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ANNUAL AUDITED REPORT  
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8-201

603

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 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

CANTOR FITZGERALD & CO.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

135 East 57<sup>TH</sup> Street 3<sup>rd</sup> Floor  
(No. and Street)

New York New York 10022  
(City) (State) (Zip Code)

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

Richard Lipson (212) 829-5202  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

Deloitte & Touche LLP  
(Name - if individual, state last, first, middle name)

Two World Financial Center New York New York 10281-1414  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

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FINANCIAL

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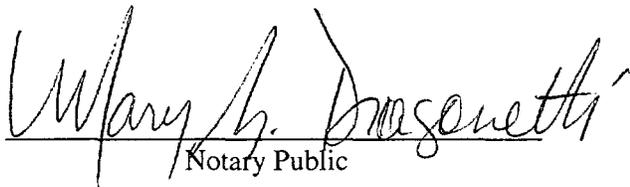
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AFFIRMATION

I, Jeffrey M. Chertoff, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Cantor Fitzgerald & Co. as of December 31, 2003 are true and correct. I further affirm that neither the Partnership, nor any partner, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as disclosed in Note 4 of the financial statements.

  
\_\_\_\_\_  
Signature

Chief Financial Officer  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

MARY DRAGONETTI  
Notary Public, State of New York  
No. 014754912  
Qualified in Nassau County  
Commission Expires Jan. 31, 2006

CANTOR FITZGERALD & CO.  
(SEC ID. No. 8-201)  
(CFTC ID. No. 5288)

STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2003  
AND  
INDEPENDENT AUDITORS' REPORT  
AND  
SUPPLEMENTAL REPORT ON INTERNAL CONTROL

\*\*\*\*\*

Filed in accordance with Rule 17a-5 (e) (3)  
Under the Securities Exchange Act of 1934  
As a PUBLIC DOCUMENT



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## INDEPENDENT AUDITORS' REPORT

To the Partners of  
Cantor Fitzgerald & Co.:

We have audited the accompanying statement of financial condition of Cantor Fitzgerald & Co. (the "Partnership") as of December 31, 2003 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of Cantor Fitzgerald & Co. at December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

February 27, 2004

**CANTOR FITZGERALD & CO.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2003**

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**Assets**

Cash	\$	46,506,359
Cash and securities segregated under federal and other regulations		9,551,891
Securities owned, unencumbered		38,513,613
Securities purchased under agreements to resell		15,967,497
Securities borrowed		803,611,508
Receivables from brokers, dealers and clearing organizations		44,206,964
Receivables from customers		80,897,475
Fixed assets (net of accumulated depreciation of \$5,027,158)		3,642,815
Receivables from affiliates		1,282,698
Other		9,653,034
		<hr/>
Total assets	\$	<u>1,053,833,854</u>

**Liabilities and Partners' Capital**

Bank loans payable	\$	101,160
Securities sold, not yet purchased		10,951,413
Securities sold under agreements to repurchase		25,270,508
Securities loaned		780,237,464
Payables to brokers, dealers and clearing organizations		69,168,858
Payables to customers		27,484,923
Payables to affiliates		11,617,063
Accounts payable and accrued liabilities		27,090,014
		<hr/>
Total liabilities		951,921,403
Partners' capital		<u>101,912,451</u>
Total liabilities and partners' capital	\$	<u>1,053,833,854</u>

See notes to statement of financial condition.

# CANTOR FITZGERALD & CO.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

For the year ended December 31, 2003

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### 1. Summary of Business Activities and Significant Accounting Policies

**Basis of Presentation:** Cantor Fitzgerald & Co. (the "Partnership") is a general partnership organized under the laws of the State of New York. The Partnership is a registered broker-dealer in securities and a futures commission merchant. The Partnership is owned by Cantor Fitzgerald Securities ("CFS" - 94%) and Cantor Fitzgerald, L.P. ("CFLP" - 1%) (collectively with their subsidiaries, "Cantor"). Cantor Fitzgerald Group Management, Inc. ("CFGM") owns a 5% interest in the Partnership, but in exchange for an indemnification from CFS, CFGM by a separate agreement with CFS, has assigned its entire 5% interest in the Partnership to CFS. CFS is the managing general partner.

