SIEBERT FINANCIAL CORP
Form 10-Q
November 14, 2011

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2011**

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to _____________________

Commission file number **0-5703**

Siebert Financial Corp.

(Exact Name of Registrant as Specified in its Charter)

New York	**11-1796714**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

885 Third Avenue, New York, NY 10022

(Address of Principal Executive Offices) (Zip Code)

(212) 644-2400

(Registrant s Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o	Accelerated Filer o
Non-Accelerated Filer o	Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: As of November 7, 2011, there were 22,106,286 shares of Common Stock, par value $.01 per share, outstanding.

Unless the context otherwise requires, the Company shall mean Siebert Financial Corp. and its wholly owned subsidiaries and Siebert shall mean Muriel Siebert & Co., Inc., a wholly owned subsidiary of the Company.

Certain statements contained in the Management s Discussion and Analysis of Financial Condition and Results of Operations below and elsewhere in this document, as well as oral statements that may be made by us or by our officers, directors or employees acting on our behalf, that are not statements of historical or current fact constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve risks and uncertainties and known and unknown factors that could cause our actual results to be materially different from our historical results or from any future results expressed or implied by such forward looking statements, including, without limitation: changes in general economic and market conditions; fluctuations in volume and prices of securities; demand for brokerage and investment banking services; competition within and without the discount brokerage business, including the offer of broader services; competition from electronic discount brokerage firms offering lower rates on commissions than we do; prevalence of a flat fee environment; decline in participation in equity or municipal finance underwritings; limited trading opportunities; the method of placing trades by our customers; computer and telephone system failures; our level of spending on advertising and promotions; trading errors and the possibility of losses from customer non-payment of amounts due; other increases in expenses and changes in net capital or other regulatory requirements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date when such statements were made or to reflect the occurrence of unanticipated events. An investment in us involves various risks, including those mentioned above and those which are detailed from time to time in our Securities and Exchange Commission filings.

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

Siebert Financial Corp. & Subsidiaries
Consolidated Statements of Financial Condition

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 21,819,000	$ 22,646,000
Cash equivalents restricted	1,532,000	1,532,000
Receivable from brokers	2,336,000	1,563,000
Securities owned, at fair value	1,089,000	1,116,000
Furniture, equipment and leasehold improvements, net	874,000	1,246,000
Investment in and advances to affiliates	8,161,000	9,816,000
Income tax refund receivable	288,000	795,000
Prepaid expenses and other assets	705,000	741,000
Intangibles, net	640,000	648,000
	$ 37,444,000	$ 40,103,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	5,224,000	3,477,000
Contingencies		
Stockholders equity:		
Common stock, $.01 par value; 49,000,000 shares authorized, 23,211,846 shares issued and 22,106,517 and 22,122,678 outstanding at September 30, 2011 and December 31, 2010, respectively	232,000	232,000
Additional paid-in capital	19,490,000	19,484,000
Retained earnings	17,224,000	21,609,000
Less: 1,105,329 and 1,089,168 shares of treasury stock, at cost at September 30, 2011 and December 31, 2010, respectively	(4,726,000)	(4,699,000)
	32,220,000	36,626,000
	$ 37,444,000	$ 40,103,000

See notes to condensed consolidated financial statements.

Siebert Financial Corp. & Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Revenues:				
Commissions and fees	$ 3,607,000	$ 2,875,000	$ 11,091,000	$ 13,207,000
Investment banking	1,737,000	552,000	3,315,000	1,312,000
Trading profits	503,000	282,000	1,406,000	839,000
Interest and dividends	10,000	33,000	46,000	93,000
	5,857,000	3,742,000	15,858,000	15,451,000
Expenses:				
Employee compensation and benefits	2,923,000	2,172,000	7,765,000	7,024,000
Clearing fees, including floor brokerage	745,000	669,000	2,359,000	2,614,000
Professional fees	1,183,000	1,511,000	3,996,000	5,320,000
Advertising and promotion	112,000	111,000	305,000	364,000
Communications	537,000	542,000	1,621,000	1,811,000
Occupancy	279,000	321,000	822,000	970,000
Other general and administrative	642,000	760,000	1,960,000	2,160,000
Provision for loss related to litigation	1,000,000		1,000,000	
	7,421,000	6,086,000	19,828,000	20,263,000
Income (loss) from equity investees	974,000	628,000	(402,000)	2,452,000
Loss before income taxes	(590,000)	(1,716,000)	(4,372,000)	(2,360,000)
Provision for income taxes	1,000	1,842,000	13,000	1,610,000
Net loss	$ (591,000)	$ (3,558,000)	$ (4,385,000)	$ (3,970,000)
Net loss per share of common stock -				
Basic and Diluted	$ (.03)	$ (.16)	$ (.20)	$ (.18)
Weighted average shares outstanding -				
Basic and diluted	22,111,093	22,176,191	22,116,777	22,178,584

