BBVA SECURITIES INC.

(A wholly-owned subsidiary of BBVA USA Bancshares, Inc. and
an indirect wholly-owned subsidiary of BBVA, S.A.)

(SEC I.D. No. 8-42857)

STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2019
(UNAUDITED)

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Filed pursuant to Rule 17a-5(e)(3)
Under the Securities Exchange Act of 1934 as
a **PUBLIC DOCUMENT**

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(A WHOLLY-OWNED SUBSIDIARY OF BBVA USA BANCSHARES, INC. AND AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF BBVA, S.A.)

STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2019

ASSETS

Cash and cash equivalents	$	145,177,385
Cash segregated in compliance with Federal regulations		30,000,000
Time deposit with affiliate		2,000,000
Securities owned, at fair value		10,069,341
Securities purchased under agreements to resell		194,250,634
Receivables:		
Customers		109,775,559
Broker-dealers and clearing organizations		28,682,130
Affiliates		49,892,265
Fees		15,263,333
Net unsettled regular way trades		2,028,943
Interest		3,399,862
Office furniture, equipment and leasehold improvements, net		4,272,307
Deferred tax asset		5,650,490
Other assets		8,756,286
TOTAL ASSETS	$	609,218,535

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:		
Securities sold, not yet purchased, at fair value	$	2,067,031
Securities sold under agreements to repurchase		191,739,037
Payables:		
Affiliates		137,157,518
Broker-dealers and clearing organizations		14,351,029
Customers		10,444,705
Interest		2,787,115
Accrued expenses and accounts payable		24,250,344
Total liabilities		382,796,779
STOCKHOLDER'S EQUITY:		
Common stock, $0.01 par value, 10,000 shares authorized, 1,000 shares issued and outstanding		10
Additional paid-in capital		198,862,820
Accumulated income		27,558,926
Total stockholder's equity		226,421,756
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$	609,218,535

See accompanying notes to the statement of financial condition.

1. ORGANIZATION AND NATURE OF BUSINESS

BBVA Securities Inc. (the "Company") is a New York Corporation and a wholly owned subsidiary of BBVA USA Bancshares, Inc. (the "Parent"), which is a wholly owned subsidiary of BBVA, S.A. ("BBVA"), a global financial services institution headquartered in Spain. The Company is a registered broker-dealer in the United States of America under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA").

The Company has an institutional and retail business. The institutional business consists of investment banking, financing transactions and institutional sales of fixed income securities. Investment banking activities include securities originations, loan syndications, and project finance services. Financing transactions include securities purchased under agreement to resell and securities sold under agreement to repurchase. The Company is a member of the Fixed Income Clearing Corporation ("FICC"). For its fixed income sales business, the Company is self-clearing and can act in the role as either principal, riskless principal and/or agent.

Through its retail business, the Company is engaged in brokerage services whereby it acts as an agent (on a fully disclosed basis) for securities transactions placed by customers of the Company. For this business, the Company has a clearing agreement with a third-party broker-dealer who is authorized to maintain customer accounts. The clearing broker clears transactions for the Company's customers and maintains the accounts on a fully disclosed basis. The Company is not authorized to maintain customers' accounts and does not hold customers' funds or securities in connection with such transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Company in the preparation of its financial statements.

Basis of Presentation — These financial statements are in conformity with *U.S. generally accepted accounting principles* ("US GAAP").

Use of Estimates — The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and certain disclosures. These estimates relate mainly to the valuation of certain financial instruments, accrual of income taxes, realization of deferred tax assets, and accrual of compensation. The Company believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ materially from these estimates.

Cash and cash equivalents — Cash consists of cash and cash equivalents held at banks. The carrying amount of cash and cash equivalents approximates fair value. The Company defines cash and cash equivalents as highly liquid investments with original maturities of three months or less.

Cash Segregated in Compliance With Federal Regulations — Cash of $30,000,000 is segregated in a special reserve bank account for the exclusive benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission ("SEC").

Securities Owned, at Fair Value — Securities owned are recorded on a trade-date basis and are carried at fair value.

