sifma®

YEAR IN REVIEW

A PARTNERSHIP FOR PROSPERITY

2013

The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

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Kenneth E. Bentsen, Jr.
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Chair, SIFMA

WELCOME

America's success depends on a vibrant financial system. We are the most effective capital markets in the world, and the fuel for our nation's economic engine.

Strong markets are essential to provide our nation's businesses, large and small, with capital to grow and expand. They are vital to help individual investors achieve their financial goals and dreams. More than five years after the financial crisis, the financial industry has made significant changes to enhance transparency, be more resilient and do business more responsibly. But, Americans remain skeptical. Significant regulatory and structural changes to the U.S. financial and capital markets have resulted in positive steps forward. Our banking system and capital markets are much stronger and more resilient – fueling an economy that is poised to grow, prosper and create jobs. At SIFMA, we are working to better articulate the industry's commitment to and role in supporting growth, productivity, job creation and standards of living.

On the legislative and regulatory front, we have been in support of financial regulatory reform from the start, but that process is far from over. We will continue to be engaged with regulators on behalf of our members providing information, studies and analysis to help them craft rules that work and create certainty. Underlying every one of our positions is our partnership with the customer, and our desire to maintain America's competitive advantage as home to the deepest and most liquid capital markets in the world.

The capital markets reach into every corner of our lives, so SIFMA's mandate is just as broad. We support:

- A uniform fiduciary standard of conduct that would hold both broker-dealers and investment advisers to the same robust standard when providing personalized advice about securities to their retail clients.
- Comprehensive housing finance reform so that qualified borrowers have access to mortgage credit to purchase a home.
- Municipal markets that provide cities and states with access to credit and give investors the opportunity to invest in their communities.
- Further enhancing the resiliency of money market funds while at the same time preserving their important benefits for investors, government bodies and corporate entities.
- An efficient and transparent derivatives market to help market participants manage risks.
- Measures that ensure no institution is "too big to fail," including living wills and orderly liquidation authority.
- Adoption of free trade agreements that ensure U.S. competitiveness.
- Comprehensive pro-growth tax reform, which is critical to the future economic well being of our country.

SIFMA's duty is to tell the story of how our customers depend on the financial markets and to work with the government in a constructive manner to assure that we are all moving forward on a path to shared prosperity. From an established global corporation to an individual investor just starting out, our members are committed to putting our customers first. Put simply, it is our industry's job to serve our customers.

This country and its future is extraordinary, and we will be there to support it every step of the way.

ADVOCACY

On behalf of our members, SIFMA is engaged in a broad range of advocacy efforts – from the implementation of the Dodd-Frank Act to fiscal policy to comprehensive global regulatory coordination. We are committed to ensuring America's financial markets are safe and strong, while maintaining our competitive advantage as the widest, deepest, most liquid and most transparent markets in the world.


FIRST
100

A FIDUCIARY STANDARD

ISSUE: A fiduciary relationship is generally viewed as the highest standard of customer care available under law. Today, investment advisers and broker-dealers are regulated by different laws.

SEC on Fiduciary
In 2011, the Securities and Exchange Commission (SEC) published a staff study under the Dodd-Frank Act recommending a new, uniform, federal fiduciary standard of conduct for brokers and investment advisers providing personalized investment advice. The SEC is now contemplating a rulemaking.

DOL on Fiduciary
Separate from and conflicting with the definition of fiduciary being contemplated under Dodd-Frank, the Department of Labor (DOL) continues to consider a wholesale revision to its regulation that redefines what it means to be a fiduciary under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code. This proposed definition, expected in summer 2014, would affect whether retail brokers, prime brokers, institutional trading desks, swap dealers and others who work with pension and 401(k) plans and IRAs will be deemed fiduciaries under certain circumstances.

IMPACT: SIFMA supports a uniform fiduciary standard that is business model neutral and does not inhibit a client's ability to choose the products and services they want. SIFMA also believes a uniform standard should be enforced in a uniform manner – which is why we support a self-regulatory organization (SRO) to oversee investment advisers, as the SEC does not have the capacity to effectively oversee their activities. A uniform standard established by the SEC that is focused on retail clients receiving personalized investment advice would protect investors and put their best interests first. The DOL proposal is an overbroad expansion of the fiduciary standard that will undermine efforts by employers and service providers to educate workers on the importance of responsible retirement planning. SIFMA is concerned that this proposal will limit investor choices and drive up costs for the individuals it is intended to protect.

The DOL's fiduciary proposal would adversely affect millions of IRA holders and plan participants with assets expected to reach $7.3 trillion by 2016.

"Client relationships are built on human trust; avoid jargon, embrace emotions and listen to client needs."

John Thiel, Head of Private Banking and Investment Group, Merrill Lynch at the SIFMA Private Client Conference.

RETIREMENT AND SAVINGS

TAX INCENTIVES FOR RETIREMENT SAVINGS

ISSUE: Congress is considering changing the special tax treatment of retirement savings in ways that would make it harder for many Americans to save. Americans overwhelmingly – by a margin of 4 to 1 – oppose changing tax rules for retirement savings accounts, according to a survey released this year by the Coalition to Protect Retirement. The research shows widespread support across political parties for maintaining the current tax treatment for retirement savings vehicles, such as 401(k) plans, 403(b) plans, and traditional IRAs. Even during a time when the government is looking for new revenue sources to reduce the national debt, 87 percent of all Americans and 95 percent of those who have tax-deferred 401(k)-like retirement plan accounts believe retirement savings should be "off limits" to Congress and not a source of new revenue for the government.

IMPACT: While there is a strong desire for comprehensive tax reform, changing the rules governing retirement plans is not the answer. In 2013, a group of America's leading supporters of retirement savings plans banded together to launch the Coalition to Protect Retirement. The Coalition, of which SIFMA is a founding member, believes Americans should have more—not fewer—incentives to save.

