market volatility associated with the performance of global equity and fixed income markets and lower interest rates has had, and may continue to have, an impact on our business.

Given the decrease in short-term interest rates, there was a significant increase in money market mutual fund fees that were waived, which reduced fee revenue. It is difficult to forecast the impact of the coronavirus, together with related public health measures, on our results with certainty because so much depends on how the health crisis evolves, its impact on the global economy as well as actions taken by central banks and governments to support the economy and the availability, use and effectiveness of vaccines.

(15) Subsequent Events

The Company has evaluated subsequent events from December 31, 2021 through February 25, 2022, the date the Company's statement of financial condition is available to be issued.

KPMG

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Service Auditor's Report

To the Audit Committee of The Bank of New York Mellon Corporation:

Scope

We have examined BNY Mellon | Pershing ("Pershing")'s description of its system entitled "BNY Mellon | Pershing's Description of its Introducing Firm Services, Prime Services, and Managed Accounts Operations System" for processing user entities' transactions throughout the period October 1, 2020 to September 30, 2021 (the "description") and the suitability of the design and operating effectiveness of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in "BNY Mellon | Pershing's Assertion" (the "assertion"). The controls and control objectives included in the description are those that management of Pershing believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the introducing firm services, prime services, and managed accounts operations system that are not likely to be relevant to user entities' internal control over financial reporting.

The information included in Section V, "Other Information Provided by BNY Mellon | Pershing", is presented by management of Pershing to provide additional information and is not a part of Pershing's description of its introducing firm services, prime services, and managed accounts operations system made available to user entities during the period October 1, 2020 to September 30, 2021. Information about Pershing's management response details; Information about relevance of the controls to the user entities; NetX360 Report Center completeness and accuracy; Pershing's enterprise resiliency overview including pandemic planning overview / COVID-19 impact; and SEC Rule 206(4)-2 "Custody of Funds or Securities of Clients by Investment Advisers" under the Investment Advisers Act of 1940 has not been subjected to the procedures applied in the examination of the description of the introducing firm services, prime services, and managed accounts operations system and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the description of the introducing firm services, prime services, and managed accounts operations system, and, accordingly, we express no opinion on it.

Pershing uses subservice organizations for market data, pricing of securities, portfolio accounting, prime services, checks, disbursements, confirm and statement printing, certain information technology services, and for cloud hosting services. Pershing also uses the services of BNY Mellon Technology to provide information technology infrastructure support and to administer centrally managed information technology controls for some of the Pershing systems. The description includes only the control objectives and related controls of Pershing and excludes the control objectives and related controls of the subservice organizations. The description also indicates that certain control objectives specified by Pershing can be achieved only if complementary subservice organization controls assumed in the design of Pershing's controls are suitably designed and operating effectively, along with the related controls at Pershing. Our examination did not extend to controls of the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of Pershing's controls are suitably designed and operating effectively, along with related controls at Pershing. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

KPMG

Service organization's responsibilities

In Section II, Pershing has provided an assertion about the fairness of the presentation of the description and suitability of the design and the operating effectiveness of the controls to achieve the related control objectives stated in the description. Pershing is responsible for preparing the description and its assertion, including the completeness, accuracy, and method of presentation of the description and the assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

Service auditor's responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period October 1, 2020 to September 30, 2021. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involve:

- Performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion
- Assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description
- Testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved
- Evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion

Inherent limitations

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives stated in the description is subject to the risk that controls at a service organization may become ineffective.

Description of tests of controls

The specific controls tested and the nature, timing and results of those tests are listed in Section IV.

KPMG

Opinion

In our opinion, in all material respects, based on the criteria described in BNY Mellon | Pershing's assertion:

a. The description fairly presents the introducing firm services, prime services, and managed accounts operations system that was designed and implemented throughout the period October 1, 2020 to September 30, 2021.

b. The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2020 to September 30, 2021, and subservice organizations and user entities applied the complementary controls assumed in the design of Pershing's controls throughout the period October 1, 2020 to September 30, 2021.

c. The controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period October 1, 2020 to September 30, 2021 if complementary subservice organization and user entity controls, assumed in the design of Pershing's controls, operated effectively throughout the period October 1, 2020 to September 30, 2021.

