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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-37444

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Banca IMI Securities Corp.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1 William Street 9th Floor

(No. and Street)

10004

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Vincent DiBella

212-326-1118

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

RSM US LLP

(Name - if individual, state last, first, middle name)

1185 Avenue of the Americas New York

New York

10036

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

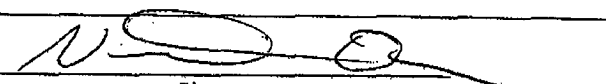
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

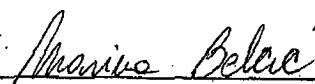
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OATH OR AFFIRMATION

I, Vincent DiBella, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Banca IMI Securities Corp. of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Chief Financial Officer
Title


Notary Public

Marina Belcic
Notary Public, State of New York
Registration #01BE6043024
Qualified in Nassau County
My Commission Expires June 5, 2018

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report. (BOUND UNDER SEPERATE COVER)
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Banca IMI Securities Corp.

Statement of Financial Condition

December 31, 2016

Filed as PUBLIC information pursuant to Rule 17a-5(d) under the Securities Exchange Act of 1934.

Contents

Report of Independent Registered Public Accounting Firm	1
Financial Statement:	
Statement of Financial Condition	2
Notes to Statement of Financial condition	3 - 10

Name of Company: **BANCA IMI SECURITIES CORP** Employer ID No: **0010** NFA ID No: **0020** **308456** **0030**

Address of Principal Place of Business: **1 WILLIAM STREET, 9TH FL** Person to Contact Concerning this Report: **VINCENT** **DI BELLA** **0040**
NEW YORK, NY 10004 Telephone No: **212** **326-1118** **0060**
0050

1. Report for the period beginning: **1/1/2016** **0070** and Ending: **12/31/2016** **0080**

2. Type of Report
 Certified Regular quarterly/semiannual
 Special call by: Other - Identify:
0090

3. Check whether
 Initial Filing Amended Filing **0095**

4. Name of IB's Designated Self-Regulatory Organization:
FINRA **0100**

5. Name(s) of consolidated subsidiaries and affiliated companies:

Name	Percentage Ownership	Line of Business
	0110	0120 0130
	0140	0150 0160
	0170	0180 0190
	0200	0210 0220
	0230	0240 0250

Digitally Signed by:

The introducing broker, or applicant for registration therefor, submitting this Form and its attachments and the person whose signature appears below represent that, to the best of their knowledge, all information contained therein is true, correct and complete. It is understood that all required items, statements and schedules are integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted. It is further understood that any intentional misstatements or omissions of facts constitute Federal Criminal Violations (see 18 U.S.C. 1001)

Signed this 27th day of February, 2017

Manual Signature 

Type or Print Name
VINCENT DI BELLA

Chief Executive Officer Chief Financial Officer
 General Partner Sole Proprietor
 Corporate Title:
0000



RSM US LLP

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder
Banca IMI Securities Corp.

We have audited the accompanying statement of financial condition of Banca IMI Securities Corp. (the Company) as of December 31, 2016, and the related notes (the financial statement). 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Banca IMI Securities Corp. as of December 31, 2016, in conformity with accounting principles generally accepted in the United States.

RSM US LLP

New York, New York
February 27, 2017

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AUDIT | TAX | CONSULTING

Banca IMI Securities Corp.

**Statement of Financial Condition
December 31, 2016**

ASSETS

Cash	\$ 63,293,050
Cash Segregated Under Federal and Other Regulations	5,750,000
Financial Instruments Owned, at fair value	69,939,948
Receivables From Brokers, Dealers and Clearing Organizations	11,728,797
Receivable From Affiliates	6,146,175
Receivable From Affiliated Non-Customers	36,127
Receivable From Non-Affiliated Customers	477,976
Exchange Membership, at cost (market value \$202,000)	96,348
Fixed Assets, at cost (net of accumulated depreciation and amortization of \$2,066,682)	558,890
Deferred Taxes	1,176,765
Taxes Receivable	3,363,829
Other Assets	955,110
Total assets	\$ 163,523,015

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:

Payables to Brokers, Dealers and Clearing Organizations	791,458
Payables to Affiliated Customers	4,133,123
Payables to Non-Affiliated Customers	7,500
Interest and Dividends Payable	244,530
Accounts Payable and Accrued Expenses	3,987,754
Reserve for Contingent Expense	16,000,000
Total liabilities	25,164,365

Commitments (Note 8)

Stockholder's Equity:

Common stock (66,500 shares authorized; 44,500 shares issued and outstanding, no par value)	44,500,000
Additional paid-in capital	102,000,000
Accumulated deficit	(8,141,350)
Total stockholder's equity	138,358,650

Total liabilities and stockholder's equity **\$ 163,523,015**

See Notes to Statement of Financial Condition.

