

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

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

OMB APPROVAL	
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8- 68690

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 1/1/2018 AND ENDING 12/31/2018
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MBS Capital Markets, LLC

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

4890 W. Kennedy Blvd, Suite 940

(No. and Street)

Tampa

Florida

33609

(City)

(State)

(Zip Code)

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

Edwin M Bulleit

813-281-2700

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ACCELL Audit & Compliance, P.A.

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

4806 W. Gandy Blvd

Tampa

Florida

33611

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



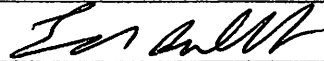
Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY


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

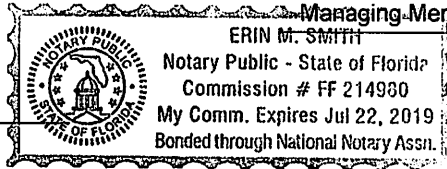
OATH OR AFFIRMATION

I, Edwin M Bulleit, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MBS Capital Markets, LLC, as of DECEMBER 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature


Notary Public



Managing Member

ERIN M. SMITH

Title

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

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

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

MBS CAPITAL MARKETS, LLC

**Financial Statements
and
Supplementary Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934**

December 31, 2018

(With Reports of Independent Registered Public Accounting Firm Thereon)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members
of MBS Capital Markets, LLC

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of MBS Capital Markets, LLC as of December 31, 2018, the related statements of income and members' equity, and cash flows for the year then ended, and the related notes and supplemental information (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of MBS Capital Markets, LLC as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of MBS Capital Markets, LLC's management. Our responsibility is to express an opinion on MBS Capital Markets, LLC's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to MBS Capital Markets, LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Auditor's Report on Supplemental Information

Schedule I – Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission; Schedule II – Computation for Determination of Reserve Requirements; and Schedule III – Information Relating to Possession or Control Requirements Under Rule 15c3-3 have been subjected to audit procedures performed in conjunction with the audit of MBS Capital Markets, LLC's financial statements. The supplemental information is the responsibility of MBS Capital Markets, LLC's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable; and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, Schedules I, II and III are fairly stated, in all material respects, in relation to the financial statements as a whole.

Accell Audit & Compliance, PA

We have served as MBS Capital Markets, LLC's auditor since 2015.

Tampa, Florida

February 28, 2019

MBS CAPITAL MARKETS, LLC

Statement of Financial Condition

December 31, 2018

Assets

Cash and cash equivalents	\$	8,411,060
Accounts receivable		162,200
Marketable securities, at fair value		14,742
Other assets		40,607
Deposits with clearing agency		150,000
Furniture and equipment, net		<u>35,332</u>
Total assets	\$	<u><u>8,813,941</u></u>

Liabilities and Members' Equity

Liabilities		
Accounts payable and accrued liabilities	\$	<u>957,430</u>
Total liabilities		957,430
Members' equity		<u>7,856,511</u>
Total liabilities and members' equity	\$	<u><u>8,813,941</u></u>

MBS CAPITAL MARKETS, LLC

Statement of Income and Members' Equity

For the Year Ended December 31, 2018

Revenue:	
Underwriting	\$ 7,883,825
Placement	1,225,072
Marketable securities gains, net	40,928
Other, net	<u>14,265</u>
Total revenue	<u>9,164,090</u>
Expenses:	
Employee compensation and benefits	1,777,729
Other expenses	1,487,079
Interest expense	<u>11,622</u>
Total expenses	<u>3,276,430</u>
Net income	5,887,660
Members' equity at beginning of year	4,811,135
Member distributions	<u>(2,842,284)</u>
Members' equity at end of year	<u><u>\$ 7,856,511</u></u>

MBS CAPITAL MARKETS, LLC

Statement of Cash Flows

For the Year Ended December 31, 2018

Cash flows from operating activities:	
Net income	\$ 5,887,660
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	6,870
(Increase)decrease in operating assets:	
Accounts receivable	(162,200)
Other assets	(1,989)
Marketable securities, at fair value	3,871,091
Increase(decrease) in operating liabilities:	
Accounts payable and accrued liabilities	<u>121,528</u>
Net cash provided by operating activities	<u>9,722,960</u>
Cash flows from investing activities:	
Purchase of Furniture and Equipment	<u>(8,180)</u>
Net cash used in investing activities	<u>(8,180)</u>
Cash flows from financing activities:	
Member distributions	<u>(2,842,284)</u>
Net cash used in financing activities	<u>(2,842,284)</u>
Net increase in cash and cash equivalents	6,872,496
Cash and cash equivalents at beginning of year	<u>1,538,564</u>
Cash and cash equivalents at end of year	<u>\$ 8,411,060</u>
Supplemental disclosure - cash paid for interest	<u>\$ 11,622</u>

MBS CAPITAL MARKETS, LLC

Notes to Financial Statements

December 31, 2018

(1) Nature of Business

MBS Capital Markets, LLC (Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company was organized as a limited liability company in Florida in 2010 and is engaged to effect security transactions primarily in land secured municipal bonds.