Restricted use

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of management of Pershing, user entities of Pershing's introducing firm services, prime services, and managed accounts operations system during some or all of the period October 1, 2020 to September 30, 2021, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Philadelphia, Pennsylvania
December 3, 2021

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BNY MELLON | PERSHING

One Pershing Plaza
Jersey City, NJ 07399
pershing.com

January 3, 2022

To Whom It May Concern:

We have reviewed the internal control environment of Pershing LLC ('Pershing') which is applicable to the Pershing business described in Pershing's System and Organization Control Report (SOC1®) for the period of October 1, 2020 through September 30, 2021. The SOC1® Report includes the Independent Service Auditor's Report, KPMG LLP, dated December 3, 2021. To the best of our knowledge there have been no significant changes to Pershing's internal controls, as described in the SOC1® Report, for the period of October 1, 2021 through December 31, 2021 that would materially affect our internal control environment.

Please note, we did not perform procedures to determine the operating effectiveness of the internal controls for the period of October 1, 2021 through December 31, 2021. Accordingly, we express no opinion on the operating effectiveness of any aspects of the controls, individually or in the aggregate.

The information contained in this letter is confidential and proprietary to Pershing LLC and must be treated in accordance with the standard of care specified in your written agreement with Pershing LLC or its affiliate. You should not disclose this letter or provide a copy of it to any third party without the prior written consent of Pershing LLC. However, you may provide a copy of this letter to your independent auditors only for the purposes of their examination of the service performed by Pershing LLC as it relates to an audit of your financial statements and for no other purposes.

Pershing LLC

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BNY MELLON | PERSHING

4TH QUARTER 2021

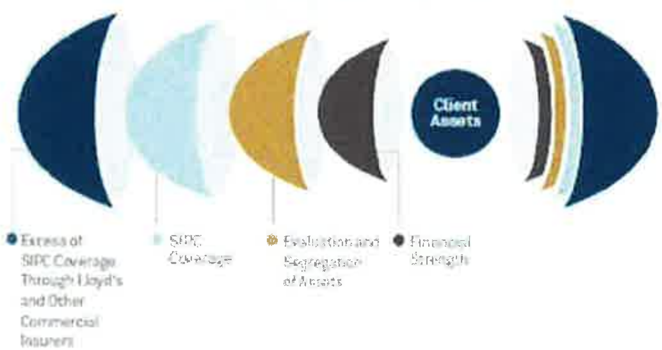
Understanding the Protection of Client Assets

BNY MELLON'S PERSHING: STRENGTH, STABILITY AND FOCUS

Pershing works behind the scenes on behalf of your wealth manager or financial firm to provide a variety of services and custody your assets. Pershing has been a leading global provider of financial business solutions for more than 80 years, so you can feel confident that your assets are in strong hands. Pershing is the trusted choice of approximately 1,200 firms, representing more than seven million investors and is committed to the protection, servicing and reporting of assets for investors like you.

The Protection of Client Assets Remains at the Center of Our Focus

BROKERAGE CUSTODY: PERSHING



BANK CUSTODY: BNY MELLON, N.A.

FINANCIAL STRENGTH—DECEMBER 31, 2021

BNY MELLON'S PERSHING

- Over $2.0 trillion in global client assets
- Net capital of over $2.0 billion—well above the minimum requirement

THE BANK OF NEW YORK MELLON CORPORATION

- $46.7 trillion in assets under custody and/or administration
- $2.4 trillion in assets under management

Segregation and Control of Assets

BROKERAGE CUSTODY: PERSHING

Pershing's core financial strength provides the first measure of protection for our global client assets. Our parent company, BNY Mellon, is one of the world's largest global custodians. While financial strength does not protect against loss due to market fluctuation, our internal controls and regulatory oversight help maintain our stability and focus.

Pershing protects client assets through rigorous internal control measures. An annual audit by a major independent audit firm and the audit team at our parent company, BNY Mellon, helps to monitor controls that are in place. In addition, a Service Organization Control report conducted by an independent audit firm provides additional evaluation of the design and operating effectiveness of Pershing's internal controls.

Clients' fully paid-for physical assets are segregated from our own, with quarterly vault inspections conducted. In addition, we segregate cash and/or qualifying securities in special reserve bank accounts for the exclusive benefit of clients, to protect clients' funds in the unlikely event of Pershing's failure and liquidation.

Pershing is a FINRA member broker-dealer registered with the U.S. Securities and Exchange Commission (SEC). Pershing is registered in all 50 states as well as the District of Columbia and Commonwealth of Puerto Rico, and certain foreign jurisdictions.

BANK CUSTODY: BNY MELLON, N.A.