> *"Given the vast numbers of baby boomers who reach retirement age every day, retirement savings incentives are needed more than ever. They are doing what they were intended to do – helping people who need them most to take responsibility for their own retirement security."*

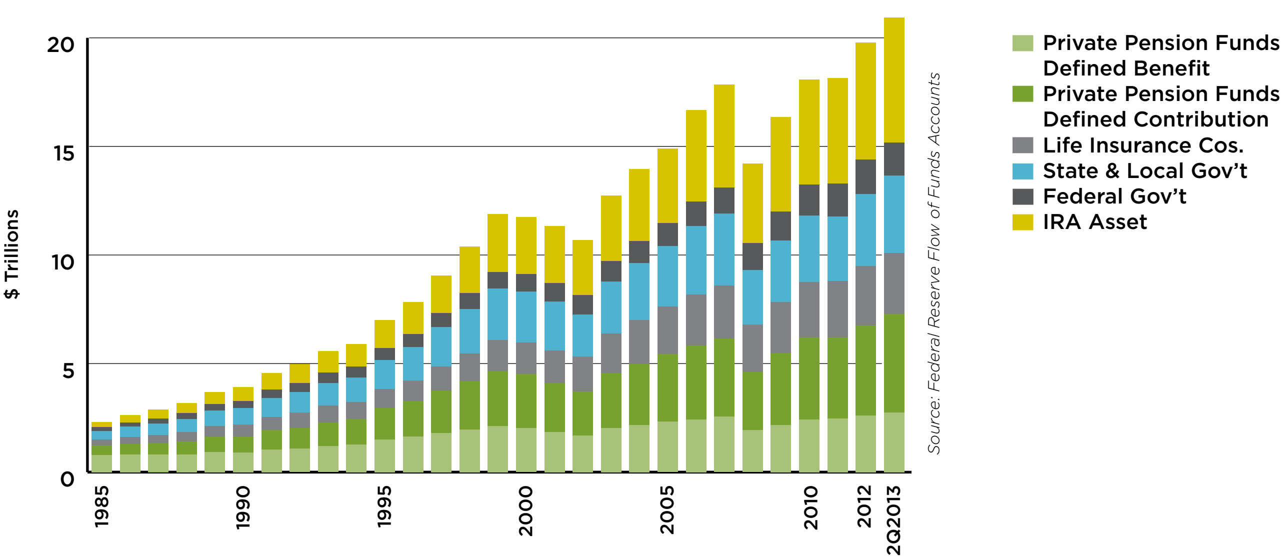
KENNETH E. BENTSEN, JR.
PRESIDENT AND CEO
SIFMA

STATE RUN RETIREMENT PLANS

ISSUE: State-run retirement plan proposals for private sector employees are being considered by a number of states. These proposals have varied from an expansive defined benefit plan to a payroll deduction individual retirement account (IRA) option. The intention of the proposals is to improve access to affordable retirement savings plans for low- and middle-income workers employed by small- and medium-sized enterprises.

IMPACT: The creation of a state-run retirement plan for private-sector employees would burden already fiscally-strained states; create conflicts between federal and state laws; and have a number of implications under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code, for which there is no current guidance.

There is a severe savings challenge in the United States that is detrimental to our nation's economic success. SIFMA is committed to helping Americans save for retirement. The financial industry offers a variety of fairly priced retirement savings options, including 401(k) plans, 403(b) plans, 401(a) plans, 457(b) plans, SIMPLE IRAs, SEP IRAs, and traditional IRAs. Financial literacy and general investment education need to become part of the American education curriculum. There needs to be complementary general outreach by states, the federal government, employers and retirement plan providers to educate the American public about their savings, including on issues such as compounding interest, finding appropriate investments, monitoring investment portfolios and making changes to portfolios when appropriate.



HOUSING FINANCE

EMINENT DOMAIN

ISSUE: Communities around the country continue to explore the use of eminent domain to seize underwater mortgage loans from their holders and refinance them through government programs. Under several of the proposed plans, a city or county would condemn and seize certain mortgages held in private-label securitizations under the power of eminent domain and refinance them through a government lending program. It is important to note that only borrowers with good credit, and likely only those who are current on their mortgage payments, would be eligible for the proposed programs.

The contemplated use of eminent domain raises very serious legal and constitutional issues, including a violation of the Contract Clause and an impermissible "taking" of private property under the U.S. Constitution and various State Constitutions. Several municipalities have investigated and wisely decided against the use of eminent domain. However, discussions persist in cities around the country, notably in Richmond (CA). SIFMA will continue to engage community leaders so they understand the risks such plans pose.

IMPACT: Eminent domain stands to hurt the very borrowers it seeks to help; there are better alternatives to address these problems. Eminent domain would be immensely destructive to U.S. mortgage markets by undermining existing securitization transactions, which would significantly reduce access to credit for mortgage borrowers in affected areas. Everyday savers – teachers, firefighters and other middle class Americans – would experience losses in pension plans, 401(k) plans and other investment vehicles that hold mortgage bonds. Rather than undertaking plans that deter private capital, efforts should instead be focused on the bipartisan goal of decreasing the government's role in housing finance.

CREDIT RISK RETENTION AND QUALIFIED RESIDENTIAL MORTGAGES (QRM)

ISSUE: Section 941 of Dodd-Frank mandates that sponsors of securitizations, such as commercial and residential mortgage-backed securities, retain on their books five percent of the value of the assets that they bundle and sell as securities. A re-proposed rule was introduced in 2013 and, in many respects, represents a significant improvement over the original proposals in terms of preserving the ability of securitization to support access to mortgage, consumer and business credit. A further refinement of the proposed rule is necessary to ensure interests are aligned while remaining balanced against the costs of implementation, especially in light of the potential to reduce the ability of securitization to fund credit availability.

IMPACT: Reviving the securitization markets is necessary to promote healthy lending to Americans seeking to finance a home. Implementation of credit risk retention is an important key to reviving the securitization markets, as it helps to align the economic interests between the parties that securitize assets and the parties that invest in them.

HOUSING FINANCE AND GSE REFORM

ISSUE: The future of housing finance and the role of the government in mortgage finance markets remained an open question in 2013. Activity in Congress accelerated notably this year, with the passage of legislation out of the House Financial Services Committee known as the "PATH Act", which would restructure housing finance into a system with Federal guarantees only being provided by a reconfigured Federal Housing Authority (FHA). Also, the bi-partisan "Housing Finance Reform and Taxpayer Protection Act" was introduced in the Senate. This bill is commonly known as the Corker-Warner Bill and has been the focus of much discussion among industry participants. The Senate Banking Committee Chairman and Ranking Member are expected to unveil another GSE reform bill in early 2014. While it is too soon to know many details, this legislation is expected to continue a meaningful government role in housing finance, and may be based on the Corker-Warner Bill.

IMPACT: A healthy housing finance system promotes lending, and is essential to the continued recovery of the broader economy. Policymakers should fix the parts of the housing finance system which need attention without dismantling the aspects of the system that have provided efficient, cost effective lending and benefits to our economy for the last 30 years. A key focus of reform must be the preservation of the vast liquidity that today's market enables; this includes "to be announced" (TBA) trading of mortgage backed securities (MBS) and the benefits it confers on mortgage borrowers.

"Conforming loan limits, guarantee fees – it all has to be part of a bigger package because where we are now is not a sustainable path."

KENNETH E. BENTSEN, JR.
PRESIDENT AND CEO
SIFMA

GSE REFORM:
WE NEED A SUSTAINABLE PATH FORWARD

Clarity around the future of our Government Sponsored Enterprises (GSEs) is essential to the recovery of the broader economy.