Banca IMI Securities Corp.

Notes to Statement of Financial Condition

Note 1. Description of Organization

Banca IMI Securities Corp. (the "Company") is registered as a broker-dealer in securities under the Securities Exchange Act of 1934. The Company is regulated by the Securities and Exchange Commission (the "SEC"), and the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company is a member of the New York Stock Exchange (the "NYSE"), the Chicago Mercantile Exchange (the "CME") and other regional exchanges. The Company is also registered as an international dealer with the Ontario Securities Commission (the "OSC") and as an introducing broker with the National Futures Association (the "NFA").

The Company is a wholly owned subsidiary of IMI Capital Markets USA Corporation ("IMI U.S."), which, in turn, is wholly owned by Banca IMI S.p.A. ("Banca IMI"), a wholly owned subsidiary of Intesa San Paolo S.p.A (the "Group").

As part of Banca IMI's investment banking group, the Company serves as a distributor of European equities in an agency capacity, on behalf of Banca IMI as well as a riskless principal for European fixed income instruments to U.S. institutional investors and, conversely, of U.S. products to the Group's European customer base.

Such activities are settled by the Company through domestic and foreign clearing organizations as well as foreign affiliates with the underlying transactions conducted on either a delivery versus payment or receipt versus payment basis.

Note 2. Significant Accounting Policies

Basis of Presentation: The statement of financial condition include the accounts of Banca IMI Securities Corp., and are presented in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates: The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities in the statement of financial condition and accompanying notes. Actual results could differ from those estimates. Significant estimates include realization of the Company's deferred tax assets.

Securities Transactions: Customer securities transactions are recorded on the settlement date, which is generally three business days after the trade date, with related commission income and expenses recorded on the trade date. Receivables from and payables to customers include amounts related to securities transactions. The value of securities owned by customers collateralizing their balances due to the Company is not reflected in the accompanying statement of financial condition.

Cash and Cash Equivalents: The Company considers all highly liquid investments, with original maturities of three months or less at the date of acquisition that are not held for sale in the ordinary course of business, to be cash equivalents.

Cash Segregated Under Federal and Other Regulations: The Company segregates cash in a special reserve bank account for the exclusive benefit of customers under Rule 15c3-3 of the Securities Exchange Act of 1934.

Financial Instruments Owned: Proprietary securities transactions and the related revenues and expenses are recorded on a trade-date basis. Financial instruments owned are stated at fair value. Fair value is generally based on published market prices or other relevant factors including dealer price quotations.

Banca IMI Securities Corp.

Notes to Statement of Financial Condition

Receivables From and Payables to Brokers, Dealers and Clearing Organizations: Receivables from brokers and dealers primarily consist of securities failed to deliver and deposits held at clearing organizations. Payables to brokers and dealers primarily consist of securities failed to receive. Receivables from and payables to brokers and dealers are short-term in nature and, accordingly, their carrying amount is a reasonable estimate of fair value.

Exchange Membership: The Company's exchange membership, which represents ownership interests in the exchange and provides the Company with the right to conduct business on the exchange, is recorded at cost.

Fixed Assets: Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Straight-line depreciation of furniture and equipment is determined using estimated useful lives of three years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Management reviews furniture, equipment and leasehold improvements whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable.

Fair Value of Financial Instruments: Substantially all of the Company's assets and liabilities are carried at market value or contracted amounts that approximate fair value. Assets that are recorded at contracted amounts approximating fair value consist largely of short-term secured receivables, including customer receivables and certain other receivables. Similarly, the Company's short-term liabilities, such as securities loaned, customer and noncustomer payables and certain other payables, are recorded at contracted amounts approximating fair value. These instruments generally have variable interest rates and/or short-term maturities, in many cases overnight and, accordingly, their fair values are not materially affected by changes in interest rates.

Income Taxes: The Company is included in the consolidated federal, state and local income tax returns of IMI U.S. Income taxes have been determined on a separate company basis.

Financial Accounting Standards Board (the "FASB") ASC 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. The Company did not have any unrecognized tax benefits as of December 31, 2016.