Securities purchased under agreements to resell and Securities sold under agreements to repurchase — Securities purchased under agreement to resell ("reverse repurchase agreements") and Securities sold under agreements to repurchase ("repurchase agreements") are carried on the statement of financial condition at the amounts of cash paid or received (contract value), which includes accrued interest on the collateral, and are generally collateralized by US government securities. Where appropriate, transactions meeting the netting requirements per Accounting Standard Codification ("ASC") - *Balance Sheet Offsetting 210-20-45-11* are reported on a net basis. The Company's agreements with counterparties generally contain provisions allowing for additional collateral to be obtained, or excess collateral returned, based on market valuations of such collateral. The Company revalues the collateral underlying its repurchase and reverse repurchase agreements on a daily basis. In the event the fair value of such securities falls below the related agreement to resell at contract amounts plus accrued interest, the Company will generally request additional collateral.

Contract values of reverse repurchase agreements and repurchase agreements approximate fair value. Accrued interest associated with the reverse repurchase agreements and repurchase agreements is accrued as interest receivable and interest payable.

Securities Sold, not yet Purchased at fair value — Securities sold, not yet purchased are recorded on a trade-date basis and are carried at fair value.

Net unsettled regular- way trades — receivables and payables arising from unsettled regular-way trades are recorded net on the statement of financial condition, per ASC 940-20-45-3.

Receivables from Customers and Payables to Customers — Receivables from customers include amounts receivable for securities not delivered by the Company to the purchasers in Delivery versus Payment ("DVP") trades by the contractual settlement dates ("securities failed to deliver") when the purchasers are classified as customers. Payables to customers include amounts payables for securities not received by the Company from the sellers in Receipt versus Payment ("RVP") trades by the contractual settlement dates ("securities failed to receive") when the sellers are classified as customers.

Receivables from Broker-Dealers and Clearing Organizations and Payables to Broker-Dealers and Clearing Organizations — The receivables from broker-dealer and clearing organizations balance primarily represents deposits held at clearing organizations in addition to securities failed to deliver to broker-dealers. The payables to broker-dealers and clearing organizations balance includes securities failed to receive from broker-dealers.

Receivables from Affiliates and Payables to Affiliates — Receivables from and payables to affiliates includes fees and other amounts owed from and to affiliates. Also included are amounts receivable and payable for securities failed to deliver or securities failed to receive. For securities transactions, affiliates can be considered customer or non-customer pursuant to SEC Rule 15c3-3.

Receivables from Fees — Receivables from fees primarily represents fees earned not yet received for investment banking services.

Office Furniture, Equipment and Leasehold Improvements, net — Office furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation or amortization. Office furniture and equipment are depreciated on a straight-line basis over their estimated useful lives, up to ten years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the terms of the related lease. Office furniture and equipment are tested for impairment whenever events or changes in circumstances suggest that an asset's carrying value may not be fully recoverable in accordance with current accounting guidance.

Accrued expenses and accounts payable — Accrued expenses and accounts payable include accruals for employee related compensation, employee benefits and third party services, as well as other payables.

Income Taxes — The Company is included in the consolidated federal income tax return and certain consolidated/unitary/combined state income tax returns of the Parent and also in the Parent's consolidated financial statements. The income taxes for the Company's financial statements are calculated on a Parent-Company-Down approach. Income taxes are allocated by the Parent based on a comprehensive income tax allocation policy. This policy provides that income taxes are allocated based on subsidiaries' proportional share of the tax calculated on the consolidated return.

The Company accounts for income tax expense (benefit) using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities and are measured using the tax rates and laws that are expected to be in effect when the differences are anticipated to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period the change is incurred.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such determination, the Company considers all available positive and negative evidence, including future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would not be able to realize their deferred tax assets, a valuation allowance is established, which would increase the provision of income taxes.

The Company accounts for its uncertain tax positions under the provisions of ASC Topic 740, *Income taxes*. The Company had no liability for uncertain tax positions as of June 30, 2019 and does not expect any significant changes in the next twelve months. With regards to uncertain tax positions, a tax position is recognized as a benefit only if it is "more likely than not" of being sustained on the basis of the technical merits. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Fair Value Measurements — The Company defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, (i.e. the "exit price") in an orderly transaction between market participants at the measurement date in accordance with ASC No. 820, *Fair Value Measurement*. The Company is required to disclose the fair value of its financial instruments according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories – Level 1: unadjusted quoted market prices for identical assets or liabilities in active markets; Level 2: directly or indirectly observable market-based inputs that are corroborated by market data, quoted market prices for similar assets and quoted market prices for assets in an inactive market; and Level 3: unobservable inputs that are not corroborated by market data.

