

# **BofAML Securities, Inc.**

## **Financial Statements and Supplemental Schedule For the period from January 1, 2017 to June 30, 2017 (Confidential treatment requested)**

This report is deemed CONFIDENTIAL in accordance with Regulation 1.10(g) under the Commodity Exchange Act.

**Report of Independent Registered Public Accounting Firm**

**Financial Statements**

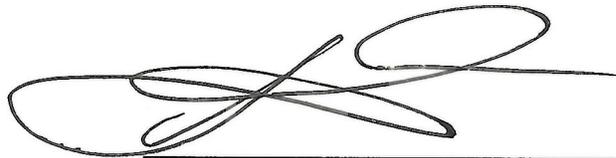
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OATH OR AFFIRMATION

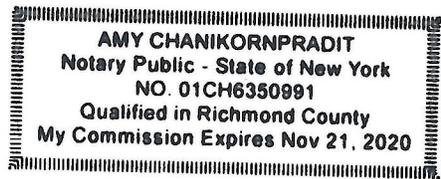
I, Lizbeth Applebaum, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertaining to the firm of BofAML Securities, Inc. (the "Company"), for the period from January 1, 2017 to June 30, 2017, are true and correct. I further affirm that 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.



Signature

7/28/17

Date



Managing Director and Chief Financial Officer

Title

Subscribed and sworn to  
before me on this 28 day  
of

July, 2017



## Report of Independent Registered Public Accounting Firm

To the Board of Directors of BofAML Securities Incorporated:

In our opinion, the accompanying balance sheet and the related statements of operations and comprehensive income, of changes in stockholder's equity, of cash flows and changes in liabilities subordinated to claims of general creditors present fairly, in all material respects, the financial position of BofAML Securities Incorporated (the "Company") as of June 30, 2017 and the results of its operations and its cash flows for the period from January 1, 2017 to June 30, 2017 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule I has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Regulation 1.10 under the Commodity Exchange Act. In our opinion, the Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.

*PricewaterhouseCoopers LLP*

July 28, 2017

**BofAML Securities, Inc.**  
**Balance Sheet (Confidential)**  
**As of June 30, 2017**

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*(dollars in millions, except share and per share amounts)*

**ASSETS**

Deposit with Merrill Lynch, Pierce, Fenner & Smith Incorporated \$ 25

**Total Assets** \$ 25

**LIABILITIES**

Liabilities \$ -

**Total Liabilities** -

**STOCKHOLDER'S EQUITY**

Common stock, par value \$1 per share; 1,000 shares authorized, issued and outstanding -

Paid-in capital 25

**Total Stockholder's Equity** 25

**Total Liabilities and Stockholder's Equity** \$ 25

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The accompanying notes are an integral part of these financial statements.

**BofAML Securities, Inc.**  
**Statement of Operations and Comprehensive Income (Confidential)**  
**For the period from January 1, 2017 to June 30, 2017**

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*(dollars in millions)*

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<b>Revenues</b>		
Non-interest income	\$	-
Net interest income		-
<b>Revenues, net of interest expense</b>		-
<b>Non-interest expenses</b>		
Non-interest expenses		-
<b>Pre-tax income</b>		-
Income tax expense		-
<b>Net income</b>	\$	-
Other comprehensive income (loss), net of tax		-
<b>Comprehensive income</b>	\$	-

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The accompanying notes are an integral part of these financial statements.

**BofAML Securities, Inc.**  
**Statement of Changes in Stockholder's Equity (Confidential)**  
**For the period from January 1, 2017 to June 30, 2017**

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*(dollars in millions)*

	<b>Common Stock</b>	<b>Paid-In Capital</b>	<b>Accumulated Other Comprehensive Income/(Loss)</b>	<b>Retained Earnings</b>	<b>Total Stockholder's Equity</b>
<b>Balance, beginning of period</b>	\$ -	\$ -	\$ -	\$ -	\$ -
Capital contribution	-	25	-	-	25
<b>Balance, end of period</b>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>

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The accompanying notes are an integral part of these financial statements.

**BofAML Securities, Inc.**  
**Statement of Cash Flows (Confidential)**  
**For the period from January 1, 2017 to June 30, 2017**

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*(dollars in millions)*

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Cash flows from operating activities	\$	-
Cash flows from investing activities		-
Cash flows from financing activities		-
<b>Change in cash and cash equivalents:</b>		-
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period	\$	-

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**Supplemental disclosure of cash flow information:**

During the period from January 1, 2017 to June 30, 2017, BofAML Securities received an equity contribution of \$25 in the form a deposit with its parent, Merrill Lynch, Pierce, Fenner & Smith (see Note 2).

