

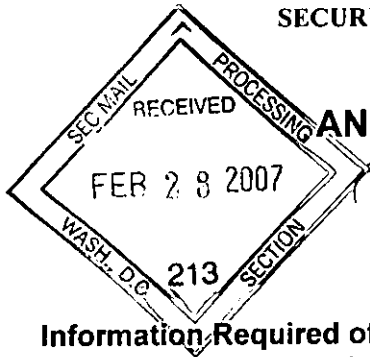


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Washington, D.C. 20549

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

OMB APPROVAL	
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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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

BANIF SECURITIES, INC.

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

40 WALL STREET, 33RD FLOOR

OFFICIAL USE ONLY

FIRM ID. NO.

NEW YORK	(No. and Street) NEW YORK	10005
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
RICHARD J. KAILER (212) 487-1860

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
HAFT & GLUCKMAN CPAs LLP

317 MADISON AVENUE, SUITE 912	(Name - of individual, state last, first, middle name)	NEW YORK	NY	10017
(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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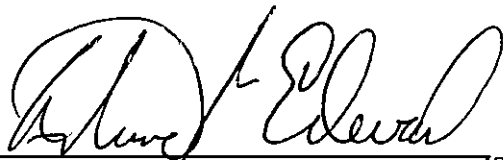
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THOMSON
FINANCIAL

*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).

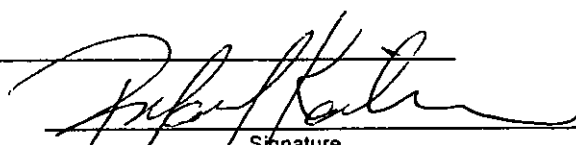
OATH OR AFFIRMATION

RICHARD J. KAILER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of BANIF SECURITIES, INC., as of DECEMBER 31, 20 06, 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:



Notary Public

ARTURO J. EDWARDS
Notary Public, State of New York
No. 01ED1078330
Commission Expires 10/31/2008
Queens County



Signature
CHIEF OPERATING OFFICER

Title

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

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims or 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 or 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).

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Banif Securities, Inc.

Year ended December 31, 2006

With Report and Supplementary Report of Independent Auditors

(Confidential Pursuant to Rule 17a-5(e)(3))

BANIF SECURITIES, INC.

FINANCIAL STATEMENTS

December 31, 2006

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HAFT & GLUCKMAN

CERTIFIED PUBLIC ACCOUNTANTS LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Banif Securities, Inc.
New York, New York

We have audited the accompanying statement of financial condition of Banif Securities, Inc. as of December 31, 2006, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banif Securities, Inc. as of December 31, 2006, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



HAFT & GLUCKMAN
Certified Public Accountants LLP

February 21, 2007
New York, New York

BANIF SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2006

ASSETS

Cash	\$ 36,041
Due from clearing agent	111,410
Receivable from broker-dealers	194,602
Securities owned, at market value	1,501,800
Prepaid expense	33,004
Furniture and equipment, less accumulated depreciation of \$89,982	61,859
Other assets	<u>2,352,571</u>
TOTAL ASSETS	<u>\$ 4,291,287</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accounts payable and accrued expenses	\$ 28,460
Income tax payable	<u>19,575</u>
TOTAL LIABILITIES	48,035

Stockholder's Equity

Preferred stock, par value of \$.01; 2,000 shares authorized, none issued	-
Common stock, no par value; 3,100 shares authorized, issued and outstanding	130
Additional paid-in capital	7,119,970
Accumulated deficit	<u>(2,876,848)</u>
Total stockholder's equity	<u>4,243,252</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 4,291,287</u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

BANIF SECURITIES, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUE

Commission income	\$ 854,943
Trading profit, net	53,598
Dividend and interest income, net	14,081
Other income	<u>2,421,042</u>

Total revenue 3,343,664

EXPENSES

Employee compensation and benefits	1,382,431
Floor brokerage, exchange and clearance fees	121,747
Professional fees	137,616
Occupancy and floor space	213,048
Communications and data processing	44,418
Other operating expenses	<u>611,290</u>

Total expenses 2,510,550

Income before income taxes 833,114

Provision for income taxes 21,224

Net income \$ 811,890

The accompanying notes are an integral part of these financial statements.

BANIF SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Common Stock</u>					
	<u>Issued and Outstanding</u>	<u>Amount</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Stockholder's Equity</u>
Balance, January 1, 2006	3,100	\$ 130	\$	4,319,970	\$ (3,688,738)	\$ 631,362
Capital Contribution				2,800,000		2,800,000
Net income					811,890	811,890
Balance, December 31, 2006	<u>3,100</u>	<u>\$ 130</u>	<u>\$</u>	<u>7,119,970</u>	<u>\$ (2,876,848)</u>	<u>\$ 4,243,252</u>

The accompanying notes are an integral part of these financial statements.