MONEY MARKET FUND REFORM

ISSUE: In June 2013, the SEC proposed rules to further reform money market funds (MMFs) in order to make them less susceptible to runs and to enhance transparency of the risks associated with these funds. In response to this proposal, the buy- and sell-sides constituencies of SIFMA worked together to express concern that some elements of the SEC's proposal would alter indispensable characteristics of MMFs that are attractive to shareholders, thereby endangering the viability of MMFs as an investment option and as a vital element of capital formation and credit. In particular, SIFMA believes that imposing both fundamental reforms on any type of MMF, a floating Net Asset Value (NAV) and the liquidity fee and redemption gate proposals together, would threaten the utility of MMFs as an investment product and funding mechanism. SIFMA also suggests certain changes to the SEC's proposal including, but not limited to, exempting tax-exempt funds, changing the definition of a retail fund and addressing certain transition, tax, accounting and brokerage suitability issues.

IMPACT: Overly aggressive regulation of MMFs would not only be ineffective in preventing runs but would also lead to serious negative consequences for the U.S. financial system and broader economy. Corporations and financial institutions would find it more difficult and more expensive to access the short-term funding they need to carry out their daily operations, pay their employees and spur the economic growth that creates jobs. Investors would have fewer choices for cash investments and would lose the benefits of these relatively safe and highly liquid products that provide an attractive alternative to a deposit account.

MUNICIPAL ADVISOR DEFINITION

ISSUE: The Dodd-Frank Act includes a provision requiring the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) for the first time to regulate non-dealer "municipal advisors." Municipal Advisors include financial advisors, swap advisors, GIC brokers and others. The rule also regulates banks and broker dealers acting as Municipal Advisors. Under the law, the SEC is charged with defining Municipal Advisor and establishing the scope of who is required to register, and the MSRB is charged with writing rules governing Municipal Advisor behavior, activities and any other related matters. The municipal dealer industry generally supports such a rule on the basis that it would help protect issuers and level the regulatory playing field between dealers and previously unregulated independent, non-dealer municipal advisors.

In September 2013 the SEC issued its final municipal advisor rule, which takes effect in January 2014. While a significant improvement over the December 2010 proposed rule in many respects, the final rule has the potential to inhibit the free flow of transaction ideas between public finance bankers and their issuer clients.

IMPACT: It is important that non-dealer financial advisors be brought under federal regulatory oversight as soon as possible. However, an overly broad definition of municipal advisors limits the ability of states and localities to minimize borrowing costs for their citizens. The SEC's final rule has the potential to severely limit the ability of bankers to provide ideas, suggestions, analysis, assistance or other services to issuer clients in many circumstances. By constricting available advice, municipalities will find it harder to access the funding they need for critical infrastructure such as the schools, roads and hospitals that build better communities.

MUNICIPALITIES ARE BEING FINANCED

4 million **miles of roads**
1/2 million **bridges**
16,000 **airports**

Source: *National League of Cities, April 15, 2013*

MARKET STRUCTURE

REVIEW OF EXCHANGES SRO STRUCTURE

ISSUE: In today's markets, securities exchanges and broker-dealer trading venues perform essentially identical functions. Nonetheless, the status of exchanges as self-regulatory organizations (SROs) has not changed, even as the exchanges have evolved from member-owned utilities to for-profit businesses, as well as active competitors with their broker-dealer members. The SEC should undertake a holistic review of U.S. equity market structure. Such a review should include a focus on SRO structure, as the current structure of the self-regulatory model is widely viewed to be outdated and in need of reform.

IMPACT: Equity market structure, including a holistic review of regulatory infrastructure, are critical to ensure safe, sound and efficient markets that investors can have confidence in.

ON-EXCHANGE AND OFF-EXCHANGE TRADING

ISSUE: The subject of market quality has recently been a topic of wide discussion, and a central point of this discussion has been the effect of off-exchange equity trading on overall market quality.

In 2013, the Financial Industry Regulatory Authority (FINRA) put forth a proposal that would require every alternative trading system (ATS) to report to FINRA weekly volume information on ATS securities transactions. FINRA should work with member firms and other market participants to develop similar public disclosure of trading volume for other off-exchange market centers that do not operate as ATSs. The Commission should also work with exchanges to establish a reporting regime to provide consistent and standardized public disclosure of exchange execution volume carried out by displayed orders, partially displayed/partially undisplayed orders, and fully undisplayed orders.

IMPACT: SIFMA believes that off-exchange trading does not have a negative impact on overall market quality. However, SIFMA generally supports FINRA's proposal, as providing consistent and standardized public disclosure of ATS trading volume will allow for accurate evaluation of market quality based on objective data. Any regulatory developments in this area should be based on objective data and analysis, not on competitive arguments put forth by the exchanges.

SECURITIES INDUSTRY PROCESSORS

ISSUE: On August 22, an outage of Securities Industry Processors (SIPs) led to a halt in trading of NASDAQ-listed securities. The outage is a symptom of the outdated system – which is over 30 years old – by which critical market data is controlled and distributed. The industry has recommended five workstreams that the SEC, self regulatory organizations (SROs) and industry members should use to examine SIPs more broadly and develop action plans that (1) revamp governance, (2) increase transparency in operations, and (3) provide for increased efficiencies.

IMPACT: Systems and technology breakdowns run the risk of eroding the trust and confidence of investors and undermining the integrity and efficiency of the markets. Investors must be able to rely on the strength and resiliency of our financial markets. By improving operational integrity, we reinforce the trust and confidence that is vital to enabling the markets to do their job of providing the capital and credit that serves as fuel to grow the economy and create jobs.

LOOKING AHEAD: REG SCI

In March 2013, the U.S. Securities and Exchange Commission (SEC) proposed Regulation Systems Compliance and Integrity (Reg SCI), which would establish uniform requirements relating to the automated systems of market participants and utilities. In today's automated, technology driven market, systems issues are an unfortunate but inevitable reality. Regulation in this area should focus not only on the prevention of systems issues, but also on containing and minimizing them if they should occur.

CONSOLIDATED AUDIT TRAIL (CAT)

ISSUE: The Securities and Exchange Commission (SEC) has adopted a rule that directs self-regulatory organizations (SROs) to develop a Consolidated Audit Trail (CAT). A centralized and comprehensive trail will enable the SEC and SROs to perform monitoring, enforcement and regulatory activities more effectively.