**Correspondent Clearing:** During 2003, the Partnership entered the business of clearing for correspondent customers through Clearspeed, a division of the Partnership. Clearspeed will provide back office functionality including purchases and sales and settlement services to third party and affiliated broker-dealers.

**Use of Estimates:** The preparation of statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, and the disclosure of contingent assets and liabilities in the statement of financial condition. Management believes that the estimates utilized in preparing the statement of financial condition are reasonable and prudent. Estimates, by their nature, are based on judgment and available information. As such, actual results could differ materially from the estimates included in this statement of financial condition.

**Cash and Securities Segregated Under Federal and Other Regulations:** Cash and securities segregated under federal and other regulations are segregated for the protection of customers under the Commodity Exchange Act and the Securities Exchange Act of 1934. At December 31, 2003, these funds consist primarily of securities purchased under agreements to resell of \$9,509,009.

**Securities Transactions:** Customers' securities transactions are recorded on a settlement date basis, with related commission income and expense recorded on a trade date basis. Securities transactions of the Partnership and the related principal transaction revenues are recorded on a trade date basis.

**Securities Owned and Securities Sold, Not Yet Purchased:** Securities owned and securities sold, not yet purchased are recorded at fair value based on current listed market prices or broker quotes.

**Securities Sold under Agreements to Repurchase and Securities Purchased under Agreements to Resell:** Securities sold under repurchase agreements (“Repurchase Agreements”) and securities purchased under agreements to resell (“Reverse Repurchase Agreements”) are accounted for as collateralized financing transactions and are recorded at the contractual amount for which the securities will be repurchased or resold, including accrued interest. The Partnership offsets certain Repurchase Agreements and Reverse Repurchase Agreements when a legal right of offset exists under master netting arrangements, which are enforceable by law. It is the policy of the Partnership to obtain possession of collateral with a market value equal to, or in excess of, the principal amount loaned under Reverse Repurchase Agreements. Collateral is valued daily and the Partnership may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

**Securities Lending Activities:** Securities borrowed and loaned are recorded at the amount of cash collateral advanced. Securities borrowed transactions require the Partnership to deposit cash with the lender. The Partnership monitors the market value of securities borrowed on a daily basis and obtains additional collateral as necessary to ensure such transactions are adequately collateralized. During the year ended December 31, 2003, the Partnership began to engage in the business of conduit securities lending.

**Fixed Assets and Leasehold Improvements:** Fixed assets are depreciated over their estimated economic useful lives, generally 3 to 5 years, using the straight-line basis. Leasehold improvements are amortized over their estimated economic useful lives or the remaining lease term, whichever is shorter.

**Income Taxes:** Under applicable federal and state laws, the taxable income or loss of a general partnership is allocated to each partner based upon their ownership interest. Each partner’s tax status, in turn, determines the appropriate income tax for its allocated share of taxable income or loss. The Partnership is subject to the Unincorporated Business Tax in the City of New York for which it records an income tax provision.

**New Accounting Pronouncements:** In November 2002, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 45 (“FIN 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN 45 identifies characteristics of certain guarantee contracts and requires that a liability be recognized at fair value at the inception of such guarantees for the obligations the guarantor has undertaken. The initial recognition and initial measurement provisions of FIN 45 are effective for any guarantees issued or modified after December 31, 2002. Additional disclosures are also prescribed for certain guarantee contracts (See Note 7). The adoption of FIN 45 did not have a material impact on the Partnerships statement of financial condition.

In January 2003, the FASB issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities (“VIE”) – an interpretation of Accounting Research Bulletin (“ARB”) No. 51.” FIN 46 provides guidance on the consolidation of entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 requires that an entity consolidate a VIE if that enterprise has a variable interest that will absorb a majority of the VIE’s expected loss, receive a majority of the VIE’s expected residual return, or both. On December 24, 2003 the FASB issued a revision to FIN 46 (“FIN 46R”). Private companies are required to adopt FIN 46 and FIN 46R for periods beginning after December 15, 2004. The Partnership will adopt FIN 46 and FIN 46R as required in 2005 and is currently evaluating its impact on its statement of financial condition.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS 150 is effective for the Partnership's statement of financial condition as of January 1, 2004. The Partnership does not expect the adoption of SFAS 150 to have a material impact on the Partnership's statement of financial condition.