(2) Summary of Significant Accounting Policies

(a) Revenue Recognition

The Company recognizes revenues in the period which the revenue is earned and services are rendered.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(c) Accounts Receivable

Accounts receivable represents balances due for services completed that have yet to be paid. The Company estimates the allowance for doubtful accounts based upon a review of current collectability of existing receivables.

(d) Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to its members in accordance with the operating agreement. Therefore, no provision or liability for income taxes has been included in the financial statements.

The Company has adopted Accounting Standards Codification Topic, "Income Taxes" ("ASC Topic 740"). This standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There was no material impact on the Company's financial position or results of operations as a result of the application of this standard as of and for the year ended December 31, 2018. The Company's income tax returns are generally subject to taxing authority examinations up to three years after the returns are filed

MBS CAPITAL MARKETS, LLC

Notes to Financial Statements

December 31, 2018

(2) Summary of Significant Accounting Policies - Continued

(e) Marketable Securities

Marketable securities are reported at fair value based on quoted market prices and have been classified as trading securities with realized and unrealized gains and losses included in net income. All transactions entered into are for the account of and risk of the Company and are recorded on a trade date basis.

(f) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect various reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(g) Recently Issued Accounting Pronouncements

The Company has adopted Accounting Standards Updates (“ASU”) 2014-09, “*Revenue from Contracts with Customers*” (Topic 606”) as of January 1, 2018. Management has evaluated the impact of the Company’s adoption of ASU 2014-09 on its financial statements and determined that there was no significant impact to its financial position, results of operations and related disclosures. To make this determination, management has identified the contract with its customer, identified the performance obligations, determined the transaction price, allocated the transaction price to the performance obligations in the contract, and recognized the revenue when the Company satisfies the performance obligation.

The Company’s main revenue stream is from placement and underwriting fees. The performance obligation associated with a typical underwriting agreement will be satisfied on the trade date, and the fees will be recognized as revenue at that time. The fees are recognized as income based on the percentage of bonds sold. There are no additional costs directly related to the contract.

In February 2016, the *Financial Accounting Standards Board* (“FASB”) issued ASU 2016-02, “Leases (topic 842).” Under this new guidance, lessees (including lessees under leases classified as finance leases, which are to be classified based on criteria similar to that applicable to capital leases under current guidance, and leases classified as operating leases) will recognize a right-to-use asset and a lease liability on the balance sheet, initially measured as the present value of lease payments under the lease. Under current guidance, operating leases are not recognized on the balance sheet. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements; the guidance provides certain practical expedients. The Company is currently evaluating this guidance to determine its impact on the Company’s financial statements

MBS CAPITAL MARKETS, LLC

Notes to Financial Statements

December 31, 2018

(3) **Concentrations of Credit Risk and Major Customer Information**

The Company maintains all of its cash and cash equivalents in a commercial depository account which is insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash deposits may exceed federally insured limits.

During 2018, approximately 86% and 13% of total revenue was generated by underwriting transactions and private placements, respectively.

(4) **Deposits with Clearing Agency**

The Company entered into a fully disclosed clearing agreement with Pershing, LLC (“Pershing”). Pershing carries the proprietary accounts of the Company and the accounts of the Company’s customers introduced to Pershing by the Company.

As of December 31, 2018, the Company had a cash deposit of \$150,000 with Pershing, of which \$100,000 was held by Pershing for potential unresolved Company claims, losses, or expenses incurred by Pershing.

(5) **Fair Value of Financial Instruments**

The Company has adopted the provisions of “ASC 820”, *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company held cash and cash equivalents of \$8,411,060 and deposits with clearing agency of \$150,000 at December 31, 2018, which were considered Level 1 assets. The Company held \$14,742 of marketable securities which consisted of municipal bonds at December 31, 2018. The fair value of municipal bonds is estimated using recently executed transactions, broker quotations, and bond spread information. These bonds are considered Level 2 assets.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

MBS CAPITAL MARKETS, LLC

Notes to Financial Statements

December 31, 2018

(6) Commitments and Contingencies

The Company has two operating leases for office space. Approximate future minimum lease payments required under these operating leases are as follows:

Future Commitments

		<u>Total</u>
2019	\$	136,042
2020		11,364
	\$	<u>147,406</u>

Expense incurred during the year ended December 31, 2018 related to these leases total approximately \$132,000.