Creating a CAT that captures the full lifecycle of trades is a massive undertaking that will require significant resources from the industry. SIFMA published a white paper presenting industry views on how the CAT system should be organized, providing eight key principles on operations, structure, governance and scope, and outlining the industry's vision of how the CAT system should be implemented and expanded. The timely elimination of regulatory reporting requirements, systems and rules that will become redundant with the launch of the CAT is critical to implementing an effective system that minimizes the financial burden on the industry and investors. In addition, industry participants must be integrated and involved in the CAT development process as well as its implementation and subsequent operation.

IMPACT: The creation of an effective, efficient CAT system will improve regulators' supervisory capabilities. This important new tool for monitoring trading activity will strengthen financial markets by protecting investors and improving market transparency.

IPO MARKETS SUPPORT AMERICAN BUSINESS INGENUITY

In 2013, the financial services industry helped

235

companies go public matching buyers with sellers and raising more than

$74 billion

Another

$188 billion

was raised through

844

follow-on offerings

Source: *Dealogic*

IMPLEMENTED: LIMIT UP – LIMIT DOWN PILOT

The SEC, national securities exchanges and FINRA established a new Limit Up-Limit Down Plan to address extraordinary market volatility in U.S. equity markets. The first pilot rollout period began on April 8, 2013. At SIFMA's recommendation, Phase II was bifurcated in two stages and implemented beginning on August 5, 2013.

DERIVATIVES

ISSUE: The Dodd-Frank Act's Title VII established a broad, new regulatory regime for over-the-counter derivatives that continues to have a profound impact on markets. While Title VII takes important and necessary steps with respect to improving transparency and mitigating risk in these markets, the implementation of appropriate regulation should avoid creating outsized burdens or unduly limiting of the availability of these valuable risk management tools for American businesses. Regulators must ensure any the implementation of their regulations do not adversely impact liquidity, price discovery and the ability to hedge in the commodities and broader derivatives markets for users of such products.

- **Swaps Push-Out Reform:** Section 716 was a late and controversial addition to Title VII that intends to force swaps businesses into other entities within financial groups that are not subject to prudential regulation, and was adopted despite strong reservations from multiple federal prudential regulators. Problematically, it would likely have the adverse impact of increasing systemic risk instead of reducing it. In June 2013, U.S. prudential regulators announced they had extended the effective date of the rule by two years. Since regulators have not yet issued implementing regulations, that announcement gave impacted market participants needed clarity on timing.

- **Cross-Border Regulations:** In December 2013, SIFMA, the International Swaps and Derivatives Association (ISDA) and the Institute of International Bankers (IIB) filed a legal challenge to the Commodity Futures Trading Commission (CFTC) July 12 , 2013 Interpretive Guidance and Policy Statement Regarding Compliance With Certain Swap Regulations ("Cross-Border Rule") and cross-border aspects of related rules. The suit alleges that the Commission failed to follow key requirements mandated by law with regard to development and issuance of the Cross-Border Rule, thus harming liquidity and the ability of market participants to manage risks, as well as undermining the global commitments to coordination.

- **Position Limits:** In November 2013, the CFTC voted to approve a new rulemaking proposal for position limits, which is under consideration for comment by the industry. At the same time, the CFTC voluntarily dismissed its appeal of the court's decision against its 2011 rule making, marking the conclusion of SIFMA and ISDA's successful legal challenge. The 2011 Position Limits rule, as originally written, could have adversely affected liquidity and increased price volatility in the commodities and broader derivatives markets for end-users and all market participants.

IMPACT: Derivatives play an important role in the capital markets and broader economy, allowing businesses to manage and hedge risk. New regulatory provisions will impact swap dealers, major swap participants, asset managers and other end-users, such as manufacturers, financial institutions, and agricultural concerns. Regulation, if improperly devised and implemented could restrict market function and make it harder for banks, investors and American businesses to hedge risks, thereby actually adding risk to the system.

VOLCKER RULE

ISSUE: Section 913 of the Dodd-Frank Act, commonly known as the "Volcker Rule," generally banned proprietary trading by financial institutions. In December 2013, after a three and a half year debate, five agencies finalized the long and much anticipated Rule which generally prohibits banking entities from:

- engaging in short-term proprietary trading of securities, derivatives, commodity futures and options on these instruments for their own account.
- owning, sponsoring, or having certain relationships with hedge funds or private equity funds, referred to as 'covered funds.'

The rule is contained in a 900 page document. Although proprietary trading was not a cause of the financial crisis, many firms have been working to meet the spirit and purpose of the Rule by curtailing many aspects of their proprietary trading activities. Additionally, firms have begun the process of reducing positions in entities that are clearly a private equity fund or hedge fund.

IMPACT: An overly restrictive Volcker Rule will inflict serious harm on our nation's economy and American savers, stifling economic growth and job creation. Implementation of the Rule must be consistent to ensure market liquidity is not unnecessarily impaired.

> *"It is imperative that the final Volcker Rule does not unnecessarily restrict market making or a firm's ability to hedge risks in the effort to clearly define prohibited proprietary trading activities."*
>
> **KENNETH E. BENTSEN, JR.**
> **PRESIDENT AND CEO**
> **SIFMA**

SEC Chair Mary Jo White speaks to media, following her presentation at the 2013 SIFMA Annual Meeting.

THE DEBT CEILING DEBATE AND DEFAULT RISK

ISSUE: In 2013, factions in Congress once again threatened to force a default of U.S. government debt by not raising the debt limit. Throughout the debate, SIFMA warned that the fallout from a default on the nation's debt would be extremely negative for the economy and the financial markets. SIFMA joined 271 other organizations and associations to urge Congress to act expeditiously to raise the debt limit.

Through a series of Congressional meetings, testimony and briefings, SIFMA worked to educate Congress and the public about the risks of a potential U.S. default. Additionally, through various industry committees, SIFMA has been coordinating industry-wide efforts to plan for such a potential default.

IMPACT: A default would have been severely damaging, undermining the economy and throwing financial markets into disarray. Now that an agreement has been reached, the President and Congress should work to resolve the nation's long-term fiscal imbalance and avoid threatening to voluntarily default on our debt.

"We have the structure and participants in place, should we need to go there. We can mitigate operational risks, but not the impact on the price of Treasuries or the risk to the full faith and credit of the United States."

ROBERT TOOMEY
MANAGING DIRECTOR AND ASSISTANT GENERAL COUNSEL
SIFMA

SIFMA President and CEO Ken Bentsen testified before the Senate Banking Committee on the impact of a default on financial stability and economic growth.