Income taxes are provided under the provisions of ASC 740, which requires the Company to use the asset and liability method. This method requires that deferred taxes be adjusted to reflect the tax rates at which future taxable amounts will be settled or realized. The effects of tax rate changes on future deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Recent Accounting Pronouncements: In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*. Under the new guidance, an entity should recognize revenue to depict the fees and commissions for services rendered to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services rendered. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016, and early application is not permitted. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. ASU No. 2015-14 defers the effective date of ASU No. 2014-09 by one year for public companies. ASU 2015-14 applies to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting

Banca IMI Securities Corp.

Notes to Statement of Financial Condition

period. The Company is currently evaluating the impact this ASU will have on its statement of financial condition.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentations, and disclosure of financial instruments. The amendment among others requires 1) equity investments to be measured at fair value with changes in fair value recognized in net income, or at cost minus impairment if no readily determinable fair values; and 2) an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. ASU 2016-01 will be effective for the Company for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of adopting this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact of our pending adoption of the new standard on our consolidated financial statements.

Note 3. Fair Value Measurement

The Company has adopted the FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and provides for disclosure requirements for fair value measurements. Fair value is the price that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1: Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2: Quoted prices which are not active, or inputs that are observable (either directly or indirectly) for substantially the full term of the asset or liability.
- Level 3: Prices, inputs or exotic modeling techniques that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

A description of the valuation techniques applied to the Company's major categories of financial instruments owned measured at fair value on a recurring basis follows.

Corporate bonds - The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers or securities, market price quotations (where observable), evaluated prices from pricing sources, bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate bonds can be categorized as Level 1, 2 or 3 in the fair value hierarchy depending on the inputs (i.e., observable or unobservable) used and market activity levels for specific bonds.

Banca IMI Securities Corp.

Notes to Statement of Financial Condition

U.S. Government securities - U.S. Government securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. U.S. Government securities are categorized in Level 1 or Level 2 of the fair value hierarchy depending on the inputs used and market activity levels for specific securities.

As required by ASC 820, investments are classified within the level of the lowest significant input considered in determining fair value. Investments classified within Level 3 whose fair value measurement considers several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement. The table that follows sets forth information about the level within the fair value hierarchy at which the Company's investments were measured at December 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in Securities:				
U.S. Treasury Notes	\$ 64,944,148	\$ -	\$ -	\$ 64,944,148
Corporate bonds	-	4,995,800	-	4,995,800
	<u>\$ 64,944,148</u>	<u>\$ 4,995,800</u>	<u>\$ -</u>	<u>\$ 69,939,948</u>

The Company assesses the levels of the investments at each measurement day, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year ended December 31, 2016.

At December 31, 2016, there were no financial instruments owned that were pledged to counterparties.

Note 4. Fixed Assets

A summary of fixed assets for the year ended December 31, 2016 is as follows:

Equipment	\$ 1,005,137
Leasehold improvements	528,767
Furniture and fixtures	<u>1,091,668</u>
	2,625,572
Less accumulated depreciation and amortization	<u>(2,066,682)</u>
Fixed assets, net	<u><u>\$ 558,890</u></u>

Note 5. Common Stock

The authorized common stock of the Company is comprised of 66,500 shares, of which 44,500 are issued and outstanding at December 31, 2016. All of the Company's stock is owned by IMI U.S. The common stock has no par or stated value, and is carried at its original issue price of \$1,000 per share. Additional paid-in capital represents capital contributions made by IMI U.S. to the Company subsequent to the original stock issuance.

Banca IMI Securities Corp.

Notes to Statement of Financial Condition

Note 6. Related Parties

The Company has extensive transactions with affiliates of the Group. These activities include executing and clearing securities transactions, transacting in securities lending arrangements, and providing operational support for foreign affiliates in their securities dealings in the United States. Summarized below are the Company's affiliate balances as of December 31, 2016:

Assets:

Receivable from Affiliated Non-Customers	\$ 36,127
Receivables from brokers, dealers and clearing organizations	224,282
Receivable from Affiliate	<u>6,146,175</u>
Total assets	<u>\$ 6,406,584</u>

Liabilities:

Payable to Affiliated Customers	\$ 4,133,123
Accounts payable and accrued expenses	<u>18,090</u>
Total liabilities	<u>\$ 4,151,213</u>

The Company has a \$550 million and a 50 million euro line of credit from the Group. As of December 31, 2016, the Company has not drawn on the line of credit.

Note 7. Concentrations of Credit Risk

The Company's clearance activities for customers and noncustomers, including affiliates (collectively, "customers"), involve the execution, settlement and financing of customers' securities transactions. Customers' securities activities are transacted on a delivery versus payment or receipt versus payment basis. These transactions may expose the Company to loss in the event that customers are unable to fulfill their contractual obligations.