See notes to condensed consolidated financial statements.

Siebert Financial Corp. & Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities:		
Net loss	$ (4,385,000)	$ (3,970,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	397,000	396,000
Loss (income) from equity investees	402,000	(2,452,000)
Deferred taxes		1,323,000
Distribution from equity investees	1,185,000	2,894,000
Employee stock based compensation	6,000	7,000
Changes in:		
Securities owned, at fair value	27,000	531,000
Receivable from brokers	(773,000)	881,000
Prepaid expenses and other assets	36,000	400,000
Income tax refund receivable	507,000	279,000
Accounts payable and accrued liabilities	1,747,000	(673,000)
Net cash used in operating activities	(851,000)	(384,000)
Cash flows from investing activities:		
Purchase of customer lists		(25,000)
Purchase of furniture, equipment and leasehold improvements	(17,000)	(206,000)
Net (payment) collection of advances made to equity investees	68,000	(51,000)
Net cash provided by (used in) investing activities	51,000	(282,000)
Cash flows from financing activities:		
Purchase of treasury shares	(27,000)	(27,000)
Net cash used in financing activities	(27,000)	(27,000)
Net decrease in cash and cash equivalents	(827,000)	(693,000)
Cash and cash equivalents - beginning of period	22,646,000	24,184,000
Cash and cash equivalents - end of period	$ 21,819,000	$ 23,491,000
Supplemental cash flow disclosures:		
Cash (received) paid for:		
Income taxes, net	$ (495,000)	$ 16,000

See notes to condensed consolidated financial statements.

Siebert Financial Corp. & Subsidiaries
Notes to Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2011 and 2010
(Unaudited)

1. Organization and Basis of Presentation:

The consolidated financial statements include the accounts of Siebert Financial Corp. (the Company) and its wholly owned subsidiaries Muriel Siebert & Co., Inc. (Siebert) and Siebert Women s Financial Network, Inc. (WFN). All material intercompany balances and transactions have been eliminated. Investment in two entities in which the Company has ownership interests of 49% and 33.33%, respectively, are accounted for by the equity method and included in investment in and advances to affiliates in the consolidated statements of financial condition.

The condensed consolidated interim financial statements presented herein are unaudited and include all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations of the interim periods pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America (U.S.) have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The balance sheet at December 31, 2010 has been derived from the audited consolidated statement of financial condition at that date, but does not include all information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Because of the nature of the Company s business, the results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of operating results for the full year.

2. Securities:

Securities owned are carried at fair value with realized and unrealized gains and losses reflected in trading profits. Siebert clears all its security transactions through unaffiliated clearing firms on a fully disclosed basis. Accordingly, Siebert does not hold funds or securities for, or owe funds or securities to, its customers. Those functions are performed by the clearing firms.

3. Fair Value of Financial Instruments:

Authoritative accounting guidance defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices that are observable, either directly or indirectly, and reasonably available.

Level 3 Unobservable inputs which reflect the assumptions that management develops based on available information about the assumptions market participants would use in valuing the asset or liability.

The classification of financial instruments valued at fair value at September 30, 2011 is as follows:

Financial Instruments	**Level 1**	**Level 2**	**Total**
Cash equivalents	$ 20,082,000		$ 20,082,000
Securities	235,000	$ 854,000	$ 1,089,000
	$ 20,317,000	$ 854,000	$ 21,171,000

Securities include common stock of $235,000, valued on the last business day of the period at the last available reported sales price on the primary securities exchange (Level 1), and municipal bonds of $854,000, valued based on prices obtained from pricing sources, which derive values from observable inputs (Level 2).