## 2. September 11 Events

On September 11, 2001, Cantor's principal place of business at One World Trade Center was destroyed and the Partnership lost 136 of its 267 employees. Cantor, including eSpeed Inc. ("eSpeed"), a majority owned subsidiary of CFS, lost in the aggregate 658 employees

CFLP intends to continue to distribute 25% of its profits until 2006, that would otherwise be distributable to its partners, for the benefit of the families of the Partnership's employees who were lost on September 11, 2001. From such distributions, CFLP will provide 10 years of healthcare benefits to the families.

## 3. Securities Owned and Securities Sold, Not Yet Purchased

The Partnership's securities owned and securities sold, not yet purchased consisted of the following:

	<u>Owned</u>	<u>Sold, Not Yet Purchased</u>
Trading securities:		
Equities	\$ 8,295,468	\$ 10,951,413
U.S. Government Securities	20,112,450	-
Corporate bonds and other	<u>7,084,719</u>	<u>-</u>
	35,492,637	10,951,413
Investment securities	<u>3,020,976</u>	<u>-</u>
Total	<u>\$ 38,513,613</u>	<u>\$ 10,951,413</u>

Investment securities represent an investment in the NASDAQ Stock Market, Inc. carried at fair value.

## 4. Receivables from and Payables to Customers

Receivables from and payables to customers include amounts due on cash and margin transactions. At December 31, 2003, customer securities with a fair value of \$25,195,250 were received by the Partnership as collateral for customer receivable balances, all of which were repledged as collateral under Repurchase Agreements in order to finance customers' debit balances. Such collateral is not reflected in the statement of financial condition. At December 31, 2003, customer payables include accounts of officers totaling \$1,149,749.

## 5. Bank Loans Payable

Bank loans payable represents amounts borrowed from various banks in order to finance operations, including the securities settlement process. Such loans may be unsecured or collateralized by firm securities or non-customer securities. At December 31, 2003, the Partnership had unsecured bank loans of \$101,160, and no outstanding secured bank loans, which accrue interest at variable rates based on the federal funds interest rate.

## 6. Securities Received as Collateral

At December 31, 2003, the Partnership had accepted collateral that it is permitted by contract or custom to sell or repledge. Certain collateral consisted primarily of securities received from customers and other broker-dealers in connection with both reverse repurchase agreements and securities borrowed. At December 31, 2003, the fair value of such collateral was \$788,840,539. In conjunction with the Partnership's conduit securities lending business, collateral with a fair value of \$749,169,656 was subsequently loaned to counterparties. Additionally, a portion of this collateral is used by the Partnership to cover short sales, to obtain financing, and to satisfy deposit requirements at clearing organizations. At December 31, 2003, collateral of \$28,774,870 had been delivered against securities sold short or repledged by the Partnership.

## 7. Commitments and Contingent Liabilities

**Leases:** The Partnership is obligated for minimum rental payments under various non-cancelable leases, principally for office space, expiring at various dates as follows:

Year Ending December	Amount
2004	\$1,361,520
2005	782,254
2006	370,237
2007	<u>1,042</u>
Total	<u>\$2,515,053</u>

Certain of these leases contain escalation clauses that require payment of additional rent to the extent of increases in certain operating and other costs.

**Guarantees:** The Partnership is a member of various securities clearing houses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members and, accordingly, if another member becomes unable to satisfy its obligations to the clearing house or exchange, all other members would be required to meet the shortfall. The Partnership's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential for the Partnership to be required to make payments under these arrangements is remote. Accordingly, no liability was required to be recorded in the statement of financial condition.

**Legal Matters:** In the ordinary course of business, various legal actions are brought and are pending against the Partnership, some of which substantial amounts are claimed. In the opinion of the Partnership's management, based on advice received from counsel, these matters are expected to be resolved with no material adverse effect on the Partnership's financial condition.