(7) Related Party Transactions

Included in accounts payable and accrued liabilities in the statement of financial condition is approximately \$25,000 due to members for reimbursement of expenses. Also, \$225,885 in employee salary compensation expense for managing members is recorded in the statement of income and members' equity. The Company paid \$92,000 to a profit sharing plan in which they are the Trustee. As of December 31, 2018, the Company accrued \$204,983 related to the profit sharing amount. This number is included in accounts payable and accrued liabilities on the statement of financial condition.

In April 2014, a relative of one of the managing members purchased one of the office buildings that the company leases. Related expense paid to this related party during the year ended December 31, 2018 was approximately \$86,000.

(8) Indemnifications

In the normal course of business, the Company indemnifies and guarantees Pershing against specified potential losses in connection with their acting as an agent of, or providing services to, the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

(9) Net Capital Requirements

The Company is subject to SEC Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum regulatory net capital and a specified ratio of aggregate indebtedness to regulatory net capital. At December 31, 2018, the Company had net capital of \$7,603,630 which exceeded the capital requirement of \$100,000 by \$7,503,630. The Company's ratio of aggregate indebtedness to net capital was 0.13 to 1 at December 31, 2018.

MBS CAPITAL MARKETS, LLC

Notes to Financial Statements

December 31, 2018

(10) Employee Benefit Plan

Effective October 1, 2012, the Company established the Trustees of MBS Capital Markets, LLC 401(k) Retirement and Savings Plan (the Plan) with Securian Company, a division of Minnesota Life Insurance Company. Under the terms of the Plan, employees may contribute up to 100% of their compensation subject to IRS limitations. The Company matches at least 3% of Plan compensation and, at its discretion, may make additional contributions. The Company's contributions to the Plan for the year ended December 31, 2018 were \$204,983. Plan contributions are included in employee compensation and benefits in the statement of income and members' equity and in accounts payable and accrued liabilities on the statement of financial condition.

(11) Exemption Under Section (k)(2)(ii)

The Company operates pursuant to the (k)(2)(ii) exemptive provisions of SEC Rule 15c3-3.

(12) Subsequent Events

The Company has evaluated events and transactions for potential recognition and disclosure through February 28, 2019 the date which the financial statements were available to be issued.

Supplementary Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934
as of December 31, 2018

MBS CAPITAL MARKETS, LLC

**Schedule I: Computation of Net Capital Pursuant to Rule 15c3-1
of the Securities and Exchange Commission**

December 31, 2018

Computation of net capital:	
Members' equity	\$ 7,856,511
Less non-allowable assets:	
Other assets	<u>(238,139)</u>
Net capital before haircuts	<u>\$ 7,618,372</u>
Haircuts on security positions	<u>14,742</u>
Net capital	<u>\$ 7,603,630</u>
Aggregate indebtedness:	
Total aggregate indebtedness - total liabilities	<u>\$ 957,430</u>
Computation of basic net capital requirement:	
Minimum net capital required	<u>\$ 100,000</u>
Excess net capital	<u>\$ 7,503,630</u>
Ratio of aggregate indebtedness to net capital	<u>0.13</u>

A reconciliation with the Company's computation (included in Part II of Form X-17A-5 as of December 31, 2018, as amended on February 28, 2019) is not presented as there are no material differences.

MBS CAPITAL MARKETS, LLC

**Schedule II and III: Computation for Determination of Reserve Requirements
and Information Relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission**

December 31, 2018

The Company is not required to file the above schedule as it claims exemption from Rule 15c3-3 under Paragraph (k)(2)(ii) of the Rule.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
APPLYING AGREED-UPON PROCEDURES

Members of MBS Capital Markets, LLC

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the Securities Investor Protection Corporation (SIPC) Series 600 Rules, we have performed the procedures enumerated below and were agreed to by MBS Capital Markets, LLC and the SIPC, solely to assist you and SIPC in evaluating MBS Capital Markets, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the year ended December 31, 2018. MBS Capital Markets, LLC's management is responsible for its Form SIPC-7 and for its compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with standards established by the Public Company Accounting Oversight Board (United States) and in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

- 1) Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries, noting no differences;
- 2) Compared the Total Revenue amount reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2018 with the Total Revenue amount reported in Form SIPC-7 for the year ended December 31, 2018, noting no differences;
- 3) Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
- 4) Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences; and
- 5) Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion or conclusion, respectively, on MBS Capital Markets, LLC's compliance with the applicable instructions of the Form SIPC-7 for the year ended December 31, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of MBS Capital Markets, LLC and the SIPC and is not intended to be and should not be used by anyone other than these specified parties.