4. Per Share Data:

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average outstanding common shares during the period. Diluted earnings per share is calculated by dividing net income by the number of shares outstanding under the basic calculation and adding all dilutive securities, which consist of options. The Company incurred a net loss for the three and nine months ended September 30, 2011 and 2010. Accordingly, basic and diluted net loss per common share are the same for each period as the effect of stock options is anti-dilutive. Shares of underlying stock options not included in the diluted computation amounted to 1,228,200 at September 30, 2011 and 1,704,700 at September 30, 2010.

5. Net Capital:

Siebert is subject to the SEC s Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. Siebert has elected to use the alternative method, permitted by the Rule, which requires that Siebert maintain minimum net capital, as defined, equal to the greater of $250,000 or two percent of aggregate debit balances arising from customer transactions, pursuant to the Rule. As of September 30, 2011, Siebert had net capital of approximately $17,894,000 as compared with net capital requirements of $250,000.

6. Revenue:

Commissions and fees earned on customer trades together with related clearing expenses are recorded on a trade-date basis.

Trading profits are also recorded on a trade-date basis.

Investment banking revenue includes gains and fees, net of syndicate expenses, arising from underwriting syndicates in which the Company participates. Investment banking management fees are recorded on the offering date, sales concessions on the settlement date and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

Interest is recorded on an accrual basis and dividends are recorded on the ex-dividend date.

7. Capital Transactions:

On January 22, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. Shares will be purchased from time to time, at management s discretion, in the open market and in private transactions. During the nine months ended September 30, 2011, the Company purchased 16,161 shares at an average price of $1.69.

8. Investment in and advances to affiliates:

Siebert, Brandford, Shank & Co., L.L.C. (SBS)

Siebert holds a 49% ownership interest in SBS which is engaged in municipal bond underwritings. Income from SBS is considered to be integral to Siebert s operations and material to its results of operations.

		September 30, 2011	September 30, 2010
Total assets including secured demand note of $1,200,000 in each period due from Siebert	$	68,858,000	
Total liabilities including subordinated liabilities of $1,200,000 in each period due to Siebert		52,864,000	
Total members capital		15,994,000	
Regulatory minimum net capital requirement		385,000	
Nine months ended:			
Total revenues		17,659,000	31,661,000
Net (loss) income		(800,000)	5,028,000
Three months ended:			
Total revenues		8,911,000	9,290,000
Net income		1,985,000	1,291,000

Siebert charged SBS $56,000 for the nine months ended September 30, 2011 and 2010, respectively, and $18,000 for the three months ended September 30, 2011 and 2010, respectively, for general and administrative services, which Siebert believes approximates the cost SBS would have paid to an unaffiliated third party to furnish such services.

Siebert s share of net income (loss) for the three months ended September 30, 2011 and 2010 amounted to $973,000 and $633,000, respectively, and for the nine months ended September 30, 2011 and 2010 amounted to $(392,000) and $2,464,000, respectively.

Siebert received distributions from SBS of $1.2 million during the nine months ended September 30, 2011, and Siebert s share of undistributed earnings from SBS amounted to $7,445,000 at September 30, 2011. Such amount may not be immediately available for distribution to Siebert for various reasons including the amount of SBS s available cash, the provisions of the agreement among Siebert and the principals of SBS and SBS s continued compliance with its regulatory and net capital requirements.

SBS Financial Products Company, LLC (SBSFPC)

The Company has a 33.33% ownership interest in, and the two individual principals of SBS have an aggregate 66.66% ownership interest in, SBSFPC which engages in derivatives transactions related to the municipal underwriting business. Income/(loss) from SBSFPC is considered to be integral to the Company s operations and material to the results of operations.

Summarized financial data of SBSFPC is set forth below.

