

SECURITIES



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

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 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

BNP PARIBAS SECURITIES CORP.

OFFICIAL USE ONLY
FIRM ID. NO.

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

787 Seventh Avenue
(No. and Street)

New York New York 10019
(City) (State) (Zip Code)

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

Thomas Clyne (212) 471-6676
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

300 Madison Avenue New York New York 10017
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

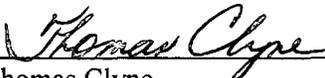
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2). SEC 1410 (3-91)

Affirmation

I, Thomas Clyne, affirm that, to the best of my knowledge and belief the accompanying financial statements and supplemental schedules pertaining to BNP Paribas Securities Corp. for the year ended December 31, 2004, are true and correct. I further affirm that neither BNP Paribas Securities Corp. nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

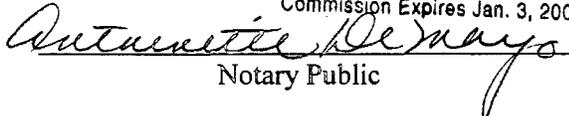


Thomas Clyne

Chief Financial Officer
Title

Subscribed and sworn to before me on this 28 th day
of February, 2005.

ANTOINETTE DE MAYO
Notary Public, State of New York
No. 01DE6034529
Qualified in Richmond County
Commission Expires Jan. 3, 2006



Notary Public



BNP Paribas Securities Corp.

(An indirectly wholly owned subsidiary
of BNP PARIBAS)

Statement of Financial Condition

December 31, 2004

Report of Independent Auditors

To the Board of Directors
and Stockholder of
BNP Paribas Securities Corp.:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of BNP Paribas Securities Corp. (the "Company") at December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement 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 statement of financial condition is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 28, 2005

BNP Paribas Securities Corp.
(An indirectly wholly owned subsidiary of BNP PARIBAS)
Statement of Financial Condition
December 31, 2004
(in thousands)

2

Assets

Cash and securities purchased under agreements to resell segregated under Federal and other regulations	\$ 21,302
Securities purchased under agreements to resell	35,875,394
Securities borrowed	38,054,385
Securities owned - at market value (including securities owned, pledged to counterparties of \$ 7,178,755)	13,319,219
Securities failed to deliver	2,555,602
Receivable from brokers, dealers, and clearing organizations	5,153,816
Receivable from customers	246,476
Exchange memberships (market value \$ 11,775)	10,714
Other assets	374,758
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Total assets	\$ 95,611,666

Liabilities and stockholder's equity

Liabilities

Overnight loans and overdrafts	\$ 26,815
Securities sold under agreements to repurchase	59,105,721
Securities loaned	18,749,595
Securities sold, not yet purchased - at market value	8,191,401
Securities failed to receive	1,976,511
Payable to brokers, dealers, and clearing organizations	5,956,140
Payable to customers	292,113
Accrued expenses and other liabilities	573,738
Liabilities subordinated to the claims of general creditors	337,000
	<hr/>
	95,209,034

Stockholder's Equity

Common stock, \$10 stated value - 500 shares authorized, issued, and outstanding	5,000
Additional paid-in capital	259,069
Retained earnings	138,563
	<hr/>
	402,632

Total liabilities and stockholder's equity	\$ 95,611,666
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The accompanying notes are an integral part of this financial statement.

1. Organization and Nature of Business

BNP Paribas Securities Corp. (the "Company" or "BNPPSC") is a wholly-owned subsidiary of BNP Paribas North America, Inc. ("BNPPNA"), the ultimate parent of which is BNP PARIBAS ("BNPP").

The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934. BNPPSC is also registered as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"), under the Commodity Exchange Act. In addition, the Company is a member of the National Association of Securities Dealers, Inc. ("NASD"), the International Securities Exchange ("ISE"), the Chicago Board of Trade ("CBOT") and the Municipal Securities Rulemaking Board ("MSRB"). The Company engages in proprietary transactions and brokerage activities for its customers - primarily institutions, other broker-dealers, and affiliates. BNPPSC also engages in investment banking activities and provides certain operational services.