CROSS-BORDER ADVOCACY

FREE TRADE AGREEMENTS

ISSUE: In March 2013, the European Union (EU) and the United States agreed to start negotiations on a Transatlantic Trade and Investment Partnership (TTIP). Free trade agreements must include financial services regulatory coordination. This is a critical opportunity to enhance coordination, reduce conflict and confusion and improve the efficiency of regulations across jurisdictions. Importantly, a financial services regulatory framework between the U.S. and E.U. would facilitate and guide efforts to promote consistent high-quality regulatory standards in global markets. The Administration is also nearing the conclusion of a Trans-Pacific Partnership (TPP) with 11 other nations. TPP aims to reduce market access barriers and expand protections for U.S. firms operating in these countries, while establishing a high-standards template for countries seeking to join at a later date.

IMPACT: International trade has long been an important component of a strong American economy, and free trade agreements have the ability provide a much-needed stimulus. Access to overseas markets helps to support economic growth, create jobs and maintain a dynamic and competitive economy. Trade agreements do more than simply reduce burdensome tariffs. They also secure important commitments for the U.S. services sector, a sector that accounts for nearly 70 percent of U.S. GDP. These agreements help to eliminate market access barriers, ensure non-discriminatory treatment and limit restrictions on investment. Including a financial services regulatory framework between the U.S. and E.U. would facilitate and guide efforts to promote consistent, high-quality regulatory standards in global markets and ensure U.S. competitiveness. A high-standards TPP would provide U.S. firms and customers new opportunities and protections in fast growing Asian markets.

FINANCIAL TRANSACTION TAX

ISSUE: In 2013, France and Italy enacted separate financial transaction tax schemes. Some member states within the European Union also reached an agreement to impose a similar levy on share, bond and derivatives transactions. However, the agreement was delayed as a result of questions arising on how to collect and distribute the revenue from the tax. Each of these taxes raised concerns regarding their extraterritorial application – foreign governments should have no ability or right to tax private securities transactions within the United States, unlawfully imposing additional taxes on American investors.

In a related matter, SIFMA urged Congressional review of the Marketplace Fairness Act – including whether its proposed sales tax will apply to services such as online trades. The bill could lead to unexpected costs being passed on to consumers of financial services, including sales taxes on services or state-level stock transaction taxes.

IMPACT: A financial transaction tax would raise the cost of capital desperately needed by businesses, and essentially be a punitive sales tax on every day investors. Such a tax impedes the efficiency of markets, impair depth and liquidity of financial instruments, and raise costs to the issuers, pensions and investors who help drive economic growth. Major economies that have adopted this tax have had overwhelmingly negative results, including reduced asset prices, trading moving to other venues, market dislocation and decreased liquidity.

gfma GLOBAL FINANCIAL MARKETS ASSOCIATION

MEMBERS OF THE ALLIANCE

afme Finance for Europe — asifma ASIA SECURITIES INDUSTRY & FINANCIAL MARKETS ASSOCIATION — sifma Invested in America

Global coordination of financial regulatory reform is essential to eliminating unnecessary risk and strain on the global economy. To assist regulators in furthering this end, SIFMA has been an active participant in the Global Financial Markets Association (GFMA). GFMA represents the common interests of the world's leading financial and capital market participants, and speaks for the industry on the most important global market issues. GFMA's mission is to provide a forum for global systemically important banks to develop policies and strategies on issues of global concern within the regulatory environment.

PRUDENTIAL REGULATION

ISSUE: There is a general agreement among regulators that capital requirements need to be tightened globally, and that more attention should be paid as well to the liquidity that banks have available to combat runs on their funding during moments of panic. There is also general agreement that, in order to avoid uneven playing fields and the related problems of regulatory arbitrage, such capital and liquidity frameworks should be globally accepted and implemented by financial institutions. In July 2013, the Basel Committee on Banking Supervision (BCBS) finalized rules under Basel III. Federal regulators must strike the right balance between the international Basel standards as well as U.S.-specific capital requirements under the Dodd-Frank Act.

IMPACT: Ensuring financial institutions are sufficiently capitalized is a key component of the larger regulatory effort to enhance the safety and soundness of our financial system. Implementation of the Basel III capital standards will help achieve this goal. Excessive capital levels will limit the ability of financial institutions to lend to small businesses and families that help drive economic growth and job creation, and weaken American financial institution's ability to compete globally.

PROGRESS AND DEVELOPMENTS: ESTABLISHING THE GLOBAL LEI SYSTEM

The establishment of a global legal entity identifier (LEI) system will dramatically improve systemic risk management in the financial industry. In 2013, progress continued and the Regulatory Oversight Committee (ROC) of the Global Legal Entity Identifier System (GLEIS) endorsed ten utilities as pre-Local Operating Units (pre-LOUs) with authorization to issue pre-LEIs.

CAPITAL IS UP, LEVERAGE IS DOWN

High-quality capital at 18 of the largest bank holding companies has increased from

$393 billion

to

$792 billion

The ratio of high-quality capital to risk-weighted assets has more than doubled from

5.6%

to

11.3%

Source: *Federal Reserve Board, Comprehensive Capital Analysis and Review 2013: Assessment Framework and Results, March 2013 (2008 – 2012)*

COMMUNITY

Financial services help fuel economic growth, moving our nation forward on a shared path to prosperity. Strong financial markets and a strong financial industry are essential to provide the capital that fuels and sustains the growth of our nation's businesses, large and small.

COMMUNITY

SIFMA FOUNDATION

The SIFMA Foundation strengthens economic opportunity for individuals of all backgrounds by providing financial education programs and tools that increase awareness of the benefits of the global marketplace.

A 501(c)3 educational organization, the SIFMA Foundation supports elementary through high school teachers with best-in-class educational programs; promotes best practices and thought leadership through key partnerships; and provides essential tools to help individuals make sound financial decisions. Through online simulations of global capital markets, students learn to prepare for financially independent lives.

1. Since 1977, The Stock Market Game™ has reached 15 million students around the globe, with more than 600,000 4th to 12th graders taking part each year.
2. InvestWrite® is a national essay competition based on a long- term saving and investing scenario. Some 20,000 student essays are evaluated annually.
3. The Capitol Hill Challenge™ matches Members of Congress with schools participating in the Stock Market Game. Winners receive a paid trip to Washington, DC to meet their Member of Congress, tour financial landmarks and learn first-hand about financial policy making.

"Programs like the Stock Market Game™ both teach and instill good habits that last a lifetime, and provide a foundation for the youth of today to be the vital contributors to society of tomorrow."

RICHARD BRUECKNER
CHIEF OF STAFF
BNY MELLON

CHAIR, SIFMA FOUNDATION

STOCK MARKET GAME™

15 million

students reached

INVESTWRITE®

20,000

student essays submitted annually

CAPITOL HILL CHALLENGE®

1,700

Senators and Representatives have been matched with more than

45,000 **students**

Winners of SIFMA's 2013 Stock Market Game™ and their teachers tour the New York Stock Exchange.