	September 30,	
	2011	2010
Total assets	$ 237,388,000	
Total liabilities	236,505,000	
Total members capital	883,000	
Nine months ended:		
Total revenues	118,000	110,000
Net loss	(30,000)	(35,000)
Three months ended:		
Total revenues	56,000	36,000
Net income (loss)	5,000	(13,000)

The Company s share of net loss for the nine months ended September 30, 2011 and 2010 amounted to $10,000 and $12,000, respectively. The Company s share of net income for the three months ended September 30, 2011 amounted to $2,000 and the Company s share of the net loss for the three months ended September 30, 2010 amounted to $4,000.

At September 30, 2011, SBSFPC had an accumulated loss of $317,000 of which the Company s share was $106,000.

9. Income Taxes:

Due to cumulative losses incurred by the Company and its subsidiaries during the current nine month period and prior three years, the Company has concluded that it is not more likely than not that it will realize its net deferred tax asset and, accordingly, has recorded a valuation allowance to fully offset its net deferred tax asset at September 30, 2011, amounting to approximately $3,826,000, resulting in no tax benefit during the nine months ended September 30, 2011. During the three and nine months ended September 30, 2010, a deferred tax provision of $1,555,000 was recorded to set up a valuation allowance to fully offset the Company s deferred tax asset at such date.

10. Contingent Liabilities:

Retail customer transactions are cleared through clearing brokers on a fully disclosed basis. If customers do not fulfill their contractual obligations, the clearing broker may charge Siebert for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy the customer obligations. Siebert regularly monitors the activity in its customer accounts for compliance with its margin requirements. Siebert is exposed to the risk of loss on unsettled customer transactions if customers are unable to fulfill their contractual obligations. There were no material losses for unsettled customer transactions for the nine months ended September 30, 2011 and 2010.

In a prior year, Siebert had been named as one of the defendants in a class action pending in the United States District Court, Southern District of New York. Among other claims, the third amended complaint in the action asserted on behalf of a class of purchasers in a public offering of $1,500,000,000, 6.75% Subordinated Notes due 2017 (the Notes), issued by Lehman Brothers Holdings, Inc., and certain smaller issuances of other securities that Siebert and other underwriters of the Notes violated Section 11 of the Securities Act of 1933, and other applicable law in that relevant offering materials were false and misleading. Siebert had purchased $15 million of the Notes and $462,953 of other securities as an underwriter in the offerings. Siebert and the other underwriters moved to dismiss the third amended complaint on various grounds. The Court granted in part and denied in part the motion by an order dated July 27, 2011. On November 3, 2011, Siebert and the plaintiffs class agreed to resolve all claims against Siebert in consideration of a $1 million payment by Siebert. The settlement is subject to court approval. As of September 30, 2011, the Company had accrued a $1 million provision for loss to reflect the settlement.

Siebert is party to certain other claims, suits and complaints arising in the ordinary course of business. In the opinion of management all such claims, suits and complaints are without merit, or involved amounts which would not have a material effect on the financial position or results of operations of the Company.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2010, and the unaudited consolidated financial statements and the notes thereto contained elsewhere in this Quarterly Report.

Business Environment

The financial crisis affecting the global economy has created historic volatility in the marketplace. Our working capital is invested primarily in money market funds, so that liquidity has not been materially affected. The crisis did have the effect of reducing participation in the securities market by our retail and institutional customers, which had an adverse effect on our 2010 revenues and a lesser effect in 2011. Our affiliate, Siebert, Brandford, Shank & Co., L.L.C. (SBS), had a loss for the current nine months period of approximately $800,000 as a result of industry volumes dramatically declining in the current period this year as compared to the same period last year due to municipalities struggling with the fiscal crisis, concerns about defaults at the state and local level and the expiration of the Build America Bonds program. This resulted in a loss to the Company of $392,000 for the current nine month period. Our expenses include the costs of an arbitration proceeding commenced by a former employee following the termination of his employment, which remains unresolved. The Company believes that the action is without merit, but the costs of defense, which are included as professional expenses, have adversely affected the Company s results of operations and may continue to affect the results of operations until the action is completed. Competition in the brokerage industry remains intense.

The following table sets forth certain metrics as of September 30, 2011 and 2010 and for the three and nine months ended September 30, 2011 and 2010, respectively, which we use in evaluating our business.