The Company considers prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3 of the fair value hierarchy. In addition, a downturn in market conditions could lead to declines in the valuation of many instruments.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

Recent Accounting Pronouncements —In February 2016, the FASB issued an Accounting Standard Update ("ASU") on Leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this ASU is permitted for all entities. As of June 30, 2019, the Company's estimate of the Right of Use Asset and Lease Liability to be recorded on its Statement of Financial Condition is $7,575,530 and $7,575,530, respectively.

In August 2018, as part of its disclosure framework project, the FASB amended the disclosure requirements for fair value measurement. The amendments update and eliminate various disclosure requirements that improve the overall usefulness of the disclosure requirement for financial statement users and reduce costs by eliminating disclosures that may not be useful. The guidance is effective for business entities for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Since the guidance only relates to disclosure requirements, the Company does not expect this guidance to have a material impact on its statement of financial condition or its statement of operations.

3. TIME DEPOSIT WITH AFFILIATE

At June 30, 2019, the Company had a time deposit with BBVA, S.A. – New York ("BBVA NY Branch") totaling $2,000,000, which matures on a monthly basis, with the option to rollover. This deposit is pledged as collateral for the operating account held at BBVA NY Branch.

4. SECURITIES OWNED, AT FAIR VALUE

Securities owned, at fair value consisted of $10,069,341 of US treasury securities. All securities owned are designated as trading securities.

5. SECURITIES SOLD, NOT YET PURCHASED, AT FAIR VALUE

Securities sold, not yet purchased, at fair value consisted of $2,067,031 of US treasury securities. All securities sold are designated as trading securities.

6. SECURITIES PURCHASED UNDER AGREEMENT TO RESELL AND SECURITIES SOLD UNDER AGREEEMENTS TO REPURCHASE

The Company enters into reverse repurchase agreements and repurchase agreements to finance long US treasury securities inventory, cover short US treasury securities positions in order to prevent settlement exposure, and to act as an intermediary between different counterparties. As previously noted, the Company is a member of FICC, which allows the Company to manage credit exposure arising from such transactions by entering into master netting agreements with counterparties. These agreements provide the Company, in the event of a counterparty default, with the right to net counterparty's rights and obligations. As a result, the Company can liquidate and set off collateral by the Company against the net amount owed by the counterparty. The Company engages a third-party custodian that enables the Company to take control of such collateral in the event of counterparty default. The following table presents information about the offsetting of these instruments.

	Gross Amounts (1)	Gross amounts of offset in the Statement of Financial Condition (2)	Net amounts presented in the Statement of Financial Condition
Assets			
Securities purchased under agreement to resell	$ 1,723,773,354	$ (1,529,522,720)	$ 194,250,634
Liabilities			
Securities sold under agreement to repurchase	1,721,261,757	(1,529,522,720)	191,739,037

(1) Amounts relate to master netting agreements, which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance.

Substantially all the collateral held by the Company for reverse repurchase transactions, which represent approximately 279.21% of the Company's total assets, consist of securities issued by the US Government. The fair value of securities received as collateral, prior to netting, was $1,700,982,249, and the fair value of the portion of the collateral that had been sold or repledged was $1,693,368,424. The Company does not maintain a credit allowance on such financing agreements due to the type of collateral received and over collateralization.

Securities sold under agreements to repurchase are accounted for as secured borrowings. The following table presents the Company's related activity, by collateral type and remaining contractual maturity.

	Remaining Maturity of the agreements				
	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Securities sold under agreement to repurchase:					
U.S. Treasury and other U.S. government agencies	$ 1,164,671,132	$ 446,015,625	$ 110,575,000	$ -	$ 1,721,261,757

In the event of a significant decline in fair value of the collateral pledged for the securities sold under agreements to repurchase, the Company would be required to provide additional collateral. The Company minimizes the risk by monitoring the liquidity and credit quality of the collateral, as well as the maturity profile of the transactions.