OUR PARTNERSHIP WITH YOU

In 2013, SIFMA announced the launch of a new initiative that enhances our partnership with individual investors and helps them achieve their financial goals. "Our Partnership with You" provides individual investors with helpful information on how to get the most out of their relationship with their investment professional and participation in the capital markets. "Helping individual investors achieve their financial goals by providing the highest quality advice, products and service is a commitment we all have in the financial services industry," said SIFMA.

CAPITAL IS BEING ACCESSED

The financial services industry has raised

$6.3 trillion

for U.S. companies in more than

78 **different business sectors**

Source: *Thomson Reuters (2008-2013)*

INVEST IT FORWARD

In January 2014, SIFMA and the SIFMA Foundation will launch Invest It Forward™ an industry-wide financial education and capital markets literacy campaign. Invest It Forward™ convenes hundreds of financial firms that are committed to giving young Americans a solid understanding of the capital markets system and the invaluable tools to achieve their dreams. The program curriculum is being designed with the St. Louis Federal Reserve to help young people understand how to harness the capital markets for their own benefit to realize their dreams – whether starting a new business or saving and investing for a secure and prosperous financial future. Complementing the SIFMA Foundation's critically acclaimed national Stock Market Game™ program, volunteers from industry firms will personally offer exciting, multimedia in-school and after-school lessons. They will help our nation's youth better prepare for their own futures as financially capable and engaged citizens.

REGISTER TODAY TO INVEST IT FORWARD™ AT *www.sifma.org/invest-it-forward*

A top priority for the financial industry is increasing financial capability for Americans of all ages.

INVOLVEMENT

SIFMA members, leading industry experts representing firms of all sizes and from all regions, come together to determine best practice and point of view on the most pressing challenges and issues facing the financial industry today. Members receive not only all the expected benefits of a trade association, but a much deeper, content-rich environment that facilitates the exchange of news and ideas in a way that only SIFMA provides. When critical industry developments occur or long-term trends surface, SIFMA facilitates comprehensive understanding and impact analysis.

CASE STUDY

WHITE PAPER: THE EVOLVING ROLE OF COMPLIANCE

Multiple forces continue to impact the financial services industry, including the 2008 financial crisis, globalization, the use of new technologies, and new, complex and expanded regulatory requirements. These events have had an equally significant impact on the role of compliance within financial firms.

SIFMA, the SIFMA Compliance & Legal Society, and SIFMA's Compliance and Regulatory Policy Committee partnered to release a white paper discussing the changing role of the compliance function in light of these events and exploring the challenges that firms and their compliance professionals face on a daily basis. While these changes have led to a greater appreciation of the Compliance role and expanded the Compliance function, they have also created a risk of blurring the line between compliance and business supervision, a development that threatens to undermine the fundamental role of Compliance.

Through its recommendations, the white paper encouraged the start of a dialogue assisting senior management, regulators and compliance personnel in defining the appropriate role of compliance in an increasingly complex and variable environment.

"A robust Compliance function is a vital component of every broker-dealer's control and risk management frameworks, and contributes to trust and confidence in our industry. Compliance will be most effective when it is well-resourced, independent, and its role is clearly defined according to the realities of today's securities industry."

IRA D. HAMMERMAN
EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL
SIFMA

CASE STUDY

ASSET MANAGERS: UNDERSTANDING A UNIQUE ROLE

The asset management industry is an integral component of the broader financial system, but has a unique and different structure from the rest of the financial industry. Effective regulation can only come from careful analysis of the industry, whose sole purpose is to help investors achieve their financial goals. A 2013 study by the Office of Financial Research (OFR) did not accurately characterize the role of the industry and factors that link asset managers and investment products to potential financial market distress. To assist regulators SIFMA published a fact sheet defining the key characteristics of asset managers, including the following factors:

- Asset managers have a fiduciary obligation to act in their clients' best interests and are operated completely separately from their clients.
- Asset managers are highly substitutable.
- The success or failure of an asset management firm does not impact investor assets.
- Asset managers do not guarantee positive investment returns, and do not back-stop investment losses.

CASE STUDY

"EXECUTION WITH DILIGENCE" STANDARD FOR MUNICIPAL TRADING

As a key component of our advocacy initiatives, SIFMA sometimes proactively suggests rule enhancements to regulators when those changes can enhance investor protection or improve market mechanics. In response to a July 2012 Securities and Exchange Commission (SEC) Report on the Municipal Securities Market, SIFMA issued a proposed execution-with-diligence standard for trades in municipal securities. This is a higher standard for dealers to meet than what is currently in place, and was approved by an overwhelming majority of members of SIFMA's Municipal Securities Division. The SIFMA proposal promotes effective and efficient regulation of the municipal securities market and would enhance investor protection without harming liquidity. It would also impose higher standards on municipal securities dealers that would advance public trust and confidence in the municipal securities market, and would result in a principles-based rule that does not favor one execution venue or counterparty over another.

To enact the recommendation, the Municipal Securities Rulemaking Board (MSRB) should amend its Rule G-18 to reflect an "execution-with-diligence" concept of execution. In conjunction with its proposal, SIFMA is also encouraging the MSRB to consider the short term and long term costs and potential benefit of any rule making before formally proposing any changes. The MSRB has stated it is currently drafting a new municipal securities execution rule.

CASE STUDY

QUANTUM DAWN 2: STRENGTHENING CYBER SECURITY

The industry is proactively working to mitigate the threat of cyber attacks by maintaining effective, orderly markets and protecting clients. SIFMA, working with Deloitte, facilitated an industry-wide test of response plans in the event of a street-wide attack. Overall, the industry proved to be resilient. More than 30 entities participated – including financial firms, exchanges, the Department of Homeland Security, the U.S. Treasury, the Securities and Exchange Commission (SEC) and the Federal Bureau of Investigation (FBI).

SIFMA believes that industry efforts alone are insufficient to address cyber attacks. A strong partnership between the industry and government is essential to effectively defend against these threats and keep millions of clients safe. Done right, information-sharing is the best way to keep our clients protected and our members enabled to defend against the most critical threats. SIFMA continues to call on Congress to take action and pass cyber security legislation that makes it easier for the government to share information with the private sector, and vice versa.

The Command Center for Quantum Dawn 2, an exercise to assess financial industry preparedness for cyber attacks.