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
Retail Customer Activity:	**2011**	**2010**	**2011**	**2010**
Total retail trades:	115,696	83,914	331,927	298,953
Average commission per retail trade:	$ 20.15	$ 19.81	$ 20.86	$ 20.99

	As of September 30,	
Retail customer balances:	**2011**	**2010**
Retail customer net worth (in billions):	$ 6.0	$ 6.3
Retail customer money market fund value (in billions):	$ 1.0	$ 1.0
Retail customer margin debit balances (in million):	$ 247.4	$ 188.5
Retail customer accounts with positions:	45,471	49,730

Description:

Total retail trades represent retail trades that generate commissions.

Average commission per retail trade represents the average commission generated for all types of retail customer trades.

Retail customer net worth represents the total value of securities and cash in the retail customer accounts before deducting margin debits.

Retail customer money market fund value represents all retail customers accounts invested in money market funds.

Retail customer margin debits balances represent credit extended to our customers to finance their purchases against current positions.

Retail customer accounts with positions represent retail customers with cash and/or securities in their accounts.

Like other securities firms, we are directly affected by general economic and market conditions including fluctuations in volume and prices of securities, changes and prospects for changes in interest rates and demand for brokerage and investment banking services, all of which can affect our relative profitability. In periods of reduced market activity, profitability is likely to be adversely affected because certain expenses, including salaries and related costs, portions of communications costs and occupancy expenses remain relatively fixed. Earnings, or loss, for any period should not be considered representative of any other period.

Recent Developments

On January 23, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. During the nine months ended September 30, 2011, the Company purchased 16,161 shares at an average price of $1.69.

Critical Accounting Policies

We generally follow accounting policies standard in the brokerage industry and believe that our policies appropriately reflect our financial position and results of operations. Our management makes significant estimates that effect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities included in the financial statements. The estimates relate primarily to revenue and expense items in the normal course of business as to which we receive no confirmations, invoices, or other documentation at the time the books are closed for a period. We use our best judgment, based on our knowledge of these revenue transactions and expenses incurred, to estimate the amounts of such revenue and expense. We are not aware of any material differences between the estimates used in closing our books for the last five years and the actual amounts of revenue and expenses incurred when we subsequently receive the actual confirmations, invoices or other documentation. Estimates are also used in determining the useful lives of intangible assets, and the fair market value of intangible assets and securities. Our management believes that its estimates are reasonable.

Results of Operations

We believe that our business reflects the current difficult business environment for discount and online and institutional brokers. We had net loss of $591,000 and $4,385,000 for the three months and nine months ended September 30, 2011, respectively.

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Total revenues for the three months ended September 30, 2011 were $5.9 million, an increase of $2.1 million or 56.5% from the same period in 2010.

Commission and fee income for the three months ended September 30, 2011 was $3.6 million, an increase of $732,000 or 25.5% from the same period in 2010 primarily due to an increase in retail customer trading volumes as well as an increase in the retail customer average commission charged per trade. Additionally, there was an increase in fees from margin debits due to increased customer margin debit balances offset by a decrease in 12b-1 fees. Our institutional trading commissions and commission recapture increased as well.

Investment banking revenues for the three months ended September 30, 2011 were $1.7 million, an increase of $1.2 million or 214.7% from the same period in 2010 due to our participation in more new issues in the equity and debt capital markets.

Trading profits were $503,000 for the three months ended September 30, 2011, an increase of $221,000 or 78.4% from the same period in 2010 due to an overall increase in trading volume primarily in the debt markets and the addition of debt sales-traders in the first quarter of 2011.

Interest and dividends for the three months ended September 30, 2011 were $10,000, a decrease of $23,000 or 70.0% from the same period in 2010 primarily due to lower yields.

Total expenses for the three months ended September 30, 2011 were $7.4 million, an increase of $1.3 million or 21.9% from the same period in 2010.

Employee compensation and benefit costs for the three months ended September 30, 2011 were $2.9 million, an increase of $751,000 or 34.6% from the same period in 2010. This increase was due to increases in commissions paid based on production and health insurance offset by an across the board reduction in headcount.

Clearing and floor brokerage costs for the three months ended September 30, 2011 were $745,000, an increase of $76,000 or 11.4% from the same period in 2010 primarily due to the increase in volume of trade executions for retail customers and a decrease in execution charges for institutional debt and equity customers.