BANIF SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows from Operating Activities:	
Net income	\$ 811,890
Charges not involving the receipt or expenditure of cash:	
Provision for bad debt expense	62,562
Depreciation and amortization	31,710
Changes in assets and liabilities:	
Decrease in balance due from clearing agent	133,956
Increase in receivable from broker-dealers	(224,921)
Decrease in marketable securities owned	43,934
Decrease in non-marketable securities owned	22,800
Increase in prepaid expenses	(8,744)
Increase other assets	(2,206,597)
Decrease in accounts payable and accrued expenses	(23,204)
Increase in income tax payable	19,342
Net cash used in operating activities	(1,337,272)
Cash Flows from Investing Activities:	
Purchases of equipment	(8,787)
Net cash used in investing activities	(8,787)
Cash Flows from Financing Activities:	
Capital contribution	1,300,000
Net cash provided by financing activities	 1,300,000
Net decrease in cash	(46,059)
Cash, beginning of year	82,100
Cash, end of year	 \$ 36,041
Supplemental Disclosure of Cash Flows Information:	
Cash payments for income taxes	\$ 1,587
Cash payments for interest	\$ -
Significant Non-Cash Transaction:	
Parent contribution of investment security as capital contribution	\$ 1,500,000

The accompanying notes are an integral part of these financial statements.

BANIF SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. Nature of Business and Significant Accounting Policies

Nature of Business

Banif Securities, Inc. (the "Company") is registered as a broker-dealer with the Securities and Exchange Commission (SEC), and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company is a wholly owned-subsiidiary of Banif Securities Holdings, Ltd. (the "Parent"), a Cayman Islands company, which is part of the Banif Group headquartered in Portugal.

The Company provides securities brokerage services to institutional investors and affiliates. Some of the securities traded by the Company are listed only on the stock exchanges of foreign countries, thereby exposing the Company to currency risk.

Summary of Significant Accounting Policies

- (a) **Basis of Accounting:** The Company operates under the provisions of paragraph (k)(2)(ii) of rule 15c3-3 of the Securities and Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer, and promptly transmit all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.
- (b) **Revenue Recognition:** The Company receives commission income in accordance with the terms of an agreement with its clearing agent. This arrangement is further described in Note 2. Commission income and related expenses are recognized on a trade date basis.
- (c) **Cash:** The Company considers all money market instruments with original maturities of three months or less (other than purchases for inventory) to be cash equivalents.
- (d) **Depreciation and Amortization:** Depreciation of equipment is provided for by the straight-line method over its estimated useful lives.

BANIF SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. Nature of Business and Significant Accounting Policies – cont'd

- (e) **Income Taxes:** Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the dates of enactment.
- (f) **Use of Estimates:** The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- (g) **Fair Value:** The financial instruments of the Company are reported in the Statement of Financial Condition at market or fair value, or at carrying amounts that approximate fair values.

2. Transactions with Clearing Agents and Broker-Dealers

The Company has an agreement with a clearing agent to clear customers' securities transactions on a fully disclosed basis. The agreement provides for clearing charges at a fixed rate multiplied by the number of tickets traded by the Company and requires the Company to maintain a minimum deposit of \$100,000. Amounts due from the clearing agent consist primarily of the required deposit and trading account balances.

Amounts receivable from broker-dealers consist primarily of commissions receivable.

3. Securities Owned

Securities owned consist of \$1,501,800 of fixed rate corporate debt maturing in 2015. This security is maintained with the clearing broker dealer as a required deposit for trading activity.

BANIF SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

4. Furniture and equipment

Furniture and equipment consists of the following at December 31, 2006:

Furniture	\$ 3,950
Equipment	147,891
	<u>151,841</u>
Less: Accumulated depreciation	(89,982)
Net furniture and equipment	<u>\$ 61,859</u>

Depreciation expense for calendar year ended December 31, 2006 is \$31,710.

5. Other Assets

Other assets include accounts receivable of \$2,352,279 of which \$2,246,066 is from affiliated entities.

6. Rentals Under Operating Leases

The Company conducts its operations from leased office facilities in New York City under a non-cancelable operating lease, which expires in August 2007 (minimum future rental payments at December 31, 2006 is \$80,551). The lease for office space is subject to escalation for the Company's proportionate share of increases in real estate taxes and operating expenses. The Company also has entered into a month-to-month lease agreement with a related party for an office space in Miami. Total rent expense for the New York and Miami office for the year ended December 31, 2006, amounted to \$213,048.