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The accompanying notes are an integral part of these financial statements.

**BofAML Securities, Inc.**  
**Statement of Changes in Liabilities Subordinated to**  
**Claims of General Creditors (Confidential)**  
**For the period from January 1, 2017 to June 30, 2017**

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*(dollars in millions)*

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<b>Balance, beginning of period</b>	\$ -
Changes during the period	-
<b>Balance, end of period</b>	<u><u>\$ -</u></u>

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The accompanying notes are an integral part of these financial statements.

# **BofAML Securities, Inc.**

## **Notes to Financial Statements (Confidential)**

### **June 30, 2017**

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#### **1. Organization and Description of Business**

BofAML Securities Incorporated (the “Company”) was established on September 1, 2015 with an initial capitalization of 1,000 shares of \$1.00 par value common stock. The Financial Statements are presented in millions except for share and per share amounts. The Company is wholly-owned subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”) which is a registered broker-dealer and investment adviser with the U.S. Securities and Exchange Commission (“SEC”) and a member firm of the Financial Industry Regulatory Authority (“FINRA”), the New York Stock Exchange (“NYSE”), and other exchanges. MLPF&S is also registered as a futures commission merchant and swap firm with the U.S. Commodity Futures Trading Commission (“CFTC”) and the National Futures Association (“NFA”) and is a member firm of certain futures exchanges, including but not limited to, the Chicago Mercantile Exchange and the Chicago Board of Trade. MLPF&S is a wholly-owned indirect subsidiary of Bank of America Corporation (“Bank of America”).

In July 2015, Bank of America announced a decision to separate the retail and institutional broker-dealer activities currently operating through MLPF&S into two distinct legal entities. Retail customers will continue to be serviced through MLPF&S, while institutional clients currently transacting through MLPF&S will move to the Company. The migration of institutional broker-dealer activities to the Company is subject to regulatory approvals and is intended to conclude in early 2018.

Following regulatory approvals and the migration of the institutional broker-dealer activities, the Company will act as a broker (i.e., agent) for corporate, institutional, government, and other clients and as a dealer (i.e., principal) in the purchase and sale of corporate debt and equity securities, United States (“U.S.”) Government securities, and U.S. Government agency obligations. The Company will also act as a broker and/or a dealer in the purchase and sale of money market instruments, high yield bonds, municipal securities, financial futures contracts and options, cleared swaps and other financial instruments including collateralized debt obligations (“CDOs”) and collateralized mortgage obligations (“CMOs”). The Company will hold memberships and/or will have third-party clearing relationships with all major commodity and financial futures exchanges and clearing associations in the U.S. and will also carries positions reflecting trades executed on exchanges outside of the U.S. through affiliates and/or third-party clearing brokers. As an investment banking entity, the Company will provide corporate, institutional, and government clients with a wide variety of financial services including underwriting the sale of securities to the public, structured and derivative financing, private placements, mortgage and lease financing and financial advisory services, including advice on mergers and acquisitions. The Company will be registered as a broker-dealer with the SEC and will be a member firm of FINRA, the NYSE, and other securities exchanges. The Company will also be registered as a futures commission merchant and swap firm with the CFTC and the NFA and will be a member firm of various futures exchanges. Certain products and services may be provided through affiliates.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Presentation**

The Financial Statements are presented in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”). The Financial Statements are presented in U.S. dollars, which is the Company’s functional and reporting currency.

##### **Use of Estimates**

In presenting the Financial Statements management makes estimates. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the Financial Statements, and it is possible that such changes could occur in the near term.

**BofAML Securities, Inc.**  
**Notes to Financial Statements (Confidential)**  
**June 30, 2017**

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**Statement of Operations and Comprehensive Income**

The Company has had no operations from the date of inception through June 30, 2017 and therefore has recorded no results of operations.

**Deposit with Merrill Lynch, Pierce, Fenner & Smith Incorporated**

Deposit with Merrill Lynch, Pierce, Fenner & Smith Incorporated represents cash held in a brokerage account at MLPF&S in the name of the Company. The cash held in the brokerage account is non-interest bearing and is protected by the customer protection requirements of Rule 15c3-3 under the Securities Exchange Act of 1934.