BUSINESS CONTINUITY PLANNING (BCP)

SIFMA leads a number of projects and services to help members secure, maintain and recover business operations against disruptions and threats, thereby promoting a safer and more resilient marketplace. On an ongoing basis, SIFMA coordinates market open/close protocols and an industry Command Center. The Command Center provides a vital forum for information sharing through its relationships with key regulators and government agencies, including a seat at the New York City Office of Emergency Management (OEM). In addition to work on cyber security, SIFMA held two important industry-wide BCP tests and exercises in 2013:

Industry Backup Test

SIFMA has coordinated an annual industry wide test of firms, exchanges and market utilities for the last 10 years. This test ensures firms and their providers have connectivity in the event they need to move to back-up systems or facilities. The test covers the systems used to handle most major products including equities, fixed income, options, treasury auctions and foreign exchange (FX). Over 40 exchanges, utilities and market data vendors participate in the test, along with roughly 100 industry firms.

Pandemic Exercise

SIFMA co-sponsored an exercise with FEMA and Health and Human Services to test firms' abilities to plan for and react to a pandemic outbreak. The first installment of the exercise was held in November 2013 and had over 500 participants. The second installment will be executed in 2014, covering both firms' internal planning and procedures and developing coordination between the industry and public health authorities.

CASE STUDY

SIFMA AMICUS PROGRAM: YEAR IN REVIEW

SIFMA files amicus briefs, in court cases that raise significant issues that impact the financial services industry. Briefs highlight important policy concerns that transcend the immediate dispute between the parties, and encourage recognition of and respect for established industry customs and practices. The program focuses on cases where parties seek to expand legal theories, affect pleading standards, or procedural rules. Its goal is to contribute to positive case outcomes and lasting legal precedents that are just and informed by evidence. During fiscal year 2013, SIFMA filed a total of 21 briefs, which is more than any year since 2007, when 22 briefs were filed. SIFMA participated in four U.S. Supreme Court cases, eleven U.S. Circuit Court of Appeals cases, one U.S. District Court case and five New York State appellate court cases, which is a fairly typical mix for any given year.

2013 AMICUS BRIEFS

4

U.S. Supreme Court cases

11

U.S. Circuit Court of Appeals cases

1

U.S. District Court case

5

New York State appellate court cases

21 Briefs

CASE STUDY

SIFMA AMG INTRODUCES NEW MAC CONTRACT FOR INTEREST RATE SWAPS

Working in collaboration with the International Swaps and Derivatives Association (ISDA), SIFMA's Asset Management Group (AMG) developed market participants with a new market agreed coupon (MAC) contract structure for interest rate swaps. The MAC Contract is voluntary and is meant to compliment bespoke interest rate swaps (IRS) and deliverable interest rate futures. The MAC contract structure is intended to promote liquidity, efficiency and transparency in interest rate swap products, particularly in the new regulatory landscape for trading of these instruments.

@GoldmanSachs:
GS executes first electronically traded Market Agreed Coupon (MAC) swap contract on @BloombergLP SEF

http://link.gs.com/zBFL

@SIFMA:
MACs in use! cc: @ISDA MT @GoldmanSachs: GS executes 1st electronically traded MAC swap contract on @BloombergLP SEF

http://link.gs.com/zBFL

COMMITTEES

SIFMA is a member-driven trade association that represents a broad spectrum of the financial markets. SIFMA has nearly 100 standing committees; additional task forces and subcommittees are formed to address specific topical needs as they arise. Through these member forums, thousands of industry participants gather to share their views and ensure their collective voice is heard by governing entities throughout the world.

CRITICAL MEMBER UPDATES

SIFMA convenes industry experts to provide off-the-record insights and analysis on high-profile industry developments, tailored specifically to our members. Members participate in members-only conference calls and webinars to take part in analyzing breaking legislative and regulatory developments.

SIFMA held 10 Member Calls in 2013, bringing together nearly 9,000 industry participants on issues ranging from the Volcker Rule to the debt ceiling debate.

EVENTS

SIFMA events bring together finance professionals to hear from industry leaders and regulators on the most pressing issues facing their business. Events present substantive programs on key topics and a valuable networking experience. Exhibitions align member firms with solution and service providers that offer relevant resources.

SIFMA EVENTS

SIFMA delivered over 125 events to local, regional and international audiences, providing the thought leadership, critical industry analysis, networking and professional development opportunities needed to support the efforts of our firms in building strong and sound markets.

125 **events**

SIFMA STRATEGIC PARTNER PROGRAM

The SIFMA Strategic Partner Program connects our partners with our members, extending collaboration and support in the areas of risk management, compliance, operations, technology, productivity and more.

2013 ANNUAL MEETING

On November 11-12, 2013, the leaders of the financial services industry gathered in New York City for an annual meeting with prominent policymakers, thought leaders and the financial media. These individuals and the organizations they represent, SIFMA's member firms, have one common goal: to position the financial services industry as a key ally in allowing our country to regain its confidence and enter into a period of national prosperity. The very basic purpose of our financial markets is to help Americans succeed, and to help Main Street prosper.

"I think we have the safest most reliable markets in the world."

MARY JO WHITE
CHAIR
U.S. SECURITIES AND EXCHANGE COMMISSION

"I'm honored to share the dais with so many distinguished thought leaders. We each bring our own ideas and perspectives, but we're all united by one important thing, a fervent desire to do our part to help our economy get stronger and to help all Americans prosper."

KAREN PEETZ
PRESIDENT
BANK OF NEW YORK MELLON

SIFMA, BOARD OF DIRECTORS

"We actually really don't appreciate how special this country is and how special this economy is and the opportunity we have, the ingenuity we have…We move on and we rebuild. The American way. We've done a very good job of rebuilding ourselves to be in a position, to be probably in the best position of any major country in the world."

LAURENCE D. FINK
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
BLACKROCK

"Banks, while having made some terrible and costly decisions in the past, are now doing business in a much more responsible way."

JEB BUSH
43RD GOVERNOR OF FLORIDA

Lloyd Blankfein, Chairman and Chief Executive Officer of Goldman Sachs, participates in a discussion with Ben White of Politico at SIFMA's 2013 Annual Meeting.

SIFMA OPERATIONS CONFERENCE 2013 (“SIFMA OPS”)

Again in 2013, SIFMA Ops convened operations professionals in a three-day forum to explore pressing industry developments and build important relationships. The celebratory 40th anniversary program provided a unique retrospective of the decades of remarkable progress in the world of financial services operations.

> *“The LEI system also promises to reduce the regulatory reporting burden, so that industry can use the same data for its internal business operations and risk management as it uses for reporting to regulators. I know that SIFMA has been a supporter of this project, and I thank the organization for its efforts.”*
>
> **CYRUS AMIR-MOKRI**
> **ASSISTANT SECRETARY**
> **U.S. DEPARTMENT OF TREASURY**

PRIVATE CLIENT CONFERENCE 2013

The Private Client Conference convened hundreds of leading wealth management professionals, to address tactical ways to enhance client service, advice and, perhaps most crucially, trust, to help investors achieve their financial goals.