BNY Mellon, N.A.'s structure requires clients' securities be segregated from the securities of the bank, and from those of other clients. The securities in a client's account with BNY Mellon, N.A. are the property of that client and are held in nominee name. As clients' assets and accounts are separately accounted for, creditors of The Bank of New York Mellon Corporation and those of BNY Mellon, N.A., and their subsidiaries do not have any rights to the securities in client accounts. Shares of money market mutual funds, as investment securities, also fall within this rule. Any asset, of course, is subject to losses or gains from an investment perspective.

There are also established regulatory controls that cover our institution. As a publicly traded company, The Bank of New York Mellon Corporation periodically files publicly available reports with the SEC. In addition, as a financial holding company, it is regulated by the Board of Governors of the Federal Reserve System. BNY Mellon, N.A. is regulated by the Office of the Comptroller of the Currency, which is part of the U.S. Department of the Treasury.

Additional Protection

BROKERAGE CUSTODY

Securities Investor Protection Corporation® (SIPC®) Coverage

Pershing is a member of SIPC. Securities in your account protected up to $500,000. For details, please see www.sipc.org.

Excess of SIPC Coverage Through Underwriters at Lloyd's and Other Commercial Insurers

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters in Lloyd's insurance market and other commercial insurers. The excess of SIPC coverage is valid through February 10, 2023 for Pershing LLC accounts. It provides the following protection for Pershing LLC's global client assets:

- An aggregate loss limit of $1 billion for eligible securities—over all client accounts
- A per-client loss limit of $1.9 million for cash awaiting reinvestment—within the aggregate loss limit of $1 billion

SIPC and the excess of SIPC coverage do not protect against loss due to market fluctuation.

An excess of SIPC claim would only arise if Pershing failed financially and client assets for covered accounts—as defined by SIPC—cannot be located due to theft, misplacement, destruction, burglary, robbery, embezzlement, abstraction, failure to obtain or maintain possession or control of client securities, or to maintain the special reserve bank account required by applicable rules.

BANK CUSTODY

Federal Deposit Insurance Corporation (FDIC) Protection

BNY Mellon, N.A. clients holding bank cash deposits—which include a sweep account for bank custody products—receive separate protection.

The FDIC standard maximum insurance amount is $250,000 per depositor, per insured bank, in each account ownership category. The FDIC rules are very specific. For a complete explanation of the FDIC's regulations, we encourage our clients to visit fdic.gov.

pershing.com

One Pershing Plaza, Jersey City, NJ 07399

PER_6170_BRO_SSF_4Q2021

OVR-PER-SSF-4Q21

BNY MELLON

BNY Mellon Insurance Coverage

All coverage is regularly reviewed and renewed prior to expiration dates. Our policies are stand-alone policies and loss limits are not combined.

The insurance coverage listed provides protection for The Bank of New York Mellon Corporation and all other corporations, companies, firms, enterprises or entities which are subsidiaries of or affiliated with it and in which the named insured has more than 50% ownership. All carriers identified herein are rated A- or better by A.M. Best.

Financial Institutions Bond / Computer Crime Coverage	
Per Loss Limit:	$150,000,000
Carrier:	Lloyd's of London
Coverage Type:	a) Dishonesty of employees b) Forgery of securities, checks, drafts or other written instruments Loss or destruction of cash or securities on or off premises
Expiration:	December 1, 2022

All Risk Money and Securities Coverage – J Form (On Premises and In Transit) Excess of the F. I. Bond	
Per Loss Limit:	$850,000,000
Carrier:	Lloyd's of London
Coverage Type:	Loss or destruction of cash or securities on or off premises (including securities of others held in custody or held at sub-custodian).
Expiration:	December 1, 2022

Mail Insurance (Per Envelope Limit)	
Per Envelope Limit:	$100,000,000 non-negotiable $10,000,000 negotiable
Carrier:	Chubb Group of Insurance Companies
Coverage Type:	All risk of physical loss of property sent by registered mail or overnight courier.
Expiration:	Continuous

Bankers Professional Liability / Professional indemnity (E&O)	
Per Loss Limit:	$100,000,000
Carrier:	AXA XL, WR Berkley, Axis, CV Starr, Nationwide, BNY Trade Insurance Ltd.
Coverage Type:	Losses due to errors or omissions
Expiration:	December 1, 2022

Directors and Officers Liability	
Per Loss Limit:	Corporate: $75,000,000 Individual: $75,000,000
Carrier:	AXA XL, AIG, Markel, AWAC & Nationwide
Coverage Type:	Coverage for wrongful acts in respective capacities of Directors or Officers of the Company
Expiration:	December 1, 2022