**Fair Value Measurement**

Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures (“Fair Value Accounting”), establishes a fair value hierarchy based on the quality of inputs used to measure fair 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). For purposes of the fair value hierarchy classification, deposit with Merrill Lynch, Pierce Fenner & Smith Incorporated is classified as Level 2.

**Paid-In Capital**

In February 2017, the Company received a cash capital contribution in the amount of \$25 million from MLPF&S. The \$25 million has been contributed for the purpose of operating the Company’s business and will continue to be used for such purpose.

**New Accounting Pronouncements**

In 2014, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance for recognizing revenue from contracts with customers. The new accounting guidance does not apply to revenue associated with loans or securities and is effective on January 1, 2018. Overall, the Company does not expect the new guidance to have a material impact on its financial position or results of operations.

The FASB issued new accounting guidance effective on January 1, 2019 that requires substantially all leases to be recorded as assets and liabilities on the balance sheet. The Company is in the process of evaluating the impact of the new accounting guidance on its financial statements. The effect of the adoption will depend on its lease portfolio at the time of the transition; however, the Company does not expect the new accounting guidance to have a material impact on its financial position or results of operations.

In 2016, the FASB issued new accounting guidance that addresses classification of certain receipts and cash payments, including changes in restricted cash, in the statement of cash flows. This new accounting guidance will result in some changes in classification in the Statement of Cash Flows, which the Company does not expect will be significant, and will not have any impact on its financial position or results of operations. The new guidance is effective on January 1, 2018, on a retrospective basis, with early adoption permitted.

The FASB issued new accounting guidance that will require the earlier recognition of credit losses on loans and other financial instruments based on an expected loss model, replacing the incurred loss model that is currently in use. Under the new guidance, an entity will measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The expected loss model will apply to financial assets measured at amortized cost, including loans and debt securities. The new guidance is effective on January 1, 2020, with early adoption permitted on January 1, 2019. The Company is in the process of evaluating the impact of the provisions of this new accounting guidance.

**3. Stockholder’s Equity**

The Company is authorized to issue 1,000 shares of \$1.00 par value common stock. At June 30, 2017, there were 1,000 shares of common stock issued and outstanding.

**BofAML Securities, Inc.**  
**Notes to Financial Statements (Confidential)**  
**June 30, 2017**

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**4. Related Party Transactions**

All expenses related to the Company from its establishment through June 30, 2017 have been borne by MLPF&S, or in the case that the expenses were borne by other legal entities, were allocated to MLPF&S. MLPF&S will not seek reimbursement from the Company for any of these incurred expenses. Until this arrangement is superseded, MLPF&S will continue to absorb all expenses related to the Company.

At June 30, 2017, the Company had a \$25 million deposit with its parent, MLPF&S (see Note 2).

**5. Subsequent Events**

ASC 855, *Subsequent Events*, requires the Company to evaluate whether events, occurring after the Balance Sheet date but before the date the Financial Statements are available to be issued, require accounting as of the Balance Sheet date, or disclosure in the Financial Statements. The Company has evaluated such subsequent events through date of issuance.

There were no material subsequent events which affected the amounts or disclosures in the Financial Statements.

**6. Regulatory Requirements**

As a proposed Futures Commission Merchant, the Company will be subject to the net capital requirements of CFTC Regulation 1.17. At June 30, 2017, the Company's proposed Net Capital exceeded the minimum requirement of \$1 million by \$24 million.

**BofAML Securities, Inc.**  
**Net Capital Computation in accordance with CFTC Regulation 1.17**  
**(Confidential)**  
**June 30, 2017**

**Schedule I**

*(dollars in millions)*

<b><u>Net Capital</u></b>		
Current Assets		\$ 25
Adjusted Liabilities		-
Net Capital		<u>25</u>
Less Charges Against Net Capital		-
Adjusted Net Capital		<u>25</u>
Net Capital required		
Risk Based Requirement	\$ -	
Minimum Dollar Amount Requirement	1	
Other NFA Requirement	<u>-</u>	
Greatest requirement		<u>1</u>
Excess net capital (over minimum requirement)		<u>\$ 24</u>
Early Warning Requirement		<u>2</u>
Excess over the early Warning		<u>\$ 23</u>