7. RECEIVABLES FROM CUSTOMERS AND PAYABLES TO CUSTOMERS

Receivables from and payables to customers totaling $109,775,559 and $10,444,705 represent securities failed to deliver and securities failed to receive, respectively.

8. RECEIVAB LES FROM BROKER-DEALERS AND CLEARING ORGANIZATIONS AND PAYABLES TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

The receivables from broker-dealers and clearing organizations consists of $5,418,734 securities failed to deliver and $23,263,396 of cash held on deposit with clearing organizations. Payables to broker-dealers consists of securities failed to receive totaling $14,351,029.

9. OFFICE FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS - NET

At June 30, 2019, the Company's office furniture, equipment and leasehold improvements - net, is comprised of the following:

	2019		
	Cost	Accumulated Depreciation/ Amortization	Net
Leasehold improvements	$ 6,624,294	$ (6,424,147)	200,147
Purchases in process	1,064,757		1,064,757
Computers and equipment	1,414,231	(1,120,879)	293,352
Furniture and fixtures	527,864	(522,710)	5,154
Software	8,207,653	(5,554,560)	2,653,093
Mechanical equipment	365,265	(309,461)	55,803
	$ 18,204,064	$ (13,931,757)	$ 4,272,307

10. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company enters into transactions with BBVA and other affiliated entities, such as the Parent, BBVA USA ("USA"), a subsidiary bank of the Parent, BBVA NY Branch, a subsidiary bank of BBVA, and BBVA Mexico ("Mexico"). The receivables from or payables to affiliates balances arise from services performed between the Company and its affiliates. Investment banking transactions with affiliates pertain to bond origination and/or loan syndications.

Service Level Agreements

The Company has administrative fee service agreements with BBVA NY Branch and BBVA USA, under which certain administrative services are provided to the Company, such as legal, compliance, accounts payable, internal auditing, and human resource services. In addition, the Company has administrative fee service agreements with BBVA NY Branch and BBVA USA, under which the Company provides client onboarding services.

The Company has a networking and referral agreement with BBVA NY Branch and BBVA USA, under which referral fees are paid on bond origination and advisory deals referred to the Company.

The Company has a networking agreement with BBVA USA and BBVA Insurance Agency ("BIA") by which the Company will receive a non-exclusive, non-assignable license to use the BBVA USA trademark/trade name, access to BBVA USA customer network and premises/space to conduct broker-dealer business, access to BIA's insurance license to sell variable insurance products and related support infrastructure at its premises. Finally, certain employees of the Company provide sales and support services to BBVA USA and BIA under a dual employee expense allocation agreement.

The Company sub-leases office space from BBVA NY Branch and BBVA USA under cancellable leases.

The Company has service level agreements with BBVA and Mexico by which the Company acts as agent on behalf of BBVA and Mexico in fixed income securities transactions.

The Company also has a service level agreement with BBVA by which the Company acts as agent on behalf of BBVA in loan portfolio services and swaps/derivatives activity. Fees earned related to these agreements are calculated based on shared revenues.

Liquidity/Capital Facilities

On June 28, 2016, the Company entered into an uncommitted demand facility agreement with BBVA USA for a revolving intraday loan facility up to $250,000,000 maturing on December 31, 2019. This agreement allows the Company to manage its intraday settlement exposure in connection with its financing and trading activity and is used daily. As of June 30, 2019, there is no outstanding balance. A collateral account control agreement was also executed with BBVA USA and a third-party custodian to establish a collateral account into which the Company must pledge collateral to BBVA USA in the event the intraday line is not repaid by close of business. The Company ensures that the intraday loan facility is repaid at the end of each business day. As of June 30, 2019, there is no collateral outstanding pursuant to this agreement.

On July 18, 2016, the Company entered into an uncommitted demand facility agreement with the Parent for a revolving loan facility up to $300,000,000. On July 12, 2017, the Company entered into an amended and restated facility agreement with the Parent for a revolving loan facility up to $350,000,000 maturing on December 31, 2019. Pursuant to the amended agreement, $200,000,000 is uncommitted and $150,000,000 is committed. The facility is intended to help facilitate the ongoing liquidity needs of the Company. The Company has agreed to pay a commitment fee of 0.50% on the average undrawn balance of the committed portion of the facility on each interest payment date. As of June 30, 2019, there is no outstanding balance

On March 16, 2017, the Company entered into an uncommitted demand facility agreement with BBVA for a revolving loan facility up to $1,000,000,000 maturing on March 16, 2023 to be used for trade settlement purposes. The Company has not drawn against this facility in 2019.