Professional fees for the three months ended September 30, 2011 were $1.2 million, a decrease of $328,000 or 21.8% from the same period in 2010 primarily due to a decrease in legal fees relating to a dispute with a former employee.

Advertising and promotion expenses for the three months ended September 30, 2011 were $112,000, an increase of $1,000 from the same period in 2010 due to an increase in online advertising.

Communications expense for the three months ended September 30, 2011, was $537,000, a decrease of $5,000 or 1.0% from the same period in 2010 due to a decrease in long distance and local phone calls usage.

Occupancy costs for the three months ended September 30, 2011 were $279,000, a decrease of $42,000 or 13.1% from the same period in 2010 due to a decrease in rent in our New York office.

Other general and administrative expenses for the three months ended September 30, 2011 were $642,000, a decrease of $118,000 or 15.5% from the same period in 2010 due to a decrease in placement fees, travel and entertainment, registration fees and insurance costs.

Provision for loss related to litigation for the three months ended September 30, 2011 amounted to $1 million. In a prior year, Siebert had been named as one of the defendants in a class action pending in the United States District Court, Southern District of New York. Among other claims, the third amended complaint in the action asserted on behalf of a class of purchasers in a public offering of $1,500,000,000, 6.75% Subordinated Notes due 2017 (the Notes), issued by Lehman Brothers Holdings, Inc., and certain smaller issuances of other securities that Siebert and other underwriters of the Notes violated Section 11 of the Securities Act of 1933, and other applicable law in that relevant offering materials were false and misleading. Siebert had purchased $15 million of the Notes and $462,953 of other securities as an underwriter in the offerings. Siebert and the other underwriters moved to dismiss the third amended complaint on various grounds. The Court granted in part and denied in part the motion by an order dated July 27, 2011. On November 3, 2011, Siebert and the plaintiffs class agreed to resolve all claims against Siebert in consideration of a $1 million payment by Siebert. The settlement is subject to court approval. As of September 30, 2011, the Company had accrued a $1 million provision for loss to reflect the settlement.

Income from Siebert s equity investment in SBS, an entity in which Siebert holds a 49% equity interest, for the three months ended September 30, 2011 was $973,000, an increase of $340,000 or 53.7% from the same period in 2010. This increase was due to SBS participating in more senior managed or co-managed transactions. Income from our equity investment in SBSFPC for the three months ended September 30, 2011 was $2,000 as compared to a loss of $4,000 from the same period in 2010. This loss in 2010 was due to the mark to market loss in positions. Income and loss from equity investees is considered to be integral to our operations and material to the results of operations.

The tax provision for the three months ended September 30, 2011 and 2010 was $1,000 and $1.8 million, respectively. The 2010 tax provision included $1.6 million to record a valuation allowance to fully offset the Company s deferred tax asset at September 30, 2010 based on recent losses and the likelihood of realization of such assets.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Total revenues for the nine months ended September 30, 2011 were $15.9 million, an increase of $407,000 or 2.6% from the same period in 2010.

Commission and fee income for the nine months ended September 30, 2011 was $11.1 million, a decrease of $2.1 million or 16.0% from the same period in 2010 primarily due to recording $3 million as commission and fee income as part of our negotiations with our primary clearing firm for a three year Fully Disclosed Clearing Agreement in the second quarter of 2010.

Investment banking revenues for the nine months ended September 30, 2011 were $3.3 million, an increase of $2.0 million or 152.7% from the same period in 2010 due to our participation in more new issues in the equity and debt capital markets.

Trading profits were $1.4 million for the nine months ended September 30, 2011, an increase of $567,000 or 67.6% from the same period in 2010 due to an increase in trading volume primarily in the debt markets and the addition of debt sales-traders in the first quarter of 2011.

Interest and dividends for the nine months ended September 30, 2011 were $46,000, a decrease of $47,000 or 50.5% from the same period in 2010 primarily due to lower yields.

Total expenses for the nine months ended September 30, 2011 were $19.8 million, a decrease of $435,000 or 2.1% from the same period in 2010.