> *“This event is critically important for SIFMA as it addresses the cornerstone of our industry – which is our relationship with the individual investor. Trust and confidence in our nation’s financial markets begins with the individuals who choose to invest their hard-earned money in a system that they believe can work for them. Investor confidence is essential to keeping markets functioning efficiently and enables all of you in this room to best serve your clients as you seek to help them achieve their financial goals.”*
>
> **RANDY SNOOK**
> **EXECUTIVE VICE PRESIDENT,**
> **BUSINESS POLICIES AND PRACTICES**
> **SIFMA**

SIFMA COMPLIANCE & LEGAL SOCIETY ANNUAL SEMINAR

2013 marked the 45th anniversary of SIFMA's marquee event for the industry's compliance and legal professionals and features more than sixty panels over 3 days. As the roles of compliance and legal professionals continue to expand and become more vital, it is critical that this forum of industry and regulators come together to educate each other and share best practices.

> *"As I discuss some significant Commission actions today, I would like for you to decide whether the Commission, while rushing to achieve Dodd-Frank's transparency goals in the swaps market, has met its own responsibility to maintain transparent government."*
>
> **COMMISSIONER SCOTT D. O'MALIA**
> **U.S. COMMODITY FUTURES TRADING COMMISSION**

Hundreds of Compliance & Legal professionals convened in Phoenix, AZ for an annual gathering featuring more than 60 dynamic panels.

SIFMA TECH

SIFMA Tech 2013 brought together thousands of market participants, regulators and solution providers to explore financial technology issues and their solutions. The event offered critical updates and expert outlooks that help attendees achieve a technological infrastructure that facilitates operating efficiency and promotes sound risk management.

> *"Between proposed Reg SCI and Rule 15c3-5, the message to all major market centers and their customers is this: with the use of technology comes the responsibility to have systems that are working as intended, and market activities, especially those to do with order generation, routing and flow, are as robust and reliable as we've come to expect from the world's largest and most-watched capital market system."*

GREGG E. BERMAN
ASSOCIATE DIRECTOR, OFFICE OF ANALYTICS AND RESEARCH, DIVISION OF TRADING AND MARKETS
U.S. SECURITIES AND EXCHANGE COMMISSION

The SEC's Gregg Berman addresses the audience at SIFMA Tech 2013.

PROFESSIONAL DEVELOPMENT

SECURITIES INDUSTRY INSTITUTE *sifma.org/sii*

The Securities Industry Institute® (SII) is the premier executive development program for financial services professionals. For more than 60 years, SIFMA and The Wharton School of The University of Pennsylvania have partnered to develop the industry's high-potential, rising leaders and equip participants with practical information, ideas and answers directly applicable to their present and future responsibilities.

Held on the Wharton campus, participants meet for one week each March to complete required coursework for this three-consecutive year program that utilizes unique and unconventional teaching models.

SIFMA SOCIETIES *sifma.org/societies*

SIFMA Societies provide a forum for colleagues to share best practices, attend educational seminars and engage in peer-to-peer networking. By facilitating the exchange of information among specialized professionals in the financial industry, SIFMA Societies prepare members for market changes and emerging trends.

CAREER CENTER *sifma.org/career-center*

SIFMA is proud to partner with efinancialCareers to offer an invaluable resource that matches top-tier candidates and employers for careers in the financial services industry.

Day One of the Securities Industry Institute (SII), the industry's premier executive development program, at The Wharton School of The University of Pennsylvania.

2014 UPCOMING EVENTS

JANUARY 15

Savings & Retirement Seminar

SIFMA Conference Center, New York City

JANUARY 29–30

AML2014 Anti-Money Laundering and Financial Crimes Conference

New York Marriott Marquis, New York City

FEBRUARY 27

Social Media Seminar

Charles Schwab Conference Center, San Francisco

MARCH 4–5

IRLS 2014 Insurance- & Risk-Linked Securities Conference

SIFMA Conference Center, New York City

MARCH 9–14

SII 2014 Securities Industry Institute

The Wharton School of the University of Pennsylvania, Philadelphia

MARCH 30–APRIL 2

C&L 2014 Compliance & Legal Society Annual Seminar

Grande Lakes Orlando, Orlando

APRIL 9–10

Private Client Conference

Grand Hyatt, New York, New York City

APRIL 28–MAY 1

OPS 2014 Operations Conference & Exhibit

Boca Raton Resort & Club, Boca Raton

MAY 14

Market Structure Conference

New York Downtown Marriott, New York City

JUNE 17–18

SIFMA Tech

Hilton New York, New York City

FALL 2014

SIFMA Annual Meeting

FOR MORE INFORMATION ON SCHEDULED AND FUTURE EVENTS, VISIT sifma.org/events

DIVERSITY

The financial industry recognizes that achieving diversity is an evolutionary process that requires a continued renewal of our commitment to our diversity policies and practices, and an ongoing assessment of the effectiveness of those policies and practices.

Each year, SIFMA's Diversity & Inclusion Committee presents Diversity Leadership Awards to recognize firms with an outstanding commitment to diversity. In 2013, the Committee honored:

- Emerging Diversity Leadership: Goldman Sachs – Difference Makes the Difference Program
- Innovative Diversity Leadership: Wells Fargo Advisors – Diverse Perspectives Mentoring Program
- Sustained Diversity Leadership: New York Life – New York Life's 2012 Ladders Program

JOIN SIFMA ON LINKEDIN *linkedin.com/company/sifma*
Connect with over 6,000 colleagues and receive valuable updates on resources, events and job postings.

FINANCIAL STATEMENT

SIFMA's fiscal year ends October 31, 2013. These figures are unaudited.

(AMOUNTS IN $000)	2013 ACTUAL (UNAUDITED)	2012 ACTUAL	VARIANCE	
			AMOUNT	%
DUES AND OTHER MISCELLANEOUS REVENUE	47,688	47,541	147	0.3
NET REVENUE FROM CONFERENCE AND EVENTS	6,068	5,888	180	3.1
TOTAL REVENUE	**53,756**	**53,429**	**327**	**0.6**
OPERATING EXPENSE	(53,295)	(52,805)	(490)	0.9
INCOME (BEFORE INVESTMENT APPRECIATION AND RESERVE FUNDED EXPENSE)	**461**	**624**	**(163)**	**-26.1**
DODD FRANK RELATED PROFESSIONAL FEES (FUNDED FROM RESERVE)	(3,243)	(6,272)	3,029	-48.3
APPRECIATION OF INVESTMENTS	4,458	2,639	1,819	68.9
NET	**1,676**	**(3,009)**	**4,685**	**-155.7**

Note: For 2012 and 2013, the SIFMA Board has approved the funding of Dodd Frank related professional fees via its reserve

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