The Company has a Revolving Note and Cash Subordination Agreement ("the Revolver") with BBVA. The Revolver was executed on March 16, 2017 with a maturity date of March 16, 2023 for a maximum of $450,000,000. Any amounts advanced under the Revolver will be considered net capital for regulatory purposes under *15C3-1- Net Capital Requirements for Brokers or Dealers* on the date drawn, but will not be considered as equity in the Company's statement of financial condition. During the year, the Company has drawn down on this Revolver and paid fully shortly thereafter. As of June 30, 2019, there is no outstanding balance.

Assets and liabilities with related parties consisted of the following:

Assets:	
Cash	$ 14,845,733
Time deposit with affiliate	2,000,000
Securities purchased under agreements to resell	1,344,224,604
Receivable from affiliates	49,892,265
Interest receivable	1,356,364
Total assets:	$ 1,412,318,966
Liabilities:	
Securities sold under agreements to repurchase	$ 1,360,133,007
Payable to affiliates	137,157,518
Interest payable	782,335
Total liabilities:	$ 1,498,072,860

11. INCOME TAXES

The total deferred tax asset at June 30, 2019 is composed of the following:

Deferred tax assets:	
State and City net operating loss carry forwards	$ 311,039
Deferred compensation	2,894,511
Depreciation	45,442
Leases - ROU Liabilities	1,779,591
Accrued expenses & Other	365,614
Total deferred tax asset	5,396,196
Valuation allowance	(303,841)
Total deferred tax asset	5,092,355
Deferred tax liabilities:	
Pension	(259,995)
Leases - ROU Assets	(1,751,575)
Total deferred tax liabilities	(2,011,569)
Net deferred tax assets	$ 3,080,786

As of June 30, 2019, the Company has approximately $6.1 million of net operating loss (NOL) carry forwards for future utilization for New York, Alabama and Colorado state income tax purposes which will begin to expire in 2026. These carryforwards expire as follows:

2026	$	723
2027		759
2030		2,463,078
2031		3,427,245
2032		63,664
2033		71,616
2035		5,412
2036		32,152
Total	$	6,064,648

The Company believes that it is more likely than not the benefit from Alabama and Colorado states net operating loss carryforwards will not be realized, and, accordingly, has established a valuation allowance associated with these net operating loss carryforwards. The Company has recorded a valuation allowance of approximately $304 thousand at June 30, 2019 related to these state net operating loss carryforwards deferred tax assets (DTA).

The management believes that based on the weight of available positive and negative evidence, it is more-likely-than-not that all of the DTAs other than the DTAs related to the portion of the state NOL will be realized.

As discussed in Note 1, the Company is included in the Parent's consolidated federal income tax return and certain state income tax returns, while filing separate state income tax returns in its remaining jurisdictions. The Company remains subject to examination for federal, state and local jurisdictions for the tax years 2015 through 2018.

12. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 and regulation 1.17 under the Commodity Exchange Act, which require the maintenance of minimum net capital. The Company has elected to use the alternative method, which requires that the Company maintain minimum net capital equal to the greater of $250,000 or 2% of aggregate debit items arising from customer transactions, as defined by the rrules. At June 30, 2019, the Company had net capital of $152,620,354, which exceeded the minimum requirement of $1,968,714 by $150,651,640.

Certain of the Company’s proprietary accounts are held at the Company’s clearing broker’s Proprietary Accounts of Brokers and Dealers (“PAB”) and are considered allowable assets in the computation of net capital pursuant to an agreement between the Company and the clearing broker. This agreement requires, among other things, that the clearing broker perform a computation of PAB Assets similar to the customer reserve computation set forth in SEC Rule 15c3-3.

13. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company sub-leases office space from BBVA NY Branch under a cancelable lease. At December 31, 2018, the future minimum rental commitments under this cancelable lease are as follows:

2020	1,474,541
2021	1,474,541
2022	1,474,541
2023	1,474,541
2024	1,474,541
Total	$ 7,372,706

In the normal course of business, the Company may enter into other legal contracts that contain a variety of representations and warranties providing general indemnification. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be against the Company that have not yet occurred. However, based on the Company's experience, the Company does not expect that these indemnifications will have a material adverse effect on the Company's financial position or results of operations.

Financing Transactions

As stated in Note 6, the Company enters into repurchase transactions which are primarily covered by a master netting agreement. As per ASC 210-20-45, these transactions qualify for netting. At June 30, 2019, the Company entered into $1,721,261,757of repurchase transactions that are secured by collateral from US treasury securities. The value of the Company's US treasury securities pledged against such repurchase transactions is $1,693,368,424, the remaining amount of repurchase transactions are collateralized by collateral received on reverse repurchase agreements.

In the event the counterparty is unable to meet its contracted obligation to return securities pledged as collateral, the Company may be exposed to the risk of acquiring securities at prevailing market prices in order to satisfy obligations.

The Company enters into forward starting reverse repurchase agreements and repurchase agreements. This type of activity has a start date of one or more business days greater than the trade date. Due to this characteristic, the Company considers this activity as a commitment and reports it off-balance sheet until the transactions reach their start date. At that point, the transactions will be reflected on the balance sheet and follow the process as stated in Note 6. As of June 30, 2019, the Company has forward starting reverse repurchase and repurchase agreements balances of $679,725,494 and $314,522,283 respectively

14. RETIREMENT, OTHER POSTRETIREMENT, AND OTHER BENEFIT PLANS

Defined Benefit Plan

The Retail Division participates in the defined benefit pension plan sponsored by the Parent, which is intended to meet the requirements of Sections 401(a) and 501(a) of the Code and the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Under the plan, vested participants are entitled to a monthly benefit upon retirement equal to a percentage of their eligible compensation (generally defined as direct cash compensation exclusive of bonuses and commissions) earned in the five consecutive years of benefit service that produce the highest average. Prior to January 1, 2003, the percentage amount of the benefit was determined by multiplying the number of years, up to 30, of a participant's service with the Company by 1.8%. Benefits were reduced by social security payments at the rate of 1.8% of the primary social security benefit multiplied by years of service up to 30 years. Effective January 1, 2003, participants were given the option to remain in the defined benefit pension plan or move to an enhanced defined contribution plan. For those participants electing to remain in the defined benefit pension plan, the plan was modified to eliminate the social security offset feature of the monthly benefit calculation.

Under the modified formula, benefits are generally based on years of service, age at retirement and the employee's average compensation earned in the five consecutive years of service that produce the highest average. Employees of the Company who are over the age of 21 and have worked 1,000 hours or more in their first 12 months of employment or 1,000 hours or more in any calendar year thereafter are eligible to participate in the plan, except for project consultants, employees of certain insurance and investment management affiliates, and employees hired for the first time by the Company after January 1, 2002. Effective January 1, 2003, the defined benefit pension plan was closed to new participants. Participants are vested in benefits accruing under the plan after five years of qualifying service. Benefits are payable monthly commencing on the later of age 65 or the participant's date of retirement. Eligible participants with at least five years of service may retire at reduced benefit levels after reaching age 55. During 2014, the Parent announced to all active participants the sunsetting of the pension plan on December 31, 2017. Beginning on this date, active participants were no longer credited with future service and were transitioned into the employer funded portion of the Company's defined contribution plan. The pension liability is administered by the Parent.