Employee compensation and benefit costs for the nine months ended September 30, 2011 were $7.8 million, an increase of $741,000 or 10.6% from the same period in 2010. This increase was due to increases in commissions paid based on production and health insurance offset by an across the board reduction in headcount.

Clearing and floor brokerage costs for the nine months ended September 30, 2011 were $2.4 million, a decrease of $255,000 or 9.8% from the same period in 2010, primarily due to the execution of a Fully Disclosed Clearing Agreement with our primary clearing firm in the second quarter of 2010 which reduced our fees for clearing costs offset by an increase in execution charges for institutional debt and equity customers.

Professional fees for the nine months ended September 30, 2011 were $4.0 million, a decrease of $1.3 million or 24.9% from the same period in 2010 primarily due to a decrease in legal fees relating to a dispute with a former employee.

Advertising and promotion expenses for the nine months ended September 30, 2011 were $305,000, a decrease of $59,000 or 16.2% from the same period in 2010 primarily due to decreases in production and airing of television commercials and public relations costs.

Communications expense for the nine months ended September 30, 2011 was $1.6 million, a decrease of $190,000 or 10.5% from the same period in 2010 due to a decrease in hosting and communication costs associated with our website.

Occupancy costs for the nine months ended September 30, 2011 were $822,000, a decrease of $148,000 or 15.3% from the same period in 2010 due to a decrease in rents in our New York office.

Other general and administrative expenses for the nine months ended September 30, 2011 were $2.0 million, a decrease of $200,000 or 9.3% from the same period in 2010. This decrease was a result of decreases in placement fees, registration fees, insurance, supplies, travel and entertainment and transportation costs.

Provision for loss related to litigation for the nine months ended September 30, 2011 amounted to $1 million. In a prior year, Siebert had been named as one of the defendants in a class action pending in the United States District Court, Southern District of New York. Among other claims, the third amended complaint in the action asserted on behalf of a class of purchasers in a public offering of $1,500,000,000, 6.75% Subordinated Notes due 2017, (the Notes) issued by Lehman Brothers Holdings, Inc., (the Issuer) and certain smaller issuances of other securities that Siebert and other underwriters of the Notes violated Section 11 of the Securities Act of 1933, and other applicable law in that relevant offering materials were false and misleading. Siebert had purchased $15 million of the Notes and $462,953 of other securities as an underwriter in the offerings. Siebert and the other underwriters moved to dismiss the third amended complaint on various grounds The Court granted in part and denied in part the motion by an order dated July 27, 2011. On November 3, 2011, Siebert and the plaintiff s class agreed to resolve all claims against Siebert in consideration of a $1 million payment by Siebert. The settlement is subject to court approval. As of September 30, 2011, the Company had accrued a $1 million provision for loss to reflect the settlement.

Loss from Siebert s equity investment in SBS, an entity in which Siebert holds a 49% equity interest, for the nine months ended September 30, 2011 was $392,000, compared to income of $2.5 million from the same period in 2010. This decrease was due to SBS participating in fewer senior managed or co-managed transactions. Loss from our equity investment in SBSFPC for the nine months ended September 30, 2011 was $10,000 as compared to a loss of $12,000 from the same period in 2010. These losses were due to the mark to market loss in positions. We consider income and loss from equity investees to be integral to our operations and material to the results of operations.

The tax provision for the nine months ended September 30, 2011 and 2010 was $13,000 and $1.6 million, respectively. No tax benefit related to the pre-tax loss was recorded for the nine months ended September 30, 2011 due to the recording of a full valuation allowance to offset deferred tax assets at September 30, 2011. The 2010 provision was to record a valuation allowance to fully offset the Company s deferred tax assets at September 30, 2010 based on recent losses and the likelihood of realization of such assets.

Liquidity and Capital Resources

Our assets are highly liquid, consisting generally of cash in money market funds. Our total assets at September 30, 2011 were $37.4 million. As of that date, we regarded $24.2 million, or 65%, of total assets as highly liquid.

Siebert is subject to the net capital requirements of the SEC, the Financial Industry Regulatory Authority (FINRA) and other regulatory authorities. At September 30, 2011, Siebert s regulatory net capital was $17.9 million, $17.6 million in excess of its minimum capital requirement of $250,000.