BNY MELLON

All Risk Property	
Per Loss Limit:	$800,000,000
Carrier:	Lexington Insurance Company (AIG)
Coverage Type:	Physical damage coverage for all real and personal property including Data Processing equipment, Business Interruption, Boiler and Machinery Service Interruption / Extra Expense, Earthquake / Flood, Fine Arts
Expiration:	June 1, 2022
Coverage Type:	Terrorism
Per Loss Limit:	$800,000,000
Carrier:	The Hamilton Insurance Company Corp
Expiration:	June 1, 2022

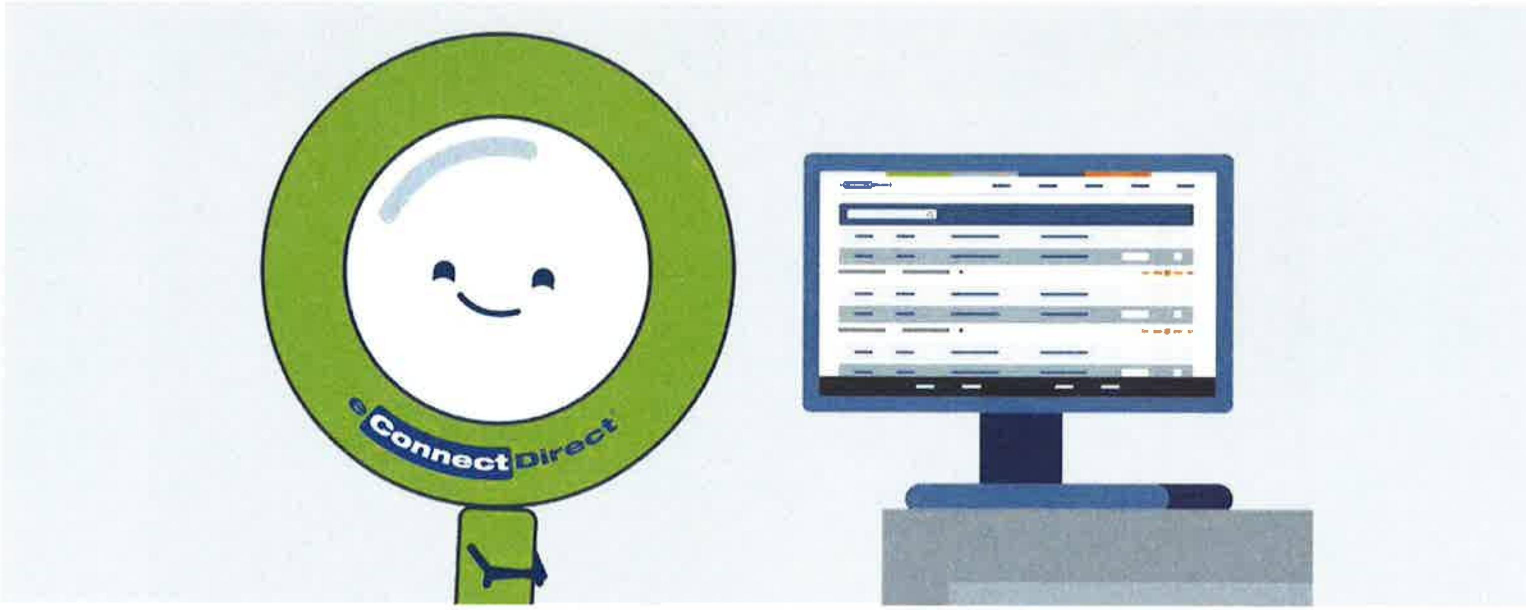
Enterprise Privacy Liability (Cyber)	
Per Loss Limit:	$300,000,000 Third Party Liability $300,000,000 Extra Expense
Coverage Type	Lloyd's of London & other domestic and int'l carriers Privacy breach and internet liability
Expiration:	December 1, 2022

Workers' Compensation / Employers Liability (Domestic)	
Per Loss Limit:	Statutory $1,000,000 – Limit for Employers Liability
Carrier:	AIG
Coverage Type	Job related injuries
Expiration:	April 1, 2022

Primary General Liability (Domestic)	
Per Loss Limit:	$2,000,000
Carrier:	Chubb
Coverage Type	Third party bodily injury / property damage
Expiration:	April 1, 2022

Primary Automobile Liability (Domestic)	
Per Loss Limit:	$2,000,000
Carrier:	Chubb
Coverage Type	Third party bodily injury / property damage
Expiration:	April 1, 2022

Excess / Umbrella Liability	
Per Loss Limit:	$25,000,000
Carrier:	AIG & AWAC
Coverage Type	Liability coverage in excess of primary coverage
Expiration:	April 1, 2022



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