**Risks and Uncertainties:** The Partnership generates revenues by providing securities trading and brokerage activities to institutional customers and by executing, and in some cases, clearing transactions for institutional counterparties. Revenues for these services are transaction based. As a result, the Partnership's revenue could vary based on the transaction volume of the global financial markets. Additionally, the Partnership's financing is sensitive to interest rate fluctuations and could have an impact on the Partnership's overall profitability.

## **8. Related Party Transactions**

The Partnership utilizes CFS to execute transactions in the government bond market and to finance such securities. At December 31, 2003, \$25,476,506 of Reverse Repurchase Agreements and \$25,270,508 of Repurchase Agreements were outstanding with CFS. Under the terms of the Reverse Repurchase Agreements, the securities collateralizing the agreements are held under a custodial arrangement with a third party bank, with the exception of the collateral related to \$9,509,009 of Reverse Repurchase Agreements which was held in a special reserve bank account and was utilized to satisfy segregation requirements. At December 31, 2003, the fair value of the securities received or delivered under the Reverse Repurchase Agreements and the Repurchase Agreements was \$25,717,448 and \$25,195,250, respectively.

The Partnership's receivables from and payables to affiliates represent uncollateralized advances and amounts due to affiliates for support services provided.

The Partnership provides clearing and settlement services, under contractual agreements, to Cantor Fitzgerald International ("CFI") and Cantor Fitzgerald Europe ("CFE"). CFI and CFE introduce to the Partnership international counterparties who buy and sell securities. In exchange for such clearing and settlement services, the Partnership retains 10% of associated revenues. Included within Receivables from and Payables to customers are balances representing open transaction with CFE of \$488,145 and \$2,064,797, respectively.

CFS and CFLP provide the Partnership with administrative services and other support for which they charge the Partnership based on the cost of providing such services. Such support includes allocations for occupancy of office space, utilization of fixed assets, and operations and accounting services. In addition, under the Amended and Restated Joint Services Agreement between the Partnership and eSpeed, eSpeed provides network, data center, server administration support and other technology services to the Partnership. eSpeed charges the Partnership for these services commensurate with the cost of providing these services.

## **9. Employee Benefit Plans**

Employees of the Partnership are eligible to participate in the eSpeed, Inc. Deferral Plan for Employees of Cantor Fitzgerald, L.P. and its Affiliates (the "Plan"), whereby eligible employees may elect to defer a portion of their salary by directing the Partnership to contribute withheld amounts to the Plan. The Plan is available to all employees of the Partnership meeting certain eligibility requirements and is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Partnership's portion of the expenses associated with the administration of the Plan are currently paid by CFLP at its option.

## 10. Regulatory Capital Requirements

As a registered broker-dealer, the Partnership is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). The Partnership has elected to compute its net capital using the alternative method, which requires the maintenance of minimum net capital equal to the greater of \$250,000, application of market maker calculation or 2% of aggregate debit balances arising from customer transactions, as defined. As a registered futures commission merchant, the Partnership is subject to Regulation 1.17 which requires the maintenance of minimum adjusted net capital equal to the greater of 4% of customer funds required to be segregated pursuant to the Commodity Exchange Act, less the market value of certain commodity options, all as defined. At December 31, 2003, the Partnership had net capital of \$64,090,723, which was \$62,150,227 in excess of its required net capital.

## 11. Financial Instruments and Off-Balance-Sheet Risk

**Trading Activities:** The Partnership's trading activities include providing securities brokerage services to institutional clients. To facilitate customer transactions, the Partnership will take proprietary positions in financial instruments, such as equities, corporate obligations, options and warrants. For the year ended December 31, 2003, principal transactions revenue was primarily attributable to proprietary positions in equity financial instruments in conjunction with the Partnership's institutional equity business.

**Market Risk:** Market risk refers to the risk that a change in the level of one or more market prices, rates, indices or other factors will result in losses for a specified position. In the normal course of business, the Partnership enters into transactions to sell securities not yet purchased, which are recorded as liabilities on the statement of financial condition. The Partnership is exposed to the risk that potential market price increases may cause the ultimate liability for such commitments to exceed the amount recognized on the statement of financial condition.