On January 22, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. During the nine months ended September 30, 2011, 16,161 shares were purchased at an average price of $1.69 per share.

Siebert has entered into a Secured Demand Note Collateral Agreement with SBS under which Siebert is obligated to lend to SBS up to $1.2 million pursuant to a secured promissory note on a subordinated basis. Amounts pledged by Siebert under the facility are reflected on our balance sheet as cash equivalents restricted . SBS pays Siebert interest on the Secured Demand Note at the rate of 4% per annum. The facility expires on August 31, 2012, at which time SBS is obligated to repay to Siebert any amounts borrowed by SBS thereunder.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We generally invest working capital temporarily in dollar denominated money market funds and United States Treasury Bills. These investments are not subject to material changes in value due to interest rate movements.

In the normal course of its business, Siebert enters into transactions in various financial instruments with off-balance sheet risk. This risk includes both market and credit risk, which may be in excess of the amounts recognized in our financial statements. Retail customer transactions are cleared through clearing brokers on a fully disclosed basis. If customers do not fulfill their contractual obligations, the clearing broker may charge Siebert for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy the customers obligations. Siebert regularly monitors the activity in its customer accounts for compliance with its margin requirements. Siebert is exposed to the risk of loss on unsettled customer transactions if customers and other counterparties are unable to fulfill their contractual obligations.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange of 1934, as amended. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding timely disclosure.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various routine lawsuits of a nature we deem to be customary and incidental to our business. In the opinion of management, the ultimate disposition of such actions will not have a material adverse effect on the Company s financial position or results of operations.

On February 23, 2009, Siebert had been named as one of the defendants in a class action styled Lehman Brothers Securities and ERISA Litigation, 09 MD 2017 (LAK), pending in the United States District Court, Southern District of New York. Among other claims, the third amended complaint in the action asserted on behalf of a class of purchasers in a public offering of $1,500,000,000, 6.75% Subordinated Notes due 2017 (the Notes), issued by Lehman Brothers Holdings, Inc. (the Issuer), and certain smaller issuances of other securities that Siebert and other underwriters of the Notes violated Section 11 of the Securities Act of 1933, and other applicable law in that relevant offering materials were false and misleading. Siebert had purchased $15,000,000 of the Notes and $462,953 of other securities as an underwriter in the offerings.

Siebert and the other underwriters moved to dismiss the third amended complaint on various grounds. The Court granted in part and denied in part the motion by an order dated July 27, 2011. On November 3, 2011, Siebert and the plaintiffs class agreed to resolve all claims against Siebert in consideration of a $1,000,000 payment by Siebert. The settlement is subject to court approval. As of September 30, 2011, the Company had accrued a $1,000,000 provision for loss to reflect the settlement.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, which could materially affect our business, financial position and results of operations. There are no material changes from the risk factors set forth in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 23, 2008, our Board of Directors authorized the repurchase of up to 300,000 shares of our common stock. Shares will be purchased from time to time, in our discretion, in the open market and in private transactions. We purchased 9,006 shares at an average price of $1.57 in the third quarter of 2011.

A summary of our repurchase activity for the three months ended September 30, 2011 is as follows:

Issuer Purchases of Equity Securities

Period	**Total Number Of Shares Purchased**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Maximum Number of Shares That May Yet Be Purchased Under The Plans**
July 2011	793	$1.79	99,533	200,467
August 2011	7,529	$1.54	107,062	192,938
September 2011	684	$1.55	107,746	192,254
Total	9,006	$1.57	107,746	192,254

All of the purchases were made in open market transactions.

Item 6. Exhibits

31.1 Certification of Muriel F. Siebert pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Joseph M. Ramos, Jr. pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Muriel F. Siebert of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Joseph M. Ramos, Jr. of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIEBERT FINANCIAL CORP.

By: /s/ Muriel F. Siebert

Muriel F. Siebert
Chairwoman and President
(principal executive officer)

Dated: November 14, 2011

By: /s/ Joseph M. Ramos, Jr.

Joseph M. Ramos, Jr.
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

Dated: November 14, 2011