7. Income Taxes

The Company has experienced losses in previous years. As a result, in 2006 the Company was required to pay its federal tax on alternative minimum tax and its state and local taxes on the basis of income and capital. The Internal Revenue Code allows net operating losses ("NOLs") to be carried forward and applied against future profits for a period of twenty years. At December 31, 2006, NOL carryforwards were available to the Company, totaling approximately \$2,790,000. The potential tax benefit of the NOLs has been recognized on the books of the Company, but offset by a valuation allowance. If not used, the Federal carryforward will expire as follows:

Year:	
2022	\$ 13,085
2023	534,737
2024	892,490
2025	1,349,703
	<u>\$ 2,790,015</u>

BANIF SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

7. Income Taxes – cont'd

Under Statement of Financial Accounting Standards No. 109, recognition of deferred tax assets is permitted unless it is more likely than not that the assets will not be realized.

The Company has recorded a full valuation allowance on its deferred tax assets as follows:

	Federal	State & Local	Total
Deferred tax asset	\$ 832,021	\$ 330,861	\$ 1,162,882
Valuation allowance	(832,021)	(330,861)	(1,162,882)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

8. Off-Balance Sheet Risk and Concentration of Credit Risk

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection of the payment of funds and, receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and determine that customer transactions are executed properly by the clearing broker-dealer.

The Company maintains its cash in an operating account at financial institutions, which often exceeds Federally insured limits. In addition, the Company's clearing broker holds substantially all of the Company's securities and significant amounts of cash owed to the Company from time to time. The Company does not believe that there is any substantial risk relating thereto.

9. Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c-3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2006, the Company had net capital of \$1,642,906, which exceeded the required regulatory net capital by \$1,542,906. The Company's ratio of aggregate indebtedness to regulatory net capital at December 31, 2006 was 0.03 to 1.

10. Stockholder's Equity

During 2006, the Company's Parent contributed \$2,800,000 of additional paid-in-capital.

BANIF SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

11. Employee Benefits

The Company has a 401(k) profit sharing plan for the benefit of all eligible employees. Employees may make tax deferred contributions subject to limitations under U.S. tax laws. Under the plan, the Company may make matching contributions, non-elective or discretionary contributions and other required minimum contributions. During 2006, the Company made matching contributions in the amount of \$34,482.

12. Related Party Transactions

During 2006, the Company entered into securities transactions with entities controlled by its Parent. The Company recorded commission income of \$447,761 and fee income of \$2,036,633 included in other income for transactions with affiliated entities. In addition, the Company paid rent of \$42,000 to an affiliated entity.

SCHEDULE I

BANIF SECURITIES, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2006

NET CAPITAL

Total stockholder's equity from statement of financial condition	\$ 4,243,252
Less, non-allowable assets:	
Prepaid expenses	\$ 33,004
Furniture and equipment	61,859
Other assets	2,352,571
Total non-allowable assets	<u>2,447,434</u>
Net capital before haircuts on securities positions	1,795,818
Haircuts:	
Other securities	151,310
Other - F/X exposure	1,602
Total haircuts	<u>152,912</u>
Net capital	<u>\$ 1,642,906</u>

AGGREGATE INDEBTEDNESS:

Accounts payable and accrued expenses	28,460
Income tax payable	19,575
Total Aggregate Indebtedness	<u>\$ 48,035</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (greater of \$100,000 or 6 2/3% of aggregate indebtedness)	<u>\$ 100,000</u>
Net capital in excess of minimum requirement	<u>\$ 1,542,906</u>

RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL

0.03 to 1

**Reconciliation of net capital and aggregate indebtedness with
Company's computation included in Part II of Form X-17A-5
as of December 31, 2006:**

	Net Capital	Aggregate Indebtedness
As reported in Company's Part II (unaudited) FOCUS report	1,669,693	28,248
Audit adjustments to increase income tax payable	(19,787)	19,787
Other items	(7,000)	-
Amounts reported above	<u>1,642,906</u>	<u>48,035</u>

HAFT & GLUCKMAN

CERTIFIED PUBLIC ACCOUNTANTS LLP

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors
Banif Securities, Inc.
New York, New York

In planning and performing our audit of the financial statements and the supplemental schedule of Banif Securities, Inc. (the Company), for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company 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 controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's 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 Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with

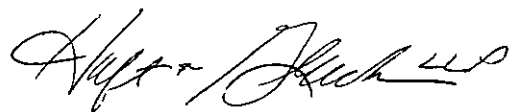
management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable 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 internal control, including control activities for safeguarding securities, and its operation 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 SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purpose. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



HAFT & GLUCKMAN
Certified Public Accountants LLP

February 21, 2007

END