On January 3, 2005, the Company acquired an affiliated entity. Refer to footnote 14 of these financial statements for further detail.

2. Significant Accounting Policies

Basis of Presentation

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at December 31, 2004. Significant estimates include certain fees due from affiliates and certain expenses charged by affiliates. Actual results could differ materially from such estimates included in the financial statements.

Securities Transactions

Securities transactions are recorded on the trade date. Securities owned and securities sold, not yet purchased are recorded at market value, with unrealized gains and losses included in trading gains and losses, net. Commissions and related clearing expenses are recorded on the trade date as securities transactions occur. Customers' securities transactions are reported on the settlement date with related commission income and expenses reported on the trade date.

Resale Agreements

Securities purchased under agreements to resell ("reverse repo") and securities sold under agreements to repurchase ("repo") are treated as collateralized financing transactions and are carried at their contracted resale or repurchase amounts plus accrued interest. It is the Company's policy to take possession of securities with a market value equal to or in excess of the principal amount loaned plus accrued interest. The Company has reported certain reverse repos and repos net, in the statement of financial condition. Such transactions were executed under a master netting agreement with the same counterparty and have the same maturity date.

Securities Borrowing and Lending Activities

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash or similar collateral with the lender. With respect to securities loaned, the Company receives collateral in

BNP Paribas Securities Corp.
(An indirectly wholly owned subsidiary of BNP PARIBAS)
Notes to Statement of Financial Condition
(dollars in thousands)

the form of cash in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed or loaned on a daily basis with additional collateral obtained or refunded, as necessary.

Derivative Instruments

Derivative financial instruments used for trading purposes, including economic hedges of trading instruments, are carried at market value or, if market prices are not readily available, fair value. Market values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over the counter derivative financial instruments, principally forwards, and options, are based on pricing models intended to approximate the amounts that would be received from or paid to a third party in settlement of the contracts. Factors taken into consideration include credit spreads, market liquidity, concentrations, and funding and administrative costs incurred over the life of the instruments.

Exchange Memberships

Exchange memberships are recorded at cost, less any impairment for permanent impairments.

Recent Accounting Development

In January 2003, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation ("FIN") No. 46 "Consolidation of Variable Interest Entities" and subsequently issued a revised version in December 2003 ("FIN 46R"). FIN 46R requires a variable interest entity, as defined, to be consolidated by a company if that company has variable interests that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns or both. Nonpublic entities such as the Company shall apply FIN 46R immediately to all entities created after December 31, 2003 and to all entities by the beginning of the first annual reporting period beginning after December 15, 2004 (January 1, 2005 in the case of the Company). The Company has evaluated the impact of FIN 46R and has determined that there will be no material differences as a result of the adoption of this standard on January 1, 2005.

3. Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased at December 31, 2004, consist of:

	<u>Owned</u>	<u>Sold</u>
U.S. Government securities and agencies	\$ 11,963,085	\$ 7,576,781
Corporate debt instruments	831,271	121,661
Equities	284,511	297,148
Options	240,352	195,811
	<u>\$ 13,319,219</u>	<u>\$ 8,191,401</u>

4. Subordinated Liabilities

The Company has the following outstanding subordinated loan agreements with BNPPNA at December 31, 2004:

<u>Maturity Date</u>	<u>Amount</u>
April 30, 2005	\$ 72,000
July 31, 2005	75,000
October 31, 2005	90,000
December 31, 2005	100,000
	<u>\$ 337,000</u>

On December 30, 2004, the Company executed an additional \$100,000 subordinated loan agreement with its parent, which was approved by the NASD.

The loans allow for prepayment of all or any part of the obligations at the option of the Company, and upon receipt of prior written approval of the NASD and the CBOT. All loans bear interest at the London Interbank Offered Rate (LIBOR) rate, as defined by BNPPNA.