In the event customers fail to satisfy their obligations, the Company may be required to purchase or sell securities at prevailing market prices in order to fulfill the customers' obligations.

The Company maintains its cash in financial institutions which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on its cash.

Note 8. Commitments

Leases: The Company has obligations under noncancelable operating leases for space with various expiration dates. The Company leases its office space from an affiliate under a sublease agreement. The terms of the Company's principal office space sublease at the 1 William Street, New York City location provide for certain escalation clauses relating to taxes and operating expense payments. The future aggregate minimum lease commitment for space is listed below:

Banca IMI Securities Corp.

Notes to Statement of Financial Condition

Year ending December 31,

2017	\$ 801,750
2018	534,500
2019	-
2020	-
2021	-
Thereafter	-
	<u>\$ 1,336,250</u>

The Company has various noncancelable operating leases expiring in one to three years. Annual commitments under such leases aggregate \$27,149 in 2017, \$25,346 in 2018, and \$14,460 in 2019.

Note 9. Indemnifications

In the normal course of business, the Company is subject to various claims, litigation, regulatory and arbitration matters. Because these claims and matters are at different stages, management is unable to predict their outcomes. The Company also enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that has not yet occurred. The Company expects the risk of loss to be remote.

Note 10. Net Capital Requirements

The Company is subject to the SECs Uniform Net Capital Rule (Rule 15c3-1). The Company computes its net capital requirements under the alternative method provided for in Rule 15c3-1, which requires the Company to maintain net capital equal to the greater of \$1,000,000 or 2% of aggregate debit items arising from customer transactions, as defined. Advances to affiliates, repayment of subordinated borrowings, dividend payments and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule or other regulatory bodies.

At December 31, 2016, the Company had net capital of \$124,954,554, which was \$123,954,554 in excess of the required net capital of \$1,000,000. The Company is subject to the NFA minimum net capital requirement of \$45,000 under Regulation 1.17 of the CFTC.

Under the clearing arrangement with a clearing broker, the Company is required to maintain certain minimum levels of net capital and to comply with other financial ratio requirements. At December 31, 2016, the Company was in compliance with all such requirements.

Note 11. Employee Benefits

All employees of the Company are eligible to contribute to a 401(k) plan upon hire date. The Company will make a 100% matching contribution on the first 5% of compensation deposited by the employee as an elective contribution. Amounts deferred over 5% are not matched by the Company. Vesting in Company contributions occurs over a five-year period.

The Company has a profit-sharing plan for all employees who have been employed with the Company as of each fiscal year-end. The board of directors of the Company sets the profit-sharing percentage for the plan annually. All contributions vest over a four-year period commencing with the second year of employment with

Banca IMI Securities Corp.

Notes to Statement of Financial Condition

the Company. The expense relating to the profit-sharing plan is recognized each year as the plan is funded by the Company.

Note 12. Income Taxes

The Company is included in the consolidated federal income tax return filed by IMI U.S. Federal income taxes are calculated as if the Company filed a separate federal income tax return. The Company is included in a combined state income tax return with IMI U.S. If included in a combined return, state and local taxes are calculated as if the Company filed a separate state income tax return.

Items that result in a net deferred tax asset at December 31, 2016 were as follows:

Credits	\$	-
Timing differences		<u>1,176,765</u>
Net deferred tax asset	\$	<u>1,176,765</u>

At December 31, 2016, the Company had federal and state income tax returns for the 2013, 2014 and 2015 tax years open and subject to examination.

Note 13. Reserve for Contingent Expense

In February 2016, the Company received from the Securities Exchange Commission ("SEC") a request to produce information concerning certain stock lending activity involving pre-release American Depositary Receipts ("ADR's"). The request for information, made in the form of a subpoena, covers the time period from 2011 to 2014. The Company discontinued this activity at the end of the year 2014.

In order to provide the SEC the qualitative and quantitative elements, and documents relating to the above operations, the Company decided to use the services of an outside law firm. More recently, the Company has also been asked to provide information to another Federal agency with reference to some aspects of the above mentioned activities.

The Company has shown full cooperation and transparency in their relationship with the SEC and the Federal Agency. As of the date of this financial statement the process of collecting and making available the information is ongoing and no formal findings have been received from either entity.

Although the outcome of the investigations is uncertain, the Company accrued a loss contingency of \$16 million. Other administrative expenses included in these financials are \$1.6 million of legal fees related to these two pending investigations.

Note 14. Subsequent Events

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date this statement of financial condition was issued. There were none noted.