The Partnership does not act as a dealer or trader of complex derivatives such as swaps, collars and caps. However, the Partnership may, from time to time, enter into foreign exchange forward and future contracts to provide an economic hedge for the Partnership's proprietary inventory against foreign currency fluctuations and option contracts to hedge against adverse market fluctuations of equity investments. Unrealized gains and losses relating to these derivative financial instruments are reflected in principal transaction revenues. At December 31, 2003, the fair value (carrying amount) of the related assets, which are exclusively equity options, are \$260,000.

**Counterparty Credit Risk:** Credit risk arises from the possibility that a counterparty to a transaction might fail to perform according to the terms of the contract, which could result in the Partnership incurring losses. As a securities broker-dealer, the Partnership is engaged in various securities trading and brokerage activities, servicing a diverse group of domestic and foreign corporations, governments and institutional and individual investors. A substantial portion of the Partnership's transactions are fully collateralized and are executed with and on behalf of institutional investors including major brokers and dealers, money center and other commercial banks, insurance companies, pension plans and other financial institutions. The Partnership's exposure to the risk of incurring losses associated with the non-performance of these counterparties in fulfilling their contractual obligations pursuant to securities and commodities transactions can be directly impacted by volatile trading markets, which may impair the counterparties' ability to satisfy their obligations to the Partnership. The Partnership monitors counterparty activity daily and does not anticipate non-performance by counterparties. The Partnership has a policy of periodically reviewing the credit worthiness of each counterparty with which it conducts business.

**Customer Activities:** The Partnership's customer activities include the execution, settlement, custody and financing of various securities and commodities transactions on behalf of customers. These activities may expose the Partnership to off-balance-sheet risk in the event a customer or other broker is unable to fulfill its contractual obligations and the Partnership has to purchase or sell the financial instrument underlying the contract at a loss.

The Partnership transacts customer securities activities on a delivery versus payment, cash, or margin basis. In margin transactions, the Partnership extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Partnership executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Partnership to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Partnership may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customers' obligations.

The Partnership seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Partnership monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral, or to reduce positions, when necessary.

The Partnership's customer financing and securities settlement activities require the Partnership to pledge customer securities as collateral in support of various secured financing sources, such as bank loans. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Partnership may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Partnership controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Partnership establishes credit limits for such activities and monitors compliance on a daily basis.

**Fair Value:** Substantially all of the Partnership's financial instruments are carried at fair value or amounts which approximate fair value. The fair value of the Partnership's securities owned and securities sold, not yet purchased are generally based on listed market prices or broker quotes. Repurchase Agreements, Reverse Repurchase Agreements and securities borrowed and securities loaned are carried at the contract value, which approximates fair value. The majority of the Partnership's remaining financial instruments are generally short-term in nature and liquidate at their carrying value.

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February 27, 2004

Cantor Fitzgerald & Co.  
135 East 57<sup>th</sup> Street  
New York, New York 10022

Dear Sirs:

In planning and performing our audit of the financial statements of Cantor Fitzgerald & Co. (the "Partnership") for the year ended December 31, 2003 (on which we issued our report dated February 27, 2004), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Partnership's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934 and Regulation 1.16 under the Commodity Exchange Act, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Partnership that we considered relevant to the objectives stated in Rule 17a-5(g) and Regulation 1.16: (1) in making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3; and (5) in making the daily computations of the segregation requirements of Section 4d(2) under the Commodity Exchange Act.

The management of the Partnership is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's and the Commodity Futures Trading Commission's (the "Commissions") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Partnership has responsibility are safeguarded against loss from unauthorized acquisition, use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) and Regulation 1.16(d)(2) list additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Partnership's internal control would not necessarily disclose all matters in the Partnership's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Partnership's internal control and its operation (including control activities for safeguarding securities), that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commissions to be adequate for their purposes in accordance with the Securities Exchange Act of 1934 and the Commodity Exchange Act and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Partnership's practices and procedures were adequate at December 31, 2003, to meet the Commissions' objectives.

This report is intended solely for the information and use of management, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 or Regulation 1.16 under the Commodity Exchange Act in their regulation of registered brokers and dealers and futures commission merchants, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche LLP*