The agreements covering the subordinated borrowings have been approved by the NASD and are thus available in computing net capital pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934 and Regulation 1.17 under the Commodity Exchange Act. To the extent that such borrowings are required for the Company's continued compliance with net capital requirements, they may not be repaid.

5. Deferred Compensation

Under the terms of a deferred bonus plan sponsored by BNPP, employees of the Company with annual discretionary bonus awards in excess of a certain fixed amount as defined by the BNPP, receive a portion of such excess amount in Cash Incentive Plan ("CIP") Units. The CIP Units are granted on the date of payment of the annual cash bonus ("grant date") and at issuance are equal to 50 Euros per unit. For the year ended December 31, 2004, the grant date is expected to be February 28, 2005. One-third of the CIP Units will vest to the employee at the end of each year of the three-year period following the grant date. These amounts are expensed evenly over the three-year vesting period.

The CIP plan replaces the previous deferred compensation plan that awarded these employees shares of BNPP stock. The Company has no outstanding or continuing liability under the previous plan.

In addition, the Company allows certain employees to defer up to 50% of their total compensation through a voluntary deferred compensation plan.

6. Employee Benefit Plans

Substantially all employees of BNPP and its affiliates in the United States of America, who meet certain age and tenure requirements are covered under various benefit plans. The plans include a funded noncontributory defined benefit plan, a supplemental executive retirement plan and a defined contribution 401(k) plan. The assets of the pension plan are principally invested in fixed income and equity securities, held by a third-party bank and managed by third party investment advisors. At December 31, 2004, the defined benefit plan was underfunded by approximately \$25,000. Pension expense recognized in 2004 was \$2,580..

7. Income Taxes

The results of the Company's operations are included in the consolidated federal and the combined state and local income tax returns of Paribas North America, Inc. ("PNA"), a U.S. holding company whose ultimate parent is BNPP.

The Company records a current income tax provision equal to the total current and deferred tax provision / (benefit) which would have been calculated if the Company had filed on a stand-alone basis. The resulting tax payable or benefit receivable is settled with PNA periodically. At December 31, 2004, the Company's net tax payable to PNA of \$65,039 was included in accrued expenses in the statement of financial condition. This net payable consists of \$71,191 of prior period payables, and \$6,152 of current receivables.

8. Transactions with Related Parties

The Company engages in various transactions with BNPP and its affiliates. These transactions include financing agreements, and operational support.

At December 31, 2004, the Company has a formal line of credit from BNPP. Borrowings under the line of credit bear a rate of Federal Funds, as defined by BNPP, plus a nominal interest rate. The maximum borrowing under this arrangement is \$1,500,000, of which \$750,000 is secured, and \$750,000 is unsecured. At December 31, 2004, the Company had an unsecured borrowing of \$20,000.

The Company has a tax sharing arrangement with PNA (see Note 7). At December 31, 2004, assets and liabilities with related parties consist of the following:

Securities purchased under agreements to resell	\$	24,474,485
Securities borrowed		5,266,654
Securities failed to deliver		2,334,262
Receivable from brokers, dealers, and clearing organizations		3,399,131
Other assets		164,869
Overnight loans and overdrafts		20,000
Securities sold under agreements to repurchase		28,282,932
Securities loaned		16,262,835
Securities failed to receive		129,417
Payable to brokers, dealers, and clearing organizations		3,686,182
Accrued expenses and other liabilities		354,694
Liabilities subordinated to the claims of general creditors		337,000

BNP Paribas Securities Corp.
(An indirectly wholly owned subsidiary of BNP PARIBAS)
Notes to Statement of Financial Condition
(dollars in thousands)

9. Pledged Assets, Commitments and Contingencies

At December 31, 2004, the approximate market values of collateral received which may be sold or repledged by the Company, including the collateral related to amounts netted under FASB interpretation number ("FIN") 41, ("Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements"), were:

Sources of collateral	
Securities purchased under agreements to resell	\$ 59,571,708
Securities received in securities borrowed vs. cash transactions and letters of credit	<u>37,942,622</u>
Total	<u>\$ 97,514,330</u>

At December 31, 2004, the approximate market values of the portion of collateral received that were sold or repledged by the Company, including the collateral related to amounts netted under FIN 41, ("Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase were:

Uses of collateral	
Securities sold under agreements to repurchase	\$ 70,105,978
Securities loaned	<u>20,261,233</u>
Total	<u>\$ 90,367,211</u>

The Company, in the normal course of business, has been named as defendant in various legal proceedings. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages or where the cases present novel legal theories or involve a large number of parties, the Company cannot state with confidence what the eventual outcome of the pending matters will be. Based upon its current knowledge after consultation with counsel and after taking into account its current litigation reserves, that the outcome of the legal actions, proceedings and investigations currently pending against it should not have a material adverse effect on the Company's financial statements.

The Company is required to maintain deposits with various clearing organizations and exchanges. At December 31, 2004, the Company has placed securities it owns which have a market value of \$85,117 on deposit to satisfy such requirements. The Company has pledged \$16,776,000 of securities collateral under tri-party agreements, which cannot be resold or pledged by the counterparty or by the agent holding the security.

The Company clears all of its securities transactions through clearing brokers on a fully disclosed basis. Pursuant to the terms of the agreements between the Company and the clearing brokers, the clearing brokers have the right to charge the Company for losses that result from counterparty's failure to fulfill its contractual obligations.

In some instances, the Company enters into written equity put options that meet the definition of a guarantee under FASB Interpretation No. 45 ("FIN 45"). FIN 45 does not require disclosure about derivative contracts if such contracts may be settled in cash and the Company has no basis

to conclude that it is probable that the counterparties held, at inception, the underlying instruments related to the derivative contracts. As of December 31, 2004 these derivatives represent a total notional amount of \$135,947 and a market value of \$41,320 included in Securities sold, not yet purchased, on the statement of financial condition.

10. Regulatory Requirements

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. The Company 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 or 2% of aggregate debit balances arising from customer transactions, as defined. As a registered futures commission merchant, the Company is subject to Regulation 1.17 which requires the maintenance of minimum adjusted net capital equal to the greater of \$250 or 4% of customer funds plus 8% of house funds required to be segregated pursuant to the Commodity Exchange Act. At December 31, 2004, the Company had net capital of \$410,501, which was \$404,611 in excess of its required net capital.

Additionally, the Company is subject to Rule 15c3-3 under the Securities Exchange Act of 1934 which requires the deposit of cash and/or qualified securities, as defined, in a special reserve account for the exclusive benefit of customers. At December 31, 2004, \$10 in cash and \$21,292 in market value of U.S. government securities have been segregated in a special reserve account. At December 31, 2004, the Company was required to maintain a balance of \$11,143 in this account.

As a futures commission merchant, the Company is subject to Section 4d(2) and Regulation 30.7 under the Commodity Exchange Act, which requires a futures commission merchant to segregate or secure money, securities, funds and property related to customers' regulated commodity futures accounts in a special bank account for the exclusive benefit of customers. At December 31, 2004, there were no segregation or secure funds requirements.

11. Credit Risk and Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company settles securities activities with customers, brokers and dealers and affiliates. These securities activities are transacted on either a receipt versus payment/delivery versus payment or a cash basis. The Company is exposed to risk of loss on these transactions in the event the counterparty fails to satisfy its obligations in which case the Company may be required to purchase or sell financial instruments at prevailing market prices.

The Company engages in various securities activities with a diverse group of domestic and foreign counterparties and affiliates. The Company's exposure to credit risk associated with the nonperformance of these counterparties in fulfilling their contractual obligations pursuant to securities activities can be directly impacted by volatile trading markets which may impair their ability to satisfy their obligations to the Company.

In connection with these securities activities, the Company enters into reverse repos and repos, primarily in U.S. government securities, in addition to securities borrowing and lending arrangements which may result in significant credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations.

In accordance with industry practice, reverse repos are generally collateralized by securities held by the Company with a market value in excess of the customers' or affiliates obligation under the contract and repos are collateralized by securities deposited by the Company with a market value in excess of the Company's obligation under the contract. Similarly, securities borrowed and loaned agreements are collateralized by deposits and receipts of cash. The Company attempts to minimize credit risk associated with these activities by monitoring customer credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the Company when deemed necessary.

Securities sold (including short puts), but not yet purchased represent obligations of the Company to deliver the specified securities or underlying security at the contracted price, and thereby, create a liability to repurchase them in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk as the Company's repurchase of such securities may exceed the amount recognized in the Company's statement of financial condition.

The Company's trading activities include the use of futures contracts, options on futures contracts and on equity securities, and foreign currency forwards. These futures and options positions are primarily used to mitigate risk on government and corporate bond trading positions. Such activities involve, to varying degrees, elements of market risk in excess of the amount recorded on the Company's statement of financial condition. The Company's exposure to credit risk associated with counterparty nonperformance on forwards and options is limited to the unrealized gains inherent in such contracts which are recognized in the Company's statement of financial condition.

12. Fair Value Disclosures

Due to the nature of its operations, substantially all of the Company's assets are comprised of reverse repos, securities borrowed, securities failed to deliver, receivables from customers, brokers, dealers, and clearing organizations and securities owned. The reverse repos, securities borrowed and securities failed to deliver are short-term in nature and the carrying amounts are a reasonable estimate of fair value. The carrying amounts of the receivables are a reasonable estimate of fair value. Securities owned are carried at fair value based primarily on quoted market prices.

Similarly, substantially all of the Company's liabilities arise from repos, securities loaned, securities failed to receive, payables to customers, brokers, dealers, and clearing organizations and securities sold, not yet purchased. The repos, securities loaned and securities failed to receive are short-term in nature and the carrying amounts are a reasonable estimate of fair value. The carrying amounts of the payables are a reasonable estimate of fair value. Securities sold, not yet purchased are carried at fair value based primarily on quoted market prices.

Due to the short-term nature of the subordinated loan agreements and the variable rate of interest charged, the carrying value approximates the estimated fair value.

The Company has an overnight unsecured borrowing at nominal rates of interest with a third party lender.

13. Guarantor Agreements

The Company is contingently liable under letters of credit issued to counterparties lending securities to the Company. At December 31, 2004, the total letters of credit issued and utilized are \$180,000 and \$163,110, respectively.

14. Subsequent Events

On January 3, 2005, the Company acquired 100% of the outstanding shares of BNP Paribas Brokerage Services, Inc. ("BNPPBS"), an affiliated entity registered as a broker-dealer, from its parent BNPP. The Company simultaneously merged BNPPBS into the Company. BNPPBS' primary activities included the clearing and execution of securities and commodities transactions, primarily for its affiliates. BNPPBS is registered as a broker-dealer with the SEC and as a futures commission merchant with the CFTC. In addition, BNPPSC is a member of the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange ("AMEX"), the Chicago Mercantile Exchange ("CME"), the Chicago Board Options Exchange ("CBOE"), the Philadelphia Board of Trade ("PBOT") and CBOT. As of this date, BNPPBS will no longer be a separate company, nor will it have separate ongoing business activities. The purchase price of the transaction was effected at BNPPBS' approximated net book value. The effect of this acquisition and merger combines the proprietary trading, clearance and execution activities of the formerly separate affiliated broker-dealers.

Also, the Company received approval as a member of the NYSE effective January 3, 2005. As of that date, the NYSE became the Company's designated supervisory regulatory organization replacing the NASD.