Plan Assets

The Parent sets the investment policy for the defined benefit pension plan and reviews investment performance and asset allocation on a quarterly basis. The percentages of fair value of each major category of the pension plan assets at June 30, 2019 are as follows:

a)	US Treasuries and other US government agencies	68.2%
b)	Corporate bonds	28.4%
c)	States and political subdivisions bonds	2.1%
d)	Cash and cash equivalents	1.4%
	Total	100.0%

The Institutional Division also participates in the defined benefit pension plan sponsored by BBVA NY Branch, which is intended to meet the requirements of Sections 401(a) and 501(a) of the Code and the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Under the plan, vested participants are entitled to a monthly benefit upon retirement. The benefit is based on their eligible compensation (generally defined as direct cash compensation exclusive of bonuses and commissions) earned in the five consecutive years of benefit service that produce the highest average ("final average compensation"). Prior to January 1, 2003, the benefit was determined by taking the sum of a) 1.6% of the final average compensation plus b) 0.6% of the final average compensation in excess of the Social Security covered compensation amount, all multiplied by c) the participant's number of years of service with the Company, not to exceed 25 years. Starting in 2003, the plan provided benefits to two separate groups of participants: “Grandfathered” participants and “Nongrandfathered” participants. Grandfathered participants were those with seven or more years of vesting service as of December 31, 2002.

Grandfathered participants continued to earn benefits under the existing final average compensation formula through December 31, 2009. Starting January 1, 2010, the benefit accrual formula percentages for the Grandfathered participants were reduced and the compensation used in the calculation was changed from total compensation to base compensation. All benefits for Grandfathered participants were frozen effective December 31, 2014.

Nongrandfathered participants started earning a benefit under a cash balance formula effective January 1, 2003. Participants were provided with a hypothetical account balance that would grow with “pay credits” and “interest credits” each year. Participants earned pay credits based on a percentage of their annual compensation. This percentage ranged from 2% to 4% based on the participant’s length of service. Interest credits were provided to the participants each year, based on the 30-Year Treasury rate published by the IRS for the November of the preceding year, subject to a minimum rate of 4.20% per year. All pay credits for Nongrandfathered participants were eliminated for periods after December 31, 2014, although participants would still continue to earn interest credits under the plan at 4.20% per year.

The plan is currently undergoing a termination process, with all plan benefits having been either purchased or paid out as lump sums in early 2019.

Defined Contribution Plan

The Company participates in the defined contribution plan sponsored by the Parent, which is intended to meet the requirements of Sections 401(a), 401(k), 409 and 501(a) of the Internal Revenue Code of 1986, as amended, and the requirements of ERISA. Under the traditional employee portion of the defined contribution plan, employees may contribute up to 75% of their compensation on a pretax basis subject to statutory limits. The Company makes matching contributions equal to 100% of the first 3% of compensation deferred, plus 50% of the next 2% of compensation deferred. The Company may make additional non-matching contributions to the plan.

Under the employer funded portion of the defined contribution plan, the Company makes contributions on behalf of each participant in the plan based on eligible pay and years of service. The Company’s contributions range from 2% to 4% of the participants eligible pay.

15. FINANCIAL INSTRUMENT AND RELATED RISKS

Off Balance Sheet Risk

In the normal course of business, the Company’s activities may involve executions and settlements of various securities transactions as principal or agent. These activities may expose the Company to risk in the event counterparties are unable to fulfill contractual obligations. The Company’s counterparties include U.S. institutional investors, brokers and dealers and international banks that are members of major regulated exchanges and affiliates. In the case that the Company is involved in executions and settlements of securities transactions, the Company records customer securities transactions on a trade-date basis in conformity with the settlement cycle of the respective countries. Therefore, the Company could be exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill contractual obligations. The Company's agreements with its clearing brokers provides that the Company assumes customer obligations in the event of non-performance.

Credit Risk

For transactions in which the Company has the ability to extend credit to others, the Company seeks to control the risks associated with these activities by requiring the counterparty to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels and, pursuant to such guidelines, requests counterparties to deposit additional collateral or reduce securities positions when necessary. As of June 30, 2019, the Company was not involved in the aforementioned business activity, with the exception of reverse repurchase agreements and repurchase agreements as noted in Note 6.

The Company clears its securities transactions from its retail business through a clearing broker on a fully-disclosed basis. Pursuant to the terms of the agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right. At June 30, 2019, the Company has recorded no liability with regard to this right. In addition, the Company has the right to pursue collection on performance from the counterparties who do not perform under their contractual obligations. The Company monitors the credit standing of the clearing broker and all counterparties with which it conducts business.

16. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company applies the fair value accounting guidance required under ASC Topic 820, *Fair Value Measurements and Disclosures,* which requires the Company to disclose the estimated fair values of financial instruments, for which it is practical to estimate. Investments measured and reported at fair value are classified and disclosed in one of the following categories (from highest to lowest) based on inputs:

Level 1 — Quoted prices in active market for identical assets or liabilities that the Company has the ability to access as of the reporting date. The type of investments which would generally be included in Level 1 includes listed equity securities and listed derivatives. As required by ASC 820, the Company, to the extent that it holds such investments, does not adjust the quoted price for these investments.

Level 2 — Pricing inputs are observable, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
Fair value is determined through the use of models or other valuation methodologies using observable inputs. The types of investments which would generally be included in this category are publicly traded securities with restrictions on distribution, corporate bonds or municipal securities.

Level 3 — Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgment or estimation by the Company. Level 3 assets and liabilities would include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar pricing techniques based on the Company's own assumptions about what market participants would use to price the asset or liability. The types of investments that would generally be included in this category include debt and equity securities issued by private entities.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. The Company's valuation methodologies may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates, and therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the product. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment by the Company in determining fair value is greatest for instruments categorized in Level 3 of the fair value hierarchy.

Securities owned and securities sold, not yet purchased, are recorded at fair value on a recurring basis. At June 30, 2019 securities owned consisted of US treasury securities. The fair value of US treasuries is based on unadjusted quoted market prices in an active market. The Company had no Securities sold, not yet purchased outstanding at June 30, 2019.

Transfers of financial instruments between different levels of fair value hierarchy are recorded as of the end of the reporting period. During the year ended June 30, 2019, there were no transfers of financial instruments between different levels of the fair value hierarchy.

The following table summarizes the assets and liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Fair Value
Assets:				
Securities owned, at fair value:				
US Treasuries	$ 10,069,341	$ -	$ -	$ 10,069,341
	$ 10,069,341	$ -	$ -	$ 10,069,341
Liabilities:				
Securities sold, not yet purchased, at fair value				
US Treasuries	$ 2,067,031	$ -	$ -	$ 2,067,031
	$ 2,067,031	$ -	$ -	$ 2,067,031

Estimated Fair Value of Financial Instruments Carried at Approximate 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 market rates.

The table below represents the carrying value and estimated fair value of the Company's financial instruments which are not carried at fair value. 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.

	Level 1	Level 2	Level 3	Estimated fair value	Carrying value
Assets:					
Cash and cash equivalents	$ 145,177,385	$ -	$ -	$ 145,177,385	$ 145,177,385
Cash segregated in compliance with Federal regulations	30,000,000	-	-	30,000,000	30,000,000
Time deposit with affiliate	2,000,000	-	-	2,000,000	2,000,000
Securities purchased under agreements to resell	-	194,250,634	-	194,250,634	194,250,634
Receivables:					
Customers	-	109,775,559	-	109,775,559	109,775,559
Broker-dealers and clearing organizations	-	28,682,130	-	28,682,130	28,682,130
Affiliates	-	49,892,265	-	49,892,265	49,892,265
Interest	-	3,399,862	-	3,399,862	3,399,862
Fees	-	15,263,333	-	15,263,333	15,263,333
Other Assets	-	8,756,286	-	8,756,286	8,756,286
	$ 177,177,385	$ 410,020,069	$ -	$ 587,197,454	$ 587,197,454
Liabilities:					
Securities sold under agreements to repurchase	$ -	$ 191,739,037	$ -	$ 191,739,037	$ 191,739,037
Payables:					
Customers	-	10,444,705	-	10,444,705	10,444,705
Broker-dealers and clearing organizations	-	14,351,029	-	14,351,029	14,351,029
Affiliates	-	137,157,518	-	137,157,518	137,157,518
Interest	-	2,787,115	-	2,787,115	2,787,115
Accrued expenses and accounts payable	-	24,250,344	-	24,250,344	24,250,344
	$ -	$ 380,729,748	$ -	$ 380,729,748	$ 380,729,748

Fair value can vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, market perceptions as existing assets and liabilities as run off and new transactions are entered into.

17. SUBSEQUENT EVENTS

The Company evaluated subsequent events up to the date the financial statements were issued, which was August 28, 2019. As a result of the Company's evaluation, the Company noted no subsequent events that require adjustment to, or disclosure in, these financial statements.

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