Accell Audit & Compliance, PA

Tampa, Florida

February 28, 2019

Amended

SIPC-7

(36 REV 12/10)

SECURITIES INVESTOR PROTECTION CORPORATION

P.O. Box 32165 Washington, D.C. 20005-2165
202-371-8300

General Assessment Reconciliation

SIPC-7

(36 REV 12/10)

For the fiscal year ended 12/31/2018

(Read carefully the instructions on your Working Copy before completing this form.)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no., and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17b-4:

10*10*****1281*****MIXED AADC 220
68690 FINRA DEC
MBS CAPITAL MARKETS LLC
4890 W KENNEDY BLVD STE 0-40
TAMPA, FL 33609-1850

Note: If any of the information shown on this
returning label requires correction, please e-mail
any corrections to form@sipc.org and so
indicate on the form filed.

Name and telephone number of person to
contact respecting this form:

2. A. General Assessment (item 2e from page 2):

\$ 13,566

B. Less payment made with SIPC-6 filed (exclude interest):

\$ 5,829

Date Paid

C. Less prior overpayment applied:

\$ ---

D. Assessment balance due or (overpayment):

\$ 7,737

E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum:

\$ ---

F. Total assessment balance and interest due (or overpayment carried forward):

\$ 7,737

G. PAYMENT: ☒ the box

Check mailed to P.O. Box ☐ Funds Wired ☐ ACH ☐

Total (must be same as F above)

\$ 7,737

H. Overpayment carried forward

\$ ---

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the
person by whom it is executed represent thereby
that all information contained herein is true, correct
and complete.

MBS Capital Markets, LLC

[Signature]
(Authorized Signatory)

Dated the 4th day of February, 20 19

Managing Partner

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form
for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates:

Postmarked

Received

Reviewed

Calculations

Documentation

Forward Copy

Exceptions:

Disposition of exceptions:

Amended

DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period
beginning 1/1/2018
and ending 12/31/2018

Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ ~~9,134,834~~ 9,164,091

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

(2) Net loss from principal transactions in securities in trading accounts.

(3) Net loss from principal transactions in commodities in trading accounts.

(4) Interest and dividend expense deducted in determining item 2a.

(5) Net loss from management of or participation in the underwriting or distribution of securities.

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

(7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

(2) Revenues from commodity transactions.

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

(8) Other revenue not related either directly or indirectly to the securities business.
(See Instruction C):

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 11,622

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ ---

Enter the greater of line (i) or (ii)

Total deductions

11,622

~~91,004~~ 120,261

2d. SIPC Net Operating Revenues

\$ 9,043,830

2e. General Assessment @ .0015

\$ 13,566

(to page 1, line 2.A.)



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members
of MBS Capital Markets, LLC

We have reviewed management's statements, included in the accompanying Exemption Report for SEC Rule 15c3-3, in which (1) MBS Capital Markets, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which MBS Capital Markets, LLC claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) (exemption provisions) and (2) MBS Capital Markets, LLC stated that MBS Capital Markets, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. MBS Capital Markets, LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about MBS Capital Markets, LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Accell Audit & Compliance, PA

Tampa, Florida

February 28, 2019



MBS CAPITAL MARKETS, LLC

Assertions Regarding Exemption Provisions

We, as members of management of MBS Capital Markets, LLC (the Company), are responsible for compliance with the annual reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934. Those requirements compel a broker or dealer to file annual reports with the Securities Exchange Commission (SEC) and the broker or dealer's designated examining authority (DEA). One of the reports to be included in the annual filings is an exemption report prepared by an independent public accountant based upon a review of assertions provided by the broker or dealer. Pursuant to that requirement, the management of the Company hereby makes the follow assertions:

Identified Exemption Provision:

The Company claimed exemption from the custody and reserve provisions of Rule 15c3-3 by operating under the exemption provided by Rule 15c3-3, Paragraph (k)(2)(ii) throughout the year ended December 31, 2018.

Statement Regarding Meeting Exemption Provision:

The Company met the identified exemption provision without exception throughout the year ended December 31, 2018.

MBS Capital Markets, LLC

By:

(Name)

Managing Director and Chief Compliance Officer

(Title)

2